

This Report will be made public on Monday, 22 June 2026.

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Report Number: **C/26/17**

To: Finance & Performance Scrutiny Sub Committee
Date: 30th June 2026
Status: Non-Key Decision
Head of Service: Alan Mitchell, Director of Finance (s151 Officer)
Cabinet Member: Councillor Tim Prater, Deputy Leader and Cabinet Member for Finance and Governance

SUBJECT: GENERAL FUND REVENUE 2025/26 PROVISIONAL OUTTURN

SUMMARY: This report summarises the 2025/26 provisional outturn position (subject to external audit) for the General Fund revenue outturn compared to the approved budget for the council. The provisional revenue outturn is subject to the completion of 2025/26 statutory audit of the accounts before becoming final.

REASONS FOR RECOMMENDATIONS:

The purpose of this report is to ensure effective management of Council resources through sound Financial Management and Governance arrangements. The Committee is asked to note the recommendations set out below

CABINET RECOMMENDATIONS (for F&PSSC comments):

1. To receive and note report C/26/17.
2. To note the provisional Outturn surplus of £90,000.
3. To note the carry forward of £5.468m unspent 2025/26 budgets to be allocated to Specific Carry Forward Earmarked Reserves as detailed in Appendix D.

1. INTRODUCTION

- 1.1 This report provides an overview on the Provisional Revenue Outturn and reserves position for the 2025/26 financial year to 31 March 2026.
- 1.2 The Outturn is provisional until the 2025/26 Statement of Accounts have been audited at which time the reported position will become final subject to any required changes; however, no material or significant changes are expected.
- 1.3 The provisional revenue outturn position for the 2025/26 financial year is detailed in Appendix A. There is a favourable position of (£90k).
- 1.4 The overall spend against service budgets for the year has resulted in an unfavourable position of £3.034m (Appendix A, 'Total for Service'), a movement of £654k to Q3 projections, driven in large part by temporary accommodation pressures. Offsetting this position are below the line adjustments in non-service related budgets (i.e. technical and funding budgets) e.g. minimum revenue provision, detailed in paragraphs 2.2 and 2.4 of the report.
- 1.5 The graph below shows the Provisional Draft Outturn for the Head of Service against the latest budget.

