

Revenue Management Report: Quarter 4 (to 31 March 2018)

Final Decision-Maker	Cabinet
Portfolio Holder(s)	Councillor David Reilly – Portfolio Holder for Finance and Governance
Lead Director	Lee Colyer – Director of Finance, Policy and Development
Head of Service	Jane Fineman – Head of Finance and Procurement
Lead Officer/Author	Clare Hazard – Accountancy Manager
Classification	Non-Exempt
Wards affected	All

This report makes the following recommendations to the final decision-maker:

1. That the unaudited actual revenue expenditure outturn and impact on reserves for the year ending 31 March 2018 is noted; and
2. That the updated charges and timing for implementation, of the licensing of Houses in Multiple Occupation (HMO) as set out in this report and appendices be agreed.

This report relates to the following corporate priorities:

- A Prosperous Borough
- A Green Borough
- A Confident Borough

Timetable

<i>Meeting</i>	<i>Date</i>
Management Team	9 May 2018 (Verbal update)
Discussion with Portfolio Holder	29 May 2018
Cabinet Advisory Board	29 May 2018 (Verbal update)
Cabinet	21 June 2018

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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report shows the unaudited actual expenditure outturn on services compared to the revised budget for the year ended 31 March 2018, and the forecast outturn position, as at Quarter 3.
 - 1.2 The actual outturn shows an underspend to the revised budget of £1,014,000. This comprises an overachievement in income of £720,000 and an underspend on costs of £294,000.
 - 1.3 A sum of £754,000 was transferred to the General Fund of which £552,000 was the reported revenue underspend at Quarter 3 and £202,000 was an amount equal to the Revenue Support Grant received this year, transferred to reserves to demonstrate financial self sufficiency. There was a withdrawal from the General Fund of £913,000 all of which was transferred to the Capital and Revenue Initiatives Reserve, £550,000 to specifically fund the development programme and £363,000 to fund other capital schemes and to keep the overall balance of the General Fund at £4 million.
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2. INTRODUCTION AND BACKGROUND

Summary Outturn – See Appendix A

- 2.1 Appendix A shows the overall unaudited income and expenditure on services position as at 31 March 2018. Total income and expenditure on services can be seen in greater detail within Appendix B, which provides information per service area. The approved budget was set by Full Council on 22 February 2017 and does not change. The revised budget is used to record virements amongst service areas and from reserves, whilst the forecast outturn is used to record the reporting of savings, overspends and allocations from reserves.
- 2.2 The actual outturn for expenditure on services is £14,372,000, £1,014,000 below the revised budget. This is a further improvement from Quarter 3 which was forecasting a £450,000 underspend to budget. This is very positive and the result of a number of variances, shown in Appendix C.
- 2.3 Investment interest was £87,000 over budget for the year. £70,000 had been projected at Quarter 3 and had been vired into the budget and forecast with a matching transfer to the Strategic Plan reserve. There was a further increase of £17,000 over the Quarter 3 forecast as well as additional interest income of £14,000 from other sources. The Council's investment in the Local Authorities' Property Fund has generated a return of 5.4% which has contributed hugely to the interest achieved. A further £1 million was repaid to the Public Works Loans Board in Quarter 4 so the outstanding loan is now £5 million. Interest is being paid at 2.38%, the total cost of which was £145,310 for 2017/18.
- 2.4 Appendices A and F show that £160,000 has been recorded and transferred to the Vacancy Factor from Directorate budgets, which was the full requirement for the year. Vacancy factor is the saving created whilst a budgeted post is vacant.

