

Policy & Resources Committee	
Meeting Date	15 July 2024
Report Title	Financial Management Report – Outturn 2023/24
EMT Lead	Lisa Fillery, Director of Resources
Head of Service	Claire Stanbury, Head of Finance and Procurement
Lead Officer	Caroline Frampton, Principal Accountant
Classification	Open
Recommendations	<ol style="list-style-type: none"> 1. To note the reduced take from the budget contingency reserve of £813k to deliver a balanced outturn position. 2. To note the level of reserves at 31 March 2024 as detailed in table 3. 3. To note the capital slippage of £21.641m and capital expenditure of £11.02m against the Revised Budget as detailed in table 4 and appendix I.

1. Purpose of Report and Executive Summary

- 1.1 This report sets out the revenue and capital outturn position for 2023/24. The report is based on service activity for the whole of 2023/24 and documents the final spend and income in the year, including transfers to and from reserves.
- 1.2 The purpose of the report is to compare the actual spend and income incurred in 2023/24 to the budget and to provide explanations for any variances. The report also highlights the reprofiling of capital budgets as a result of slippage on projects where budgets have already been approved.
- 1.3 The headline figures are:
 - £1.23m use of reserves to deliver a balanced outturn – Table 1;
 - Gross capital expenditure of £11.020m, net capital spend of £4.774m – Table 4; and,
 - £21.641m reprofiled slippage of capital spend – appendix I.

2. Background

- 2.1 The Council operated a budget monitoring process at Head of Service level, with regular reports during 2023/24 to the Policy & Resources Committee and the Strategic Management Team.

3. Proposals

Revenue Outturn

Table 1 - Variance by Service:-

	Working Budget £'000	Outturn £'000	Variance £'000
Chief Executive	705	673	(32)
Communications	306	312	6
Elections, Democratic Service & Information Governance	1,117	1,077	(40)
Housing & Community	4,958	5,180	222
Planning	573	1,087	514
Environment & Leisure	8,339	7,655	(684)
Regeneration & Economic Development	(154)	(302)	(148)
Finance & Procurement	815	769	(46)
Revenues & Benefits	311	337	26
Environmental Health	548	572	24
Information Technology	1,285	1,277	(8)
Internal Audit	176	128	(48)
Human Resources	449	406	(43)
Legal	575	618	43
Drainage Board Levy	951	911	(40)
Corporate Overheads & Capital Financing	2,980	2,429	(551)
NET REVENUE SERVICE EXPENDITURE	23,934	23,129	(805)
Finance by:			
Budget Contingency Reserve	(2,045)	(1,232)	813
Revenue Support Grant	(317)	(317)	0
Funding Guarantee Grant	(497)	(497)	0
Services Grant	(174)	(174)	0
Other Grants	0	(8)	(8)
Business Rates	(10,159)	(10,159)	0
New Homes Bonus	(1,103)	(1,103)	0
Collection Fund Deficit	45	45	0
Council Tax Requirement	(9,684)	(9,684)	0
TOTAL FINANCING	(23,934)	(23,129)	805
NET EXPENDITURE (Contribution (to) General Fund)	(0)	0	0

- 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:-

Housing & Community £222k overspend – The variance is largely due to an increase in the cost of temporary accommodation which has outstripped the hard work of the team in reducing the number of placement during 2023/24. This is offset with salary underspends within the Customer Service Centre and the Stay Put/Private Sector areas.

Planning £514k overspend – The variance is due to increased costs of temporary staffing due to difficulties in recruiting permanent staff, this is a net position as additional income was also achieved during the year. The team restructure implemented in 2024/25 aims to address the recruitment issue.

Environment & Leisure (£684k) underspend – The variance is largely attributable to low cost of indexation for the refuse collection and street cleansing contract than was initially budgeted.. The waste and street cleansing budgets for 2024/25 have been calculated on the new contract. In addition parking activity has recovered well and the final position is therefore better than anticipated. Leisure and Technical Services are reporting an overspend of £215k. This is mainly as a result of an expected increased cost on leisure and sports centres in relation to an increase in leisure centre utility costs.

Shared Services (£32k) underspend – There were a number of staff vacancies across the shared services that created savings within the year. Legal Services overspend was a result of higher than budgeted use of interim staff and external legal services across the Council.

Corporate items (£551k) underspend – the main reason for the variance is higher than anticipated investment income due to the increased interest rates, as well as a saving on pension costs. Reduced insurance contract costs offset additional external audit costs. There is a saving of £36,000 on MRP costs due to previous slippage of capital projects. Where the savings are ongoing, the changes have been reflected in the budget for 2024/25.

General Fund

3.2 The General Fund is shown below. The Council's policy is to maintain a balance of at least £1.5m in the General Fund. This balance represents 13.4% of the cost of services for 2023/24 and is therefore deemed to be at an adequate level, however this position will be reviewed in 2024/25.