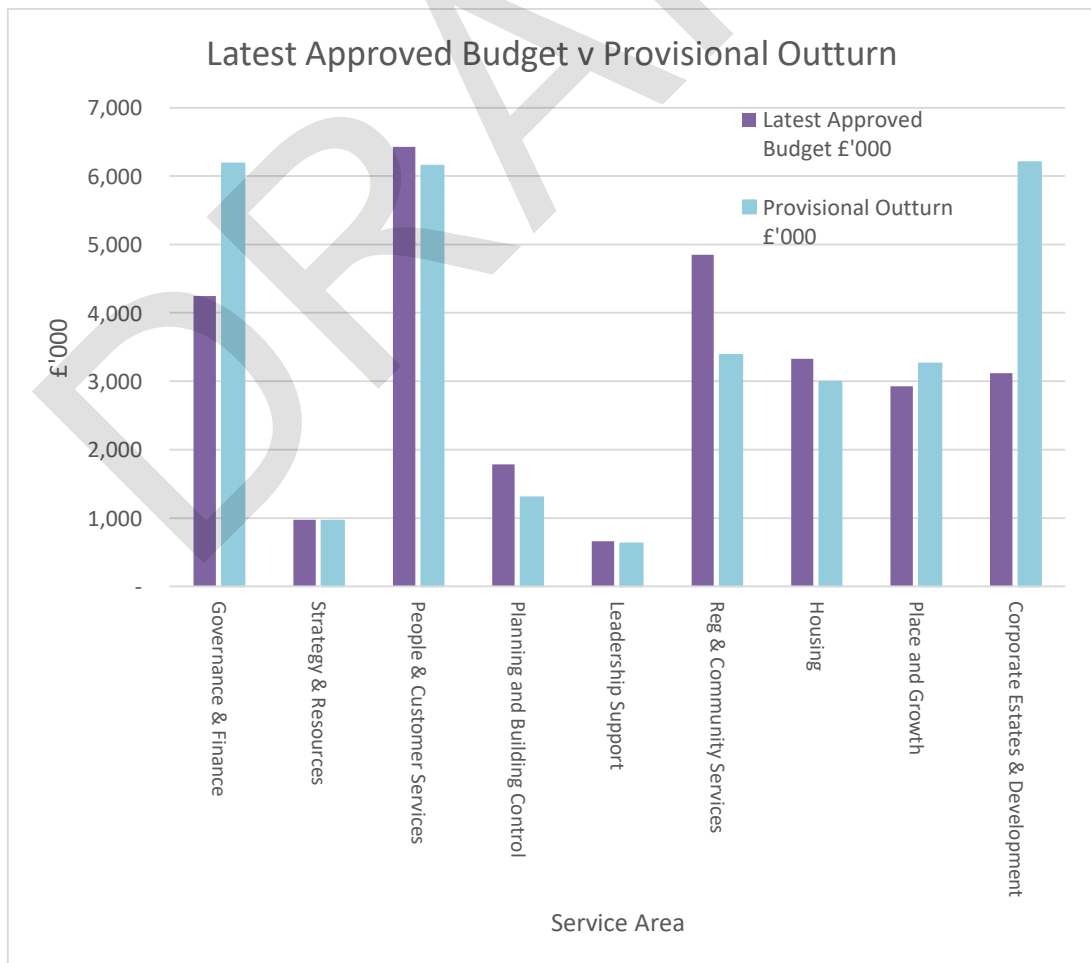


Figure 1

- 1.6 Carry forwards of £5.468m reflect unspent revenue budget carried forward to meet specific future service costs and mitigate future year budget gaps as identified in the Medium Term Financial Strategy. These will be held in earmarked reserves for these purposes. Note, however, that the net movement in reserves is £462k (see Appendix C), which reflects the net movement of both the carry forward movement into reserves, and the planned use of reserves in accordance with approved budgeted spend.

2. General Fund Provisional Outturn 2025/26

Areas of Note

- 2.1 Figure 1 above reflects service areas outturn against approved budgets with notable movements in Governance & Finance and Reg & Community Services.
- 2.2 Governance & Finance - £1.940m unfavourable variance is driven mainly by £2.404m of expenditure for rent rebates, housing benefits [temporary accommodation], council tax benefits and council tax reduction scheme budgeted income that is no longer being received; this is based on a Kent County Council decision to discontinue the scheme. This will be funded from earmarked reserves (e.g. Homelessness Prevention Grant). Favourable variances in corporate management expenditure relating to a lower pension back funding cost and early retirement contribution costs offset some of the cost (£663k) within Governance and Finance. The expenditure funded from earmarked reserves are detailed in Appendix C.
- 2.3 Regulatory & Community Services – (£1.466m) - favourable variance is driven mainly by higher levels of income from car parking (£694k) and Extended Producer Responsibility (EPR) grant income (£436k). The underspend created through the unbudgeted additional EPR income will be transferred to earmarked reserves as detailed in Appendix C. Detailed variance analysis is listed in Appendix B showing the remaining favourable variance balance.
- 2.4 Corporate Estates & Development - £3.081m - unfavourable variance is driven mainly by the Prices Parade Planning Project being written off this year (£3.4m). This is offset by a planned transfer from the Financial Resilience reserve. As such, whilst a large overspend is shown in this service, the movement in earmarked reserves covers this spend in full.
- 2.5 Interest Payable and Similar Charges – (£1.597m) – favourable variance driven mainly by an increase in the amount of capitalised interest charged to Otterpool.
- 2.6 Other Non-Service Related Government Grants – (£1.420m) – favourable variance driven by an LGR readiness review commissioned by Finance and carried out by professional advisors who identified historic balances on collection fund (business rates) that are to be cleared from the balance sheet. A corresponding movement to the business rates reserve is included in the movement in earmarked reserves.

- 2.7 Minimum Revenue Provision – (£2.184m) - favourable variance driven by a revision of MRP methodology from straight line to annuity, as approved by full Council in February 2026.
- 2.8 Capital Expenditure Financed from Revenue – (£834k) - improved position is because of slippages on some capital programmes.
- 2.9 Net Transfer to Reserves – £2.795m unfavourable variance is due to carry forwards transfers into reserves netting off against planned usage of reserves in order to support the medium-term financial strategy, reinvesting in services and identified funding gaps. The net movement on reserves is therefore £462k.

3 Net Service Expenditure – Favourable Variances

- 3.1 In addition to the areas of note above, the following are favourable variances to highlight:
- 3.2 Development Control and Management; (£230k), favourable variance is due to in-year additional income from planning application fees and vacancies within the team.
- 3.3 Retrofit and Carbonisation; (£184k), expenditure relates to decarbonisation of the Council's housing stock. This expenditure is fully recharged to the HRA within the recharges line.

