

| <b>Policy and Resources</b> |  | <b>Agenda Item:</b> |
|-----------------------------|--|---------------------|
| <b>Meeting Date</b>         | 13 July 2022   |                     |
| <b>Report Title</b>         | Financial Management Report – Outturn 2021/22  |                     |
| <b>EMT Lead</b>             | Lisa Fillery, Director of Resources  |                     |
| <b>Head of Service</b>      | Phil Wilson, Head of Finance and Procurement   |                     |
| <b>Lead Officer</b>         | Phil Wilson, Head of Finance and Procurement and Caroline Frampton, Principal Accountant   |                     |
| <b>Classification</b>       | Open   |                     |
| <b>Recommendations</b>      | <ol style="list-style-type: none"> <li>1. To note the revenue underspend of £104,200.</li> <li>2. To delegate to the Director of Resources the allocation of uncommitted underspends to the Budget Contingency Reserve.</li> <li>3. To note the capital slippage of £9,394,080 and capital expenditure of £6,082,880 against the Revised Budget as detailed in Table 4 and appendix I.</li> <li>4. To approve the capital rollovers of £8,885,200 as detailed in appendix I for approval.</li> </ol> |                     |

## **1. Purpose of Report and Executive Summary**

- 1.1 This report sets out the revenue and capital outturn position for 2021/22. The report is based on service activity for the whole of 2021/22 and is collated from monitoring returns from budget managers.
- 1.2 The purpose of the report is to compare the actual spend and income incurred in 2021/22 to the budget originally approved by members at Council in February 2021 and subsequently amended by virements, Cabinet decisions or made under delegated authority during the year.
- 1.3 The headline figures are:
- revenue overspend on services of £176,700 - Table 1;
  - total revenue underspend of £104,200;
  - capital expenditure of £6,082,880 – Table 4; and,
  - £8,885,200 rollover requests of capital underspends – appendix I.

## **2. Background**

- 2.1 The Council operated a budget monitoring process at Head of Service level, with regular reports during 2021/22 to the Leader and Cabinet Member for Finance and the Strategic Management Team.
- 2.2 Financial monitoring reports were presented to Cabinet on a quarterly basis, as well as to Scrutiny Committee.

### 3. Proposals

#### Revenue Outturn

**Table 1 - Variance by Service**

| Service   | Service Manager        | Working Budget      | Outturn 2021/22     | Variance         |
|---|------------------------|---------------------|---------------------|------------------|
|   |                        | £                   | £                   | £                |
| Chief Executive   | L. Reed                | 263,320             | 229,251             | (34,069)         |
| Policy, Communications & Customer Services                    | D. Clifford            | 1,289,250           | 1,015,983           | (273,267)        |
| Democratic and Electoral Services                             | D. Clifford            | 1,209,180           | 1,156,144           | (53,036)         |
| Director of Neighbourhoods & Regeneration                     | E. Wiggins             | 478,860             | 485,157             | 6,297            |
| Director of Resources   | L. Fillery             | 52,740              | 63,701              | 10,961           |
| Housing & Community   | C. Hudson              | 3,808,550           | 3,994,034           | 185,484          |
| Planning  | F. Churchill           | 940,470             | 1,038,402           | 97,932           |
| Environment & Leisure   | M. Cassell             | 6,735,180           | 6,467,302           | (267,878)        |
| Regeneration & Economic Development                           | J. Johnson             | 122,470             | (43,873)            | (166,343)        |
| Finance & Procurement   | P. Wilson              | 914,270             | 916,495             | 2,225            |
| Revenues & Benefits   | Z. Kent                | (135,310)           | (549,169)           | (413,859)        |
| Environmental Health  | T. Beattie             | 534,750             | 545,324             | 10,574           |
| Information Technology  | C. Woodward            | 1,389,550           | 1,210,522           | (179,028)        |
| Internal Audit  | Head of Internal Audit | 193,690             | 170,529             | (23,161)         |
| Human Resources   | B. Sandher             | 462,910             | 372,020             | (90,890)         |
| Legal   | C. Valmond             | 521,780             | 437,058             | (84,722)         |
| Contributions to Reserves for services shown above            | P. Wilson              | 0                   | 712,660             | 712,660          |
| Net contributions from Reserves                               | P. Wilson              | (2,706,190)         | (1,963,325)         | 742,865          |
| Corporate Items   | Corporate              | 3,992,530           | 3,986,502           | (6,028)          |
| <b>NET REVENUE SERVICE EXPENDITURE</b>                        |                        | <b>20,068,000</b>   | <b>20,244,718</b>   | <b>176,718</b>   |
| <b>Financed by:</b>   |                        |                     |                     |                  |
| Revenue Support Grant   |                        | (116,000)           | (115,623)           | 377              |
| Coronavirus (Covid-19) Support Grants                         |                        | (1,377,000)         | (1,658,558)         | (281,558)        |
| Business Rates  |                        | (8,642,000)         | (8,642,000)         | 0                |
| New Homes Bonus   |                        | (1,028,000)         | (1,027,989)         | 11               |
| Collection Fund Surplus                                       |                        | (50,000)            | (50,000)            | 0                |
| Council Tax Requirement                                       |                        | (8,855,000)         | (8,854,752)         | 248              |
| <b>TOTAL FINANCING</b>  |                        | <b>(20,068,000)</b> | <b>(20,348,922)</b> | <b>(280,922)</b> |
| <b>NET EXPENDITURE (Contribution (to)/ from General Fund)</b> |                        | <b>0</b>            | <b>(104,204)</b>    | <b>(104,204)</b> |

