

# Finance and Governance Cabinet 12 November 2019 Advisory Board

Is the final decision on the recommendations in this report to be made at this meeting? **No**

## Quarter 2 – Revenue Management to 30 September 2019

<b>Final Decision-Maker</b>	Cabinet
<b>Portfolio Holder(s)</b>	Councillor Tom Dawlings – Portfolio Holder for Finance and Governance
<b>Lead Director</b>	Lee Colyer – Director of Finance, Policy & Development
<b>Head of Service</b>	Jane Fineman – Head of Finance and Procurement
<b>Lead Officer/Report Author</b>	Clare Hazard – Accountancy Manager
<b>Key Decision?</b>	No
<b>Classification</b>	Non-Exempt
<b>Wards affected</b>	Not Applicable

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

1. That at Quarter 2 the net expenditure on services year to date was £7,275,000, £39,000 less than forecast, be noted;
2. That by year end the Council anticipated net expenditure of £13,728,000 on services, which is £98,000 over budget, a further £38,000 since Quarter 1, be noted;
3. That the Write Offs set out in Paragraph 2.26 and detailed at Appendix J be approved.

### This report relates to the following corporate priorities:

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

<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Management Board	23 October 2019 (Verbal update)
Discussion with Portfolio Holder	12 November 2019
Cabinet Advisory Board	12 November 2019
Cabinet	5 December 2019

# Quarter 2 – Revenue Management to 30 September 2019

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report shows the actual expenditure on services compared to the revised budget for the period ended 30 September 2019, and the forecast outturn position, highlighting significant variances from the revised annual budget.
  - 1.2 The net expenditure on services for the year is forecast to be £13,728,000 which is an over spend against budget of £98,000.
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## 2. INTRODUCTION AND BACKGROUND

### Summary Outturn – See Appendix A

- 2.1 Appendix A shows the overall income and net expenditure on services forecast outturn position as at 30 September 2019. 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 27 February 2019 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 It can be seen that the forecast outturn for expenditure on services is £13,728,000 which is £98,000 over budget. The various movements to forecast can be seen in Appendix C.
- 2.3 Investment interest is forecast to be £687,000, the same as the approved budget. The forecast for investments is based on an overall interest rate of 1.74% and average funds of £39.50 million. The outstanding PWLB loan is now £2 million. Interest is being paid at 2.38%, the total cost of which is £50,000 for 2019/20.
- 2.4 Appendices A and F show that £90,000 has been recorded and transferred to the Vacancy Factor from Directorate budgets. Vacancy factor is the saving created whilst a budgeted post is vacant. This leaves £90,000 to be found over the remainder of the year.

### 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 The Capital and Revenue Initiatives Reserve is generally used to finance the capital programme where it is financed from TWBC resources, and the property development programme. The funding currently required from the reserve in 2019/20 is £4,017,000 comprising of £3,017,000 for the Capital Programme, as detailed in the Quarter 2 2019/20 Capital Monitoring Report and £1,000,000 for the Development Programme. This is slightly more than is currently in the reserve but with a challenging capital programme it may be that more projects are rescheduled into future years at year end and the income from the sale of assets can be used to finance the capital projects and bridge this gap.

- 2.7 The capital programme is also funded from other specific earmarked reserves and this totals £835,000 for 2019/20. This consists of funding of £102,000 from the Torrington Car Park Reserve, £80,000 from the On Street Parking Reserve, £30,000 from the RVP Maintenance Reserve, £64,000 from the Invest to Save Reserve, £159,000 from the Housing Renewal Reserve, £212,000 from the ICT Partnership Reserve, £176,000 from the Ice Rink Reserve and £12,000 from the Digital Transformation Reserve. Funding of £1,941,000 for the capital programme is also coming from the capital receipts reserve from monies received in previous years.
- 2.8 The Local Plan Reserve was set up to fund the costs associated with the Plan which will guide future development in the borough up to 2036. It is currently forecast to make a withdrawal of £145,000 from the reserve to fund costs in 2019/20.
- 2.9 The Strategic Plan Reserve is used to fund corporate priorities and is funded by excess interest over the approved budget. Interest of £46,000 from a loan to Fusion Lifestyle, who manage the Council's sports centres, to fund sports centre improvements, will be transferred here.
- 2.10 An amount of £225,000 will be transferred to the Pension Settlement reserve to continue to reimburse the £2.024 million taken from reserves in 2012/13 to settle past pension liabilities. It is expected that this amount will be fully paid back during 2020/21.
- 2.11 The Council set up the Grant Volatility Reserve to manage fluctuations in Government grants from one year to the next. For 2019/20 a transfer of £222,000 is being made into the reserve which is equivalent to the amount allocated for Year 9 of the New Homes Bonus. With uncertainty over the amounts which will be received in future years, transferring this amount limits the potential loss to the Council as it is not relying on the Year 9 amount within its balanced the budget.
- 2.12 The Calverley Square reserve is used to hold savings made that can be used in future to fund the Calverley Square development. Net savings of £238,000 are expected to be transferred to the reserve in 2019/20.
- 2.13 The Rent Advance and Deposit Reserve holds money set aside by the Council to fund the rent advance and deposit guarantee schemes. The budget included an additional contribution of £115,000 for 2019/20. It is expected that a withdrawal will be made from the reserve to fund rent arrears, damage to properties and debt write offs, but this amount will be determined at year end.