Usable Reserves – See Appendix D

- 2.5 Appendix D shows all usable reserves including the earmarked reserves. Usable reserves are those that the Council can use to provide services, subject to the need to maintain an overall prudent level of reserves. Earmarked reserves are amounts set aside to meet identified, and often committed, future liabilities.
- 2.6 £754,000 was transferred to the General Fund of which £450,000 was the reported revenue underspend at Quarter 3, £102,000 was the additional grant received as reported at Quarter 2 and £202,000 was an amount equal to the Revenue Support Grant received this year. There was a withdrawal from the General Fund of £913,000 all of which was transferred to the Capital and Revenue Initiatives Reserve, £550k to specifically fund the development programme and £363,000 to fund other capital schemes and to keep the overall balance of the General Fund at £4 million. This is the minimum level of general reserves needed for working capital purposes.
- 2.7 A net £1,610,000 has been added to the earmarked reserves this year to fund various projects. The main movements are explained below.
- 2.8 The Capital and Revenue Initiatives Reserve has funded £2,154,000 of the Property Development Programme and £7,000 of the Asset Disposal Programme. No funding was required from this reserve for the capital programme as all capital expenditure was able to be met from other earmarked reserves and capital receipts. However a number of capital projects have been rescheduled from 2017/18 to future years so this reserve will still need to fund these projects. A sum of £2,703,000 was transferred to the Capital and Revenue Initiatives Reserve. This was made up of £550,000 from the General Fund specifically for the Development Programme, £140,000 from the Local Authority Mortgage Scheme Reserve, as this scheme has now finished, and £2,013,000 from the savings to budget achieved in 2017/18, which will fund the development programme and capital programme already committed in future years.
- 2.9 £20,000 was withdrawn from the Strategic Plan Reserve for the demolition of Southborough toilets. £435,000 was repaid to the reserve in order to replenish it to a balance of £1 million plus £22,000 already earmarked for the transport consultancy. This £1 million is required to be set aside as a condition of the planning permission for the Civic Complex development.
- 2.10 The Pensions Settlement Reserve has received £215,000 this year to reimburse the £2,023,000 taken from reserves to settle past pension liabilities. This brings the total in the reserve to £1,392,000. It is expected that this reserve will be fully reimbursed within the next three years.
- 2.11 The Civic Development Reserve has received £316,000 this year. £96,000 was from the saving following the senior management restructure and £220,000 was from the overall saving to budget achieved this year. This amount represents the budgeted transfer to this reserve for 2018/19 which has been achieved and transferred a year early.
- 2.12 At Quarter 3 Cabinet approved the establishment of a Rent Advance and Deposit reserve to hold monies set aside to support households who have a priority need for accommodation under homelessness legislation. £248,000 has been transferred to the reserve in 2017/18 which is a contribution of £40,000 from this year's budget and £208,000 which had previously been held on the balance sheet as income in advance. The change has been made to correct the accounting treatment for the scheme.
- 2.13 In addition to the Capital and Revenue Initiatives Reserve the other earmarked reserves have funded £407,000 of the capital programme, £130,000 from the Invest to

Save Reserve, £109,000 from the Housing Renewal Reserve, £109,000 from the Government Grants Reserve and £59,000 from the ICT MKS Partnership Reserve. These reserves have also paid for small revenue items.

Major Virements

- 2.14 A total of £160,000 was vired in the year from Service Department budgets to the Vacancy Factor budget to remove underspends in salary budgets. There have also been virements for the revenue expenditure financed by the earmarked reserves.

Financial Performance of Major Expenditure Accounts – See Appendix E

- 2.15 The actual outturn for expenditure was £231,000 over budget. The main variances are explained below.
- 2.16 Building Maintenance/Repairs costs were £197,000 under budget. This mainly consisted of an underspend in planned maintenance costs of £118,000 where schemes were delayed due to staffing levels and commitments to ensuring that reactive needs were met.
- 2.17 External Contract Payments were £112,000 over budget. This is mainly due to £105,000 of additional costs for refuse collection and recycling, most of which was as a result of the closure of the North Farm Lane Household Waste Recycling Centre following a fire.
- 2.18 IT and Communications were £57,000 under budget, a further £42,000 from the forecast position. This contains an underspend of £75,000 on ICT software and hardware costs less a number of small overspends.
- 2.19 Consultants and Legal Fees were £127,000 over budget. This consists of an overspend of £48,000 by Building Services on property consultants, £30,000 by Revenues and Benefits on consultants who identify properties that are missing from the rating list for business rates or are under valued, and of several smaller overspends across the Council.
- 2.20 Other Fees were £127,000 over budget. This is mainly attributable to the Assembly Hall show fees which were £139,000 over budget, less a number of smaller savings against budget. Income for the Assembly Hall was £159,000 more than budgeted, as shown in Paragraph 2.25, but due to the show fees and other additional costs against budget the overall subsidy was overspent by £86,000. This was as a result of taking risks in order to enhance the programme, and present more weekly product, which in some cases has not translated into sales and has needed increased marketing spend. Also an expensive show was scheduled during the snowy period in Quarter 4 where it is thought the weather deterred people from booking.