3.1 The variances with brackets are underspends, i.e., income received was greater than the budget or the spend was less than budget; variances with no brackets are overspends, i.e., the income was less than the budget, or the spend was more than budget. The significant variances from budget are explained below.

- 3.2 Policy, Communications & Customer Services £273,000 underspend: There was a contract underspend on the Sheerness Gateway with Kent County Council of £38,000 and a salary underspend of £253,000 due to a delay in a staffing restructure.
- 3.3 Housing & Community Services £185,000 overspend: There was an overspend of £352,000 on temporary accommodation which was due to the increase in homelessness arising from the general economic situation which was offset by underspends on CCTV, Sports Development and the Stay Put Service.
- 3.4 Planning £98,000 overspend: There was additional income of £295,000 from planning fees due mainly to the major application of Highsted Park which was offset by extra legal fees and consultation advice as well as a shortfall of income of £49,000 on local land charges due to economic uncertainty affecting the housing market and a drop in land searches fees.
- 3.5 Environment & Leisure £268,000 underspend: There was a shortfall of £366,000 in income from parking due to the ongoing impact of the coronavirus with the increase in working from home, but this was partially offset by other parking savings of £103,000. There was additional income of £373,000 from garden waste collections due to the increase in the take up of this service, from the sale of wheeled bins due to new developments and from an increase in special collections and in addition there was an underspend on salaries of £92,000 due to staffing restructures.
- 3.6 Regeneration and Economic Development £166,000 underspend: There was additional rental income of £77,000 from the Sittingbourne Town Centre development due to a higher take up of lettings than originally forecast. An underspend of £59,000 on building maintenance has been transferred to a reserve to fund future expenditure.
- 3.7 Revenues & Benefits £414,000 underspend: There was a net saving of £350,000 on this service due to extra grants from central government and this has been transferred to reserves. A reduction in income of £72,000 from the enforcement shared service was offset by additional income of £73,000 due to the recovery of court costs as courts opened during 2021/22. There was a salary underspend of £31,000.
- 3.8 Shared Services £378,000 underspend: There was an underspend on IT equipment and software of £156,000 which has been transferred to reserves to invest in these items in the future. The Legal Services underspend of £85,000 was due to additional income from recharges to Maidstone and Tunbridge Wells. There was an underspend on corporate training and the service recharge from Maidstone Council for HR of £90,000.
- 3.9 Reserves: Contribution to reserves shows the cost of transferring service savings in year to ringfenced reserves (as referenced above); to comply with statute or due to a previous Cabinet decision. Additional contributions have been made to reserves to support the following pressures in 2022/23, transformation and digitalisation; waste contract procurement; staffing resources and redundancy; property rents and planning resourcing.