4 Net Service Expenditure – Unfavourable Variances

- 4.1 Homelessness and Housing Options; £143k unfavourable variance is due to increased spend in prevention and private sector offer and covering service running costs, these are however offset in part by use of the Homelessness Prevention Grant.
- 4.2 Regeneration & Economic Development; £125k unfavourable variance due to Folkestone Triennial grant paid out although this will be drawn down in full from the Leisure Reserve (shown in the net movement on the earmarked reserves line – Appendix C).
- 4.3 A more detailed breakdown of all the variances (£40k and above) have been provided for information at Appendix B.

5 Reserves

- 5.1 The summary position of the Council's reserves is shown in Table 1 below. A detailed breakdown of all reserves is provided in Appendix C of the report which shows the movement in reserves and latest balances of reserves at the end of the 2025/26 financial year.

Table 1 – Summary of General Fund Reserves and Balances 2025/26

Reserve Type	Balance as at 01/04/25 £'000s	Transfer In £000's	Transfer out £000's	Balance as at 31/03/26 £'000s
Earmarked Reserves	(15,659)	(9,229)	6,927	(17,962)
General Fund	(6,418)	(27)	1,867	(4,578)
Total Reserves	(22,077)	(9,256)	8,793	(22,540)

5.2 The favourable position relating to business rates pool benefit of (£1.211m) has been correctly transferred to the Business Rates Reserve from the General Fund where it was held as part of closing for 2024/25; its usage is to assist the Council to mitigate temporary accommodation costs. There is also a transfer to the reserve of (£1.416m) for prior year transitional payment protection and section 31 grants identified by the LGR readiness review on the collection fund.

5.3 In terms of overall reserve levels, the combined earmarked reserves and the general fund reserves now stands at £22.5m at closing for 2025/26.

6 Collection Fund

6.1 As part of the year end process, the Collection Fund is completed and adjustments are made to formalise the financial position. The following points explain the main variances.

6.2 The (£1.420m) favourable variance driven by an LGR readiness review was commissioned by Finance and carried out by professional advisors who identified historic balances on collection fund to be cleared to the business rates reserve.

6.3 The £17k favourable variance is due to a surplus in business rate income from what was expected in January 2025.

6.4 The £119k adverse variance is due to an estimated deficit on the CF for Council Tax from January 2025.

7 2025/26 Proposed Carry Forwards

7.1 As part of the provisional outturn process and under the financial procedure rules, provisional operational carry forwards of £5.468m have been approved by the Section 151 Officer and CLT as budgeted revenue expenditure relating to 2025/26 that will be carried forward to 2026/27 to reinvest in frontline services and address forecast funding gaps. Recommendation 2 of this report highlights this position to Cabinet, and Appendix D outlines the carry forwards by service area. Most of these carry forwards relate to committed items of budget that qualify for carry forward.

8. RISK MANAGEMENT ISSUES

8.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Significant amendments having to be made to the financial results following audit.	Medium	Low	The formal accounts have been prepared in accordance with professional standards and best accounting practice.

9. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

9.1 Legal Officer's Comments (KP)

This report supports the Council's statutory obligations in relation to the proper administration of its financial affairs under s151 of the Local Government Act 1972 and the financial management framework established under the Local Government Act 2003.

There are no direct legal implications arising from the recommendations in this report.

9.2 Finance Officer's Comments (MR)

This report has been prepared by Financial Services. There are therefore no further comments to add. The final outturn position will be reflected in the final Statement of Accounts for the council once audited by the council's external auditors. Any changes from the provisional outturn, as detailed in this report, will be reflected in the final audited statement of accounts presented to the Audit and Governance Committee for approval.

9.3 Diversities and Equalities Implications (GE)

There are no equality and diversity implications directly arising from this report. The report does not cover a new service/policy or a revision of an existing service/policy and therefore does not require an Equity Impact Assessment.

9.4 Climate Change Implications (JW)

There are no climate change implications arising directly from this report. It updates Cabinet on this position following decisions taken at Cabinet and Full Council.

10. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councilors with any questions arising out of this report should contact the following officer prior to the meeting:

Matthew Robinson, Chief Accountant
Office: 01303 853333
Email: matthew.robinson@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

Budget outturn and projection working papers.

Appendices:

Appendix A – 2025/26 General Fund Provisional Outturn Summary Table

Appendix B – List of Revenue Outturn Variations £40k and above

Appendix C – 2025/26 General Fund Outturn Reserves Analysis

Appendix D – List of Budget Carry Forwards

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