Employee Related Costs – See Appendix F and G

- 2.21 The actual outturn for Employee Related costs was £525,000 under budget. The vacancy factor had been achieved by the end of Quarter 4 so no more underspends were vired here for Quarter 4.
- 2.22 A saving of £654,000 was realised across salaries, national insurance and pension for the year. Of this £160,000 was transferred to the vacancy factor and as at Quarter 3 a further £265,000 had been projected as savings from posts within the Property Services team and the Parking team. The additional £229,000 saving comes from a further £60,000 from Property Services, £60,000 from the Environmental Health team as a result of the first year of being the host authority for the partnership, £21,000 from the Accountancy Team from vacancies, £20,000 from the vacant Head of Communities and Engagement post, a further £20,000 from the Parking Team, as well as a number of small underspends across the Council.

- 2.23 Severance costs were £58,000 over budget for the year. This is due to two redundancies where the post holders will leave during 2018/19, resulting in a saving, but which have to be accounted for in 2017/18 as the decision to sever these posts had been taken by the 31 March 2018. There is also £25,000 of additional pension costs associated with one of these posts that have been paid to the KCC pension fund.

Income Streams – See Appendix H

- 2.24 Off Street Parking had been forecast to be £200,000 lower than budget for this year and ended up being £218,000 under budget. This is because usage of the car parks has been down compared to budget, with Royal Victoria Place seeing the largest decrease where a number of shops are currently closed for refurbishment.
- 2.25 Assembly Hall income was £159,000 over budget but as explained in Paragraph 2.19 the overall subsidy was £86,000 over budget.
- 2.26 The Crematorium forecast income was over budget by £202,000, a further £102,000 to the Quarter 3 position. This is partly offset by additional costs for products of £55,000 which was forecast in Quarter 3.
- 2.27 Planning Income was overachieved by £204,000, an improvement of £159,000 on the Quarter 3 projection of £45,000. This was due to a number of large applications received late in the year (including £68,000 for our own developments) and a change in legislation allowing Councils to increase charges by 20%, which was implemented in January.
- 2.28 Other income was over achieved by £140,000, a further increase of £109,000 since Quarter 3. This consists of an overachievement of ice rink income of £58,000, additional street naming and numbering income of £25,000 and a number of small variances that can be seen in Appendix C.

Variances by Portfolio Holder– See Appendix I

- 2.29 This table shows variances by Cabinet Portfolio Holder.

Minimum Revenue Provision

- 2.30 In 2016/17 the Council used borrowing to fund capital activities and is therefore now required to make an annual contribution from revenue each year to repay this which must come from cost savings or increased income.
- 2.31 The annual contribution transferred to the Capital Adjustment Account for capital purchases which have yet to be financed is termed the Minimum Revenue Provision (MRP).
- 2.32 The total MRP for 2017/18 was £71,232 and the table below shows that this has reduced the unfunded capital expenditure by an equivalent amount. The Council is not required to pay MRP for Dowding House in 2017/18 as it is not yet operational. The investment income earned on the investment property of £85,250 has therefore been used to fund the MRP with the surplus being placed into reserves.

Capital Financed by Loan	Outstanding 1 Apr 2017	MRP 2017/18	Outstanding 31 Mar 2018
Investment Property	£1,780,968	£71,232	£1,709,736
Dowding House	£2,226,751	£0	£2,226,751
Total	£4,007,719	£71,232	£3,936,487

Houses in Multiple Occupation Licensing Fees

- 2.33 The Government has confirmed that an extension to mandatory licensing of Houses in Multiple Occupation (HMOs) will come into force in October 2018 bringing smaller HMOs within the scheme. Mandatory licensing will include all HMOs with 5 or more occupiers living in 2 or more households, regardless of the number of storeys, and purpose built flats where there are up to two flats in the block and one or both of the flats are occupied by 5 or more persons in 2 or more separate households.
- 2.34 It is proposed to update the Council's charges for HMO licensing in order to reflect the work that will be needed for the new scheme. It is suggested that renewals are charged at a lower fee, to reflect that the property is known, and an unlicensed fee is introduced for those who have made no attempt to apply for a license.
- 2.35 Proposed charges are set out in **Appendix J**. It is recommended that these charges should be applied with immediate effect as licences will be applied for before the implementation date of October.