3.10 Net contributions from reserves overspend is the funding of Minimum Revenue Provision and Pension costs directly from the General Fund and the transfer of service underspends to reserves to fund known pressures and future increases.

3.11 Coronavirus Grants £282,000 underspend: As reported earlier to Cabinet, the Council received additional Government Covid funding of £198k of sales, fees and charges income for 2021/22 and in addition there was a supplementary sum for 2020/21 based on a revised grant claim.

### General Fund

3.12 The General Fund is shown below. The Council's policy is to maintain a balance of at least £1.5m in the General Fund.

**Table 2: General Fund Balance**

|  | <b>£'000</b>   |
|--|----------------|
| General Fund balance at 1 April 2021               | (4,484)        |
| 2020/21 rollovers approved by Cabinet in July 2021 | 1,515          |
| 2021/22 net expenditure (Table 1)                  | (104)          |
| <b>General Fund Balance</b>                        | <b>(3,073)</b> |

### Reserves

3.13 Table 3 below summarises the reserves balances as at 31 March 2022.

**Table 3: Reserves**

|                            | <b>Balance as<br/>at 1 April<br/>2021</b> | <b>Contributions<br/>(to)/ from<br/>reserve in<br/>year</b> | <b>Balance as<br/>at 31 March<br/>2022</b> |
|----------------------------|---|---|--|
| <b>Reserve</b>             | <b>£'000</b>                              | <b>£'000</b>  | <b>£'000</b>                               |
| Earmarked Revenue Reserves | (16,551)                                  | (354)   | (16,905)                                   |
| Ring fenced reserves       | (8,459)                                   | 1,623   | (6,836)                                    |
| General Fund               | (4,484)                                   | 1,411   | (3,073)                                    |
| Capital Grants Unapplied   | (458)                                     | (54)  | (512)                                      |
| Capital Receipts           | (2,884)                                   | 41  | (2,843)                                    |
| <b>Total</b>               | <b>(32,836)</b>                           | <b>2,667</b>  | <b>(30,169)</b>                            |

### Capital Expenditure

3.14 This section of the report details actual capital expenditure and highlights any variations between the revised 2021/22 capital budget and the outturn.

3.15 Actual expenditure in 2021/22 was £6,082,883 which was 39% of the budget. There was capital slippage of £9,394,082. A summary is set out in Table 4 below and further details are shown in appendix I.

3.16 There are a number of externally funded capital projects where the revised budget has been amended to reflect the resources made available. These are detailed in appendix I

**Table 4 – Capital Outturn**

| Capital Scheme                            | 2021/22 Revised Budget | 2021/22 Outturn  | 2021/22 Variance   | Rollover Request |
|---|------------------------|------------------|--------------------|------------------|
|   | £                      | £                | £                  | £                |
| Total Housing & Community Services        | 5,802,983              | 1,856,098        | (3,946,885)        | 3,946,884        |
| Total Regeneration & Economic Development | 6,885,111              | 3,589,165        | (3,275,946)        | 2,914,243        |
| Total Environment & Leisure               | 2,399,171              | 446,435          | (1,952,736)        | 1,805,560        |
| Total ICT                                 | 349,700                | 131,185          | (218,515)          | 218,515          |
| Total Planning                            | 60,000                 | 60,000           | 0                  | 0                |
| <b>Total Capital Programme</b>            | <b>15,476,965</b>      | <b>6,082,883</b> | <b>(9,394,082)</b> | <b>8,885,202</b> |

The explanations for the significant capital variances and rollovers are shown below:

**3.16 Housing and Community Services - Disabled Facilities Grant** – Funding is from Central Government and is paid via Kent County Council. The grant is part of the overall Better Care Fund which incorporates aspects of health, and the Disabled Facilities Grant (DFG) money which must be used on mandatory grants that the Council administers. The money should be rolled over to the following year to continue funding grants approved within the year. The spend is dependent on applications received, and due to Covid-19, owners not wanting work to proceed or builders unable to carry out work, the number and spend on grants has been impacted. Additionally, once a grant is approved the applicant has 12 months to complete the work, therefore the DFG spend is a constant rolling process that crosses financial periods.