Table 2: General Fund Balance

	£'000
General Fund balance at 1 April 2023	(3,103)
Transfers in 2023/24	0
General Fund Balance	(3,103)

Earmarked Reserves

3.3 The following transfers have been made to reserves in 2023/24:

- The waste contract contingency allowance and other specific funding from 2023/24 has been allocated to the waste reserve to support the transition to the new waste contract.
- Annual contribution has been made to the ICT reserve.
- Annual contribution has been transferred to the Electoral Registration Reserve to smooth the
 - Allocation to a risk management and insurance reserve to create a provision to support the newly procured insurance contract.
 - The additional investment income achieved due to higher interest rates and the delayed payment for capital assets is partly being used to reduce the overall take from reserves. However, in light of upcoming changes to international financial reporting standards (IFRS9) for investment valuations a smoothing reserve has been created to mitigate budget pressures arising from valuation decreases in our CCLA investment.
 - cost of the local election.
 - The actual use of the Budget Contingency Reserve to support the delivery of a balanced budget was £1.2m. Further transfers to this reserve were made in year as part of the rationalisation exercise.
 - The reserves funded planned capital expenditure on various play areas, toilets, the new chamber equipment and Wayfinding signs and the delivery of the local election and the 2023/24 one off pay award.
 - The finalisation of prior year collection funding accounting to include the last of the COVID-19 grants enabled a transfer to be made from the ringfenced reserve balances to the business rate volatility reserve. This reserve was created to mitigate the impact of the business rate reset which is now much delayed, but the risk of the loss of our business rate growth remains when and if that is implemented.
 - Contributions were made to the local plan reserve and the ICT equipment reserve to ensure that future peaks in required spend can still be met.

3.4 Table 3 below sets out the earmarked reserves balances as at 31 March 2024.

Table 3: Earmarked Reserves

	Balance as at 1 April 2023	Contributions (to)/ from reserve	Balance as at 31 March 2024
	£'000	£'000	£'000
Budget Contingency Reserve	(2,920)	1,082	(1,837)
Kent Pool Economic Development Business Rates	(1,887)	(830)	(2,717)
North Kent Housing & Commercial Growth Business Rates	(1,334)	204	(1,129)
Business Rates Volatility	(1,004)	(3,036)	(4,040)
Building & Asset Maintenance	(740)	0	(740)
Service Reserves	(1,290)	(278)	(1,568)
Waste and Environment	(457)	(403)	(860)
ICT Equipment Reserve	(494)	30	(464)
Repairs & Renewals	(305)	(37)	(342)
Miscellaneous	(3,292)	623	(2,668)
Total Earmarked Reserves	(13,722)	(2,643)	(16,365)
Collection Fund & Grants In Advance	(1,326)	1,155	(171)
Accounting Adjustments	(82)	(250)	(332)
Total Reserves	(15,130)	(1,739)	(16,869)

Capital Expenditure

- 3.5 This section of the report details actual capital expenditure and highlights any variations between the revised 2023/24 capital budget and the outturn.
- 3.6 Actual expenditure in 2023/24 was £11.02m which was 33% of the budget. There was capital slippage of £21.641m. A summary is set out in Table 4 below and further details are shown in appendix I.
- 3.7 Although only 33% of the total capital budget has been spent, some of the budgets are effectively a rolling budget and will be rolled into 2024/25. This is the case for the Disabled Facilities Grant £4.56m. Rainbow Homes £5.26m, Housing Temporary Accommodation £3.58m, Levelling Up £6.32m and the Waste Vehicle Fleet £788k will also slip into future years to reflect when the activity will take place.
- 3.8 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 Spend	2023/24 Budget		2023/24 Outturn		2023/24 Variance £'000	Capital Slippage £'000
	Gross £'000	Net £'000	Gross £'000	Net £'000		
Housing & Community Services	15,977	9,156	2,539	262	(8,895)	13,453
Regeneration & Economic Development	8,259	482	1,611	246	(236)	6,612
Environment & Leisure	8,831	5,485	6,670	4,267	(1,219)	1,576
ICT Infrastructure & Equipment	192	0	122	0	0	0
Democratic Services	78	0	78	0	0	0
Total Capital Programme	33,336	15,124	11,020	4,774	(10,350)	21,641

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

Housing and Community Services

- **Disabled Facilities Grant** – This accounts for £4.6m of the slippage. 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. 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.
- **Local Housing Company** – The budget was reprofiled approximately 18 months ago, to reflect that the work is likely to take place over a number of years. However, as yet there has not been capital spend on this project, and therefore £5.3m is recognised as capital slippage at 31 March 2024.
- **Purchase of Temporary Accommodation** – A number of properties have been purchased and we are continuing to purchase further properties in 2024/25. The project took some time to get underway as suitable properties were identified, but since the completion of the first property there has been a steady stream of purchases.

Regeneration & Economic Development

- **Levelling Up Scheme** – This is fully funded from external grants and can be rolled into 2024/25. There were delays in starting the project for reasons beyond the control of Swale Borough Council.

Environment & Leisure

- **Waste Vehicle Fleet** – Most vehicles were delivered prior to 31 March 2024, which just a few outstanding. The slippage of £788k represents those vehicles not delivered by the end of the financial year.
- **Play Areas Equipment & Improvements** – This is funded from capital contributions, and works not complete at 31 March 2024 will be reprofiled into future years as work is carried out and funded from contributions received.

ICT Replacement

- The council operates a rolling programme of ICT equipment replacement, which is funded from reserves. Although spend in 2023/24 was less than anticipated when setting the budget, this does not represent a saving, but simply that the works have not yet taken place, and the anticipated funding will remain in reserve for future years.

Funding of the 2023/24 Capital Programme

3.9 The 2023/24 capital programme expenditure of £11.020m was funded as set out in Table 5 below.

Table 5: Capital Programme Funding

	2023/24 Outturn
	£'000
Capital grants and other contributions	3,780
Capital receipts	1,800
Earmarked reserves	623
Direct revenue funding	28
Borrowing	4,789
Total Capital Funding	11,020

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

Issue	Implications
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.

Issue	Implications
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.
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 2023/24

8. Background Papers

- Council Meeting Agenda and Minutes 22 February 2023