### **Major Virements**

- 2.14 A total of £60,000 was vired in the quarter 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 Other Fees are forecast to be underspent by £49,000. This is due to the ceasing of the contract with Kingdom Security Limited who collected Fixed Penalty Notices for Litter and Dog Fowling on behalf of the Council. Kingdom gave notice on the contract in 2018 due to the contract no longer being economically viable for them. This has also resulted in the loss of income as explained in Paragraph 2.21.
- 2.16 There is a forecast underspend of £12,000 within Other Supplies and Services due to savings in the photocopying contract. This is due to the Council reducing the number of copiers it uses and reducing the amount of printing it carries out.

### **Employee Related Costs – See Appendix F and G**

2.17 Salary costs are forecast to be £177,000 under budget £90,000 of which has been vired to meet the Vacancy Factor. Of the remaining £87,000, £55,000 is as a result of vacancies within the Planning Service and £32,000 is as a result of vacancies with Finance.

2.18 A saving of £16,000 has been forecast this quarter within Other Employee Costs which is for admin costs for the MKS partnerships which won't be needed this year.

**Income Streams – See Appendix H**

2.19 Off Street Parking income has been forecast to be £60,000 lower than budget. Parking income in both Royal Victoria Place (RVP) and Crescent Road car parks is not on budget. Season ticket income for Crescent Road is exactly on budget and RVP does not have season tickets, so this suggests that it is shopper and visitor numbers, rather than worker numbers that have declined. It is very much hoped that the new RVP development, the opening of “Central Market” open air food court and the efforts of Royal Tunbridge Wells Together will help invigorate the town and improve this income again.

2.20 Crematorium Income is forecast to be another £60,000 under achieved this quarter. Nationally the death rate has fallen in this calendar year and in particular the death rate in Kent, East and West Sussex has fallen by 5.5%. Local funeral directors continue to report that they have had less business in this period than in the same period last year. A new Crematorium in Horam may be taking some of the business as may a Cemetery in Sevenoaks that is now offering cremations.

2.21 A reduction in income has been included in Other Income of £82,000 from the Litter and Dog Fowling contract with Kingdom. As explained in Paragraph 2.15 this has been cancelled. The Council are now providing their own enforcement service for littering and dog fowling using an in-house team.

**Variances by Portfolio Holder– See Appendix I**

2.22 This table shows variances by Cabinet Portfolio Holder.

**Council Tax and Business Rates**

2.23 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 2019/20 is £82.9 million of which £8.17 million is due to this Council.

2.24 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 2018/19 is £55.5 million. The Council receives back £2.38 million in Redistributed Business Rates from the Government which is 4.2p in every pound.

2.25 The table below shows the Quarter 2 recovery rate for Council Tax to be 0.30% below target and 0.35% below collection rates at this time last year. The Quarter 2 recovery rate for Business Rates was below target by 0.64% and 2.03% below collection rates at this time last year.

Revenue Billing Stream	2019/20 Collection as at 30/09/2019	2019/20 Target as at 30/09/2019	2018/19 Collection as at 30/09/2018
Council Tax	56.80%	57.10%	57.15%

Business Rates

56.56%

57.20%

58.59%

### **Write Off/Excusal of Debts – See Appendix J**

2.26 Under Financial Procedure Rule (FPR) 6.2 excusal of debts due to the Council can be granted by Cabinet, upon the recommendation of the Section 151 Officer, and therefore the following debts are asked to be written off:

- 5 debts totalling £11,943.86 in respect of Housing Loans in accordance with FPR 6.2.2 (c) being debts of £1,500 or over outstanding for more than 2 years

2.27 Financial Procedure Rule (FPR) 6.5 requires a summary of debts written off by the Section 151 Officer to be reported to Cabinet on a regular basis and therefore a summary of the total write offs for 2019/20 will be provided to Cabinet in the Quarter 4 report.

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### **3. AVAILABLE OPTIONS**

3.1 This report is essentially for information.

3.2 Cabinet can approve the Write Offs requested or refuse.

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### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

4.1 That Members acknowledge the forecast outturn position for the year and the variances to the revised budget and forecast outturn as at Quarter 2.

4.2 That the write offs are approved to enable a clean audit at year end that appropriately reflects the Council's financial position.

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### **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

5.1 The budget was approved by Full Council on 27 February 2019. Finance Officers 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 This report was presented to the Finance and Governance Advisory Board on 12 November 2019 and .....

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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**

<b>Issue</b>	<b>Implications</b>	<b>Sign-off (name of officer and date)</b>
<b>Legal</b> 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
<b>Finance</b> and other resources	The report updates on the Authority's forecast outturn net revenue position compared to revised budget.	Jane Fineman, Head of Finance and Procurement
<b>Staffing establishment</b>	The report monitors the establishment to the post occupied.	Clare Hazard, Accountancy Manager
<b>Risk management</b>	To ensure that the unaudited outturn net revenue remains within the Council's Medium Term Financial Strategy.	Clare Hazard, Accountancy Manager
<b>Environment</b> 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
<b>Community safety</b>	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
<b>Health and Safety</b>	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
<b>Health and wellbeing</b>	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
<b>Equalities</b>	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 this report 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 Debt Write Offs

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## **9. BACKGROUND PAPERS**

- Budget 2019/20 and Medium Term Financial Strategy Update – CAB 133/18  
<http://democracy.tunbridgewells.gov.uk/meetings/documents/s41506/12%20Budget%20019-20%20and%20MTFS%20Update.pdf>