**3.17 Regeneration & Economic Development High Streets** – The programme of town centre redevelopment works is nearing completion. In 2021/22 expenditure has been charged to revenue and met from the High Street/Town Centre Fund. The rollover represents the balance on the Fund as at the end of 2021/22. **Queenborough & Rushenden Klondyke Land Improvement** – This is fully funded from external grant. **Redevelopment of Master’s House** – Project fully contracted and works began on site in early 2022. Some expenditure always foreseen in 2022/23 as contract spans financial years. 2021/22 spend reflects quantum of contract delivered.

## Funding of the 2021/22 Capital Programme

3.17 The 2021/22 capital programme expenditure of £6,082,883 was funded as set out in Table 5 below.

**Table 5: Capital Programme Funding**

|  | <b>2021/22<br/>Outturn</b> |
|--|----------------------------|
|  | <b>£'000</b>               |
| Capital grants and other contributions | 4,829                      |
| Capital receipts                       | 201                        |
| Earmarked reserves                     | 573                        |
| Direct revenue funding                 | 29                         |
| Borrowing                              | 451                        |
| <b>Total Capital Funding</b>           | <b>6,083</b>               |

## 4. Alternative Options

4.1 None identified – this report is largely for information.

## 5. Consultation Undertaken or Proposed

5.1 Heads of Service and Strategic Management Team have been consulted in preparing this report.

## 6. Implications

| <b>Issue</b>                                  | <b>Implications</b>   |
|---|---|
| Corporate Plan                                | Good financial management is key to supporting the Corporate Plan objectives.   |
| Financial, Resource and Property              | As detailed in the report   |
| Legal, Statutory and Procurement              | The outturn report is not a statutory requirement, but it is a requirement of the Council's Financial Regulations.        |
| Crime and Disorder                            | None identified at this stage.  |
| Environment and Climate/ Ecological Emergency | The report identifies a wide range of expenditure headings which support the Council's Climate and Emergency Action Plan. |
| Health & Wellbeing                            | None identified at this stage.  |

| Issue  | Implications   |
|--|--|
| Safeguarding of Children, Young People and Vulnerable Adults | None identified at this stage.   |
| Risk Management and Health and Safety                        | The Council's overall financial position is a key risk in the Council's Corporate Risk Register. |
| Equality and Diversity                                       | None identified at this stage.   |
| Privacy and Data Protection                                  | None identified at this stage.   |

## 7. Appendices

7.1 The following documents are published with this report and form part of the report:

- Appendix I: Capital Outturn 2021/22

## 8. Background Papers

[2021/22 Budget Book on website](#)