Council Tax and Business Rates

- 2.36 The Council is a billing authority for Council Tax, which is collected on behalf of precepting bodies including Kent County Council, Kent Police and the Kent and Medway Fire & Rescue Services along with Town and Parish Councils. The total due for 2017/18 was £73.4 million of which £7.5 million was due to this Council.
- 2.37 The Council is also the billing authority for Business Rates which are collected on behalf of the Government, TWBC, Kent County Council and the Kent and Medway Fire & Rescue Services. The total due for 2017/18 was £56.4 million. The Council receives back £2.2 million in Redistributed Business Rates from the Government.
- 2.38 The table below shows the Quarter 4 recovery rate for Council Tax was 0.30% below target and 0.10% below the 2016/17 actual. The Quarter 4 recovery rate for Business Rates was below target by 0.10% but 1.12% above the 2016/17 actual.

Revenue Billing Stream	2017/18 Collection as at 31/03/2018	2017/18 Target as at 31/03/2018	2016/17 Collection as at 31/03/2017
Council Tax	98.30%	98.60%	98.40%
Business Rates	98.50%	98.60%	97.38%

Write Off/Excusal of Debts – See Appendix K

- 2.39 Financial Procedure Rule (FPR) 6.5 regarding the Write Off/Excusal of Debts requires a summary of debts written off by the Section 151 Officer to be reported to Cabinet on a regular basis.
- 2.40 Appendix K gives a complete analysis of all debts written off by the Council over the financial year 2017/18, of which there are 2194 accounts totalling £860,363.69. This should be seen in the context of the £184,487,000 of income collected by the Council during the year meaning that only 0.47% is written off. It should be noted that whilst balances can be written off, they can be written back again either during the year or in future years should it subsequently become apparent that the sum is again recoverable.
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3. AVAILABLE OPTIONS

- 3.1 This report is essentially for information.
- 3.2 Cabinet can approve the updated charges for the HMO licensing fees or decide to keep them the same.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 That Members acknowledge the unaudited actual revenue outturn for 2017/18 and the variances to the revised budget and forecast outturn as at Quarter 3.
- 4.2 That Members approve the proposed updated charges for HMO licensing as set out in **Appendix J**.
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 The budget was approved by Full Council on 22 February 2017. Service Accountants have liaised with Heads of Service and where appropriate Cost Centre managers to ensure that the information provided is robust.

RECOMMENDATION FROM CABINET ADVISORY BOARD

- 5.2 The Finance and Governance Advisory Board were given a verbal update on 29 May 2018 and made no further comment of the recommendations.
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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The decision will be published on the Council's website.
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7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Legal including Human Rights Act	Under section 151 of the local government act (LGA 1972), the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including advising on the corporate financial position and providing financial information.	Patricia Narebor, Head of Legal Partnership
Finance and other resources	The report updates on the Authority's unaudited outturn net revenue position compared to revised budget.	Jane Fineman, Head of Finance and Procurement
Staffing establishment	The report monitors the establishment to the post occupied.	Clare Hazard, Accountancy Manager
Risk management	To ensure that the unaudited outturn net revenue remains within the Council's Medium Term Financial Strategy.	Clare Hazard, Accountancy Manager

Environment and sustainability	There are no specific implications that arise from the process of Revenue Management over the fact that the budget supports the Council's priorities.	Clare Hazard, Accountancy Manager
Community safety	There are no specific implications that arise from the process of Revenue Management over the fact that the budget supports the Council's priorities.	Clare Hazard, Accountancy Manager
Health and Safety	There are no specific implications that arise from the process of Revenue Management over the fact that the budget supports the Council's priorities.	Clare Hazard, Accountancy Manager
Health and wellbeing	There are no specific implications that arise from the process of Revenue Management over the fact that the budget supports the Council's priorities.	Clare Hazard, Accountancy Manager
Equalities	There are no specific implications that arise from the process of Revenue Management over the fact that the budget supports the Council's priorities.	Clare Hazard, Accountancy Manager

8. REPORT APPENDICES

The following documents are to be published with and form part of the report:

- Appendix A Overall Revenue and Net Expenditure on Services
- Appendix B Net Expenditure on Services
- Appendix C Key Variances
- Appendix D Usable Reserves
- Appendix E Financial Performance of Major Expenditure Accounts
- Appendix F Employee Related Costs
- Appendix G Headcount by Service
- Appendix H Income Streams
- Appendix I Variances by Portfolio Holder
- Appendix J Houses in Multiple Occupation Licensing Charges
- Appendix K Write Offs for 2017/18

9. BACKGROUND PAPERS

- Budget 2017/18 – CAB158/16
<http://democracy.tunbridgewells.gov.uk/meetings/documents/s30941/12%20Budget%202017-18%20-%20Report.pdf>