

PROVISIONAL OUTTURN 2021/22

Cabinet - 7 July 2022

Report of: Deputy Chief Executive and Chief Officer - Finance & Trading

Status: For Consideration

Also considered by: Circulated to members of the Finance and Investment Advisory Committee

Key Decision: No

This report supports the Key Aim of: Effective Management of Council Resources

Portfolio Holder: Cllr. Matthew Dickins

Contact Officers: Alan Mitchell, Ext. 7483

Adrian Rowbotham, Ext. 7153

Recommendation to Cabinet:

Cabinet notes the report.

Reason for recommendation: Sound financial governance of the Council.

Introduction and Background

- 1 This has been another exceptional year where the reverberations of the COVID-19 pandemic are still being felt and the current world events continue the unprecedented pressure on the authority not only financially but operationally.
- 2 Therefore, I believe it is a real achievement that the Provisional Financial Outturn figures for 2021/22 (Appendix B) only show an unfavourable variance of £45,000 (2020/21 unfavourable variance £321,000).
- 3 In addition to the unfavourable variance above, a provisional figure of £285,000 for additional business rates was retained due to being a beneficiary of the Kent & Medway Business Rates Pool. There was a cost of £14,000 to identify new business rates growth which has been funded by the additional business rates.

- 4 In line with the financial strategy, the balance of £271,000 of additional business rates will be transferred to the Budget Stabilisation Reserve and the New Homes Bonus received transferred to the Financial Plan Reserve.
- 5 During the year we received a general COVID-19 Grant of £533,000 and the final instalment of the Fees & Charges Compensation £380,000 which has been used to offset the financial impact of COVID-19.

Areas of Note

- 6 The 2021/22 pay award was approved at 1.75%, which is 0.25% lower than budgeted therefore a saving of £42,000 has been realised.
- 7 Investment Returns - the return on treasury management investments held by the Council is lower than budget with interest received totalling £75,000 compared to a budget of £188,000. This is due to a number of factors. Firstly, the current interest rate on investments remains very low, secondly the available cash which we can invest is greatly reduced from previous years due to the funding of the capital programme, Quercus 7 acquisitions and also COVID-19. In addition to the interest received from investments, the interest from Quercus 7 is £275,000 this year. In order to increase future investment returns the Council has invested £5m for 5 years in Multi-Asset Investment Funds.
- 8 Council Tax - collection levels are below budgeted levels due to the impacts of COVID-19. Due to the way in which the Collection Fund is accounted for, this does not impact the Council until later years.
- 9 Retained Business Rates - Income expectation of £2.182m forms part of the 2021/22 budget; any receipts over and above this amount, including those that result from being a beneficiary of the Kent Business Rates Pool, will be transferred to the Budget Stabilisation Reserve. The current projection is that £285,000 of additional receipts will be received, £271,000 of which will be transferred to the reserve.

Net Service Expenditure - Favourable Variances

- 10 Within Miscellaneous Finance the favourable variance is £1.0m. This is made up of the receipt of a number of grants, including the COVID-19 Sales, Fees and Charges Compensation Scheme and the balance of Government COVID-19 grant which are offsetting additional COVID-19 costs or losses in income incurred in other areas.
- 11 CIL administration. The Council receives an administration fee for managing the scheme and is a percentage of the payments received.
- 12 Parking Enforcement is reporting a favourable variance of £61,000 due to a new contract with Tandridge District Council.
- 13 Corporate Management is reporting a favourable variance of £110,000 which is a result of reduced expenditure on brought-in external services.

- 14 Members allowances are forecasting a favourable variance of £50,000 due to changes in roles as only one Special Responsibility Allowance is payable. Also reduced expenditure on travel and training.
- 15 Economic Development and Property is reporting a favourable variance of £76,000 due to the allocation of staff costs to capital schemes.

Net Service Expenditure - Unfavourable Variances

- 16 Homeless is reporting an adverse variance of £275,000 which is the additional cost being incurred relating to an increased number of people being put in temporary accommodation and the cost of that accommodation versus the recovery from Government . The budget for homelessness funding has been increased in 2022/23 and will continue to be reviewed.
- 17 Land charges fees were revised for 2019/20 but the number of searches has remained down compared to previous years. Due to COVID-19 the level of searches has dropped even lower leading to a £52,000 unfavourable variance.
- 18 Direct Services are reporting an unfavourable variance of £994,000 due to the additional cost of agency staff due to COVID-19 and now to cover delayed staff leave. Also, an underachievement of income against the new higher budget previously approved and on trade waste as businesses recover from COVID-19. Other cost increases include the requirement to hire vehicles where existing vehicles are being repaired and the cost of repairing vehicles as wear and tear levels have dramatically risen due to the increased refuse loads.

Other Variances

- 19 Investment Property Income - The majority of properties held within the Property Investment Strategy continue to achieve the income levels predicted but there is an unfavourable variance of £49,000 due to loss of income offset by additional loan interest from Quercus 7.

Future Issues and Risk Areas

- 20 An early indications report has been presented to both Finance and Investment Advisory Committee and Cabinet which sets out the financial risks that may impact the council in 2022/23 and future years. Additional reports will be coming to future committees.

Key Implications

Financial

The financial implications are set out elsewhere in this report.

Legal Implications and Risk Assessment Statement

Under Section 151 of the Local Government Act 1972, the Section 151 officer has statutory duties in relation to the financial administration and stewardship of the authority.

Detailed budget monitoring is completed on a monthly basis where all variances are explained. Future risk items are also identified.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

Appendices

Appendix A - March 2022 Budget Monitoring Commentary (to follow)

Appendix B - Provisional Outturn - March 2022 Financial Information

Background Papers

None

Adrian Rowbotham
Deputy Chief Executive and Chief Officer - Finance & Trading