## Capital Outturn 2021/22

| Capital Scheme  | 2021/22 Revised Budget | 2021/22 Outturn  | 2021/22 Variance   | Rollover Request | Funding Source   |
|---|------------------------|------------------|--------------------|------------------|--|
|   | £                      | £                | £                  | £                |  |
| <b>Housing &amp; Community Services – C. Hudson</b>                     |                        |                  |                    |                  |  |
| CCTV  | 49,960                 | 4,959            | (45,001)           | 45,000           | Reserves/ Borrowing  |
| Disabled Facilities Grant Mandatory                                     | 3,301,260              | 1,571,727        | (1,729,533)        | 1,729,533        | External Grant   |
| Disabled Facilities Grant   | 1,927,530              | 0                | (1,927,530)        | 1,927,530        | External Grant   |
| Housing Repair Grants Over 60   | 1,816                  | 1,816            | 0                  | 0                | External Grant (revised budget amended)                            |
| Decent Home Loans Owner Occupier  | 31,781                 | 31,781           | 0                  | 0                | Long Term Loans/ Grants (revised budget amended)                   |
| Winter Warmth Grants  | 25,374                 | 25,374           | 0                  | 0                | External Grant (revised budget amended)                            |
| Kemsley Community Facilities  | 47,202                 | 47,202           | 0                  | 0                | Special Project Fund   |
| Local Housing Company - Business Planning Work                          | 250,000                | 57,239           | (192,761)          | 192,761          | Housing & Commercial Growth Business Fund                          |
| Land Regeneration/Improvement Works at Dolphin Barge Museum & Skatepark | 52,060                 | 0                | (52,060)           | 52,060           | Special Project Fund   |
| Murston Old Church  | 20,000                 | 20,000           | 0                  | 0                | Community Fund   |
| Sheerness War Memorial  | 76,000                 | 76,000           | 0                  | 0                | Sheppey Improvement Fund/ External Loan                            |
| Thistle Hill Community Centre - Solar PV installation                   | 20,000                 | 20,000           | 0                  | 0                | Special Project Fund   |
| <b>Total Housing &amp; Community Services</b>                           | <b>5,802,983</b>       | <b>1,856,098</b> | <b>(3,946,885)</b> | <b>3,946,884</b> |  |
| <b>Regeneration &amp; Economic Development – J. Johnson</b>             |                        |                  |                    |                  |  |
| Sittingbourne Town Centre   | 1,079,700              | 438,616          | (641,084)          | 641,084          | Borrowing  |
| Footpath Contribution – High Street Sittingbourne                       | 5,660                  | 651              | (5,009)            | 0                | S106   |
| Faversham Creek Basin Regeneration Project (Swing Bridge)               | 200,000                | 0                | (200,000)          | 200,000          | Capital Receipts   |
| High Streets  | 987,350                | 0                | (987,350)          | 630,656          | Town Centres, High Street Fund/S106/ Improvement & Resilience Fund |



## Capital Outturn 2021/22

| Capital Scheme                                       | 2021/22 Revised Budget | 2021/22 Outturn  | 2021/22 Variance   | Rollover Request | Funding Source  |
|--|------------------------|------------------|--------------------|------------------|---|
|  | £                      | £                | £                  | £                |   |
| Queenborough & Rushenden Klondyke Land Improvement   | 2,807,401              | 2,807,401        | 0                  | 0                | External Grant (revised budget amended)                             |
| Coronation Clock Tower Sheerness                     | 185,000                | 103,400          | (81,600)           | 81,600           | Improvement & Resilience Fund/ Town Centres, High Street Fund/ S106 |
| Redevelopment of Master's House, Sheerness           | 1,550,000              | 231,327          | (1,318,673)        | 1,318,673        | Improvement & Resilience Fund/ Capital Receipts/ External Grant     |
| Swale House Refurbishment                            | 50,000                 | 7,770            | (42,230)           | 42,230           | Borrowing   |
| <b>Total Regeneration &amp; Economic Development</b> | <b>6,865,111</b>       | <b>3,589,165</b> | <b>(3,275,946)</b> | <b>2,914,243</b> |   |
| <b>Environment &amp; Leisure - M. Cassell</b>        |                        |                  |                    |                  |   |
| Barton's Point Coastal Park - replacement bridge     | 148,400                | 140,585          | (7,815)            | 7,815            | Capital Receipts  |
| Beach Huts   | 60,000                 | 0                | (60,000)           | 60,000           | Capital Receipts  |
| Coastal Monitoring Programme                         | 50,253                 | 50,253           | 0                  | 0                | External Grant (revised budget amended)                             |
| Faversham Recreation Ground Outdoor Gym equipment    | 47,556                 | 47,556           | 0                  | 0                | S106 (revised budget amended)                                       |
| Faversham Recreation Ground Improvements             | 15,800                 | 0                | (15,800)           | 0                | External Grant/ Special Projects Fund                               |
| Gunpowder Works Oare Faversham                       | 9,000                  | 0                | (9,000)            | 9,000            | S106  |
| Grove Park Fitness                                   | 9,450                  | 9,450            | 0                  | 0                | S106 (revised budget amended)                                       |
| Kemsley Recreation Ground, Play Improvements         | 16,989                 | 16,989           | 0                  | 0                | Revenue/ Coronavirus Grant (revised budget amended)                 |
| Sheppey Improvement Fund                             | 190,000                | 0                | (190,000)          | 190,000          | Capital Receipts  |
| Sheppey Sea Cadets                                   | 15,000                 | 15,000           | 0                  | 0                | Special Projects Fund   |
| Leisure Centres / Changing Places toilets            | 293,850                | 0                | (293,850)          | 293,850          | Borrowing/ Grant  |
| Swallows Leisure Centre                              | 81,740                 | 61,194           | (20,546)           | 0                | Covid Recovery Fund   |

## Capital Outturn 2021/22

| Capital Scheme   | 2021/22 Revised Budget | 2021/22 Outturn | 2021/22 Variance   | Rollover Request | Funding Source  |
|--|------------------------|-----------------|--------------------|------------------|---|
|  | £                      | £               | £                  | £                |   |
| Milton Creek Access Road   | 40,000                 | 0               | (40,000)           | 40,000           | Reserves  |
| Play Area Festival Playing Field   | 10,293                 | 10,293          | 0                  | 0                | Revenue/ Coronavirus Grant (revised budget amended)     |
| New Play Area – Iwade Schemes  | 45,000                 | 0               | (45,000)           | 45,000           | S106  |
| Open Spaces Play Equipment   | 456,000                | 0               | (456,000)          | 456,000          | S106  |
| Play Improvements  | 200,000                | 0               | (200,000)          | 200,000          | Capital Receipts/ Special Projects Fund/ Reserves       |
| Play Improvements – Diligent Drive   | 18,000                 | 16,370          | (1,630)            | 0                | Reserves  |
| Public Toilets (including Minster Leas, Q'boro' Landing, Forum Sittingbourne, Milton Creek Country Park and Toilets & Shower Block Barton's Point) | 257,620                | 4,011           | (253,609)          | 257,620          | Special Projects & Improvement / Resilience Fund        |
| Resurfacing Promenade, The Leas  | 79,970                 | 6,145           | (73,825)           | 73,825           | External Grant  |
| Resurfacing Shellness Road, Leysdown   | 27,000                 | 27,000          | 0                  | 0                | Improvement & Resilience Fund/ Leysdown Project Reserve |
| St Anne's Footbridge Lighting  | 41,250                 | 41,589          | 339                | 0                | Special Projects Fund/ Revenue                          |
| Wheeled Bins   | 286,000                | 0               | (286,000)          | 172,450          | Reserves  |
| <b>Total Environment &amp; Leisure</b>   | <b>2,399,171</b>       | <b>446,435</b>  | <b>(1,952,736)</b> | <b>1,805,560</b> |   |
| <b>ICT - C. Woodward</b>   |                        |                 |                    |                  |   |
| ICT Infrastructure & Equipment Replacement   | 349,700                | 131,185         | (218,515)          | 218,515          | Reserves  |
| <b>Total ICT</b>   | <b>349,700</b>         | <b>131,185</b>  | <b>(218,515)</b>   | <b>218,515</b>   |   |

## Capital Outturn 2021/22

| Capital Scheme                                    | 2021/22 Revised Budget | 2021/22 Outturn  | 2021/22 Variance   | Rollover Request | Funding Source                   |
|---|------------------------|------------------|--------------------|------------------|----------------------------------|
|   | £                      | £                | £                  | £                |                                  |
| <b>Planning – F. Churchill</b>                    |                        |                  |                    |                  |                                  |
| Faversham Reach Public Footpath ZF43              | 60,000                 | 60,000           | 0                  | 0                | Faversham Creek Footpath Reserve |
| <b>Total Planning</b>                             | <b>60,000</b>          | <b>60,000</b>    | <b>0</b>           | <b>0</b>         |                                  |
|   |                        |                  |                    |                  |                                  |
| <b>Total Capital Programme Funded by SBC</b>      | <b>6,208,732</b>       | <b>1,253,987</b> | <b>(4,954,745)</b> | <b>4,464,541</b> |                                  |
| <b>Total Capital Programme Funded by Partners</b> | <b>9,268,233</b>       | <b>4,828,896</b> | <b>(4,439,337)</b> | <b>4,420,661</b> |                                  |
| <b>Total Capital Programme</b>                    | <b>15,476,965</b>      | <b>6,082,883</b> | <b>(9,394,082)</b> | <b>8,885,202</b> |                                  |