

Is the final decision on the recommendations in this report to be made at this meeting?

**No**

## Quarter 3 – Revenue Management to 31 December 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 3 the net expenditure on services year to date was £9,294,000, £77,000 less than forecast, be noted;
2. That by year end the Council anticipated net expenditure of £18,919,000 on services, which is £25,000 over budget, an improvement of £73,000 since Quarter 2, be noted;
3. That Members agree the updated charge for Offence Penalties as set out in this report
4. That the Write Offs set out in Paragraph 2.37 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	29 January 2020 (Verbal update)
Discussion with Portfolio Holder	18 February 2020
Cabinet Advisory Board	18 February 2020
Cabinet	12 March 2020

# Quarter 3 – Revenue Management to 31 December 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 31 December 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 £18,919,000 which is an overspend against budget of £25,000.
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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 31 December 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 £18,917,000 which is £25,000 over budget. The various movements to forecast can be seen in Appendix C.
- 2.3 Investment interest is forecast to be £729,000, an increase of £42,000 on the approved budget of £687,000. The forecast for investments is based on an overall interest rate of 1.74% and average funds of £42.0 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 £135,000 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 £45,000 to be found in the last quarter.

### Calverley Square Closedown

- 2.5 Full Council took the decision on 8 October 2019 to terminate the Calverley Square project. Final expenditure on the project is estimated to be £10,810,285.
- 2.6 Costs of RIBA Stages 0-3 were treated as revenue expenditure and met from sums allocated from the Capital and Revenue Initiatives Reserve. RIBA Stage 4 costs, which commenced in 2018/19, have to date been treated as capital expenditure and were to be funded from borrowing. These costs will now need to be treated as revenue and therefore cannot be funded from borrowing. They need to be funded from existing reserves.
- 2.7 As part of this project the Council purchased the freehold ownership of The Lodge at the entrance of Calverley Grounds, and this property will now be managed as part of the Council's asset portfolio. This property can therefore continue to be treated as capital and will sit as an asset on the Council's balance sheet.

2.8 A summary of the costs is shown below:

<b>Calverley Square Project</b>	
Revenue Expenditure	£4,629,234
Capital Expenditure (2018/19)	£4,442,421
Capital Expenditure (2019/20)	£1,738,630
<b>Total Expenditure</b>	<b>£10,810,285</b>
Less Property Acquisition (capital)	£532,053
<b>Total Revenue Costs</b>	<b>£10,278,232</b>

2.9 The capital expenditure of £4.44 million in 2018/19 had been treated as capital within the 2018/19 Statement of Accounts and sat on the balance sheet as 'Assets Under Construction'. This will be reversed in 2019/20 and the cost put through revenue. This can be seen as a separate line in Appendix A.

2.10 To fund the revenue costs the Council will use the entirety of the Calverley Square Reserve, which will then be closed, the Pension Settlement Reserve and the General Fund to meet the additional revenue expenditure costs.

2.11 In summary the amounts that will now be funded from these reserves are as follows:

<b>Total Revenue Costs</b>	<b>£10,278,232</b>
Capital & Revenue Initiatives Reserve allocation	£5,126,786
<b>Reserve Funding Needed</b>	<b>£5,151,446</b>
Calverley Square Reserve	£1,242,220
Pension Settlement Reserve	£1,832,162
General Fund	£2,077,064
<b>Total Reserves</b>	<b>£5,151,446</b>

#### **Usable Reserves – See Appendix D**

2.12 Appendix D shows all usable reserves including the earmarked reserves, taking into account the Calverley Square project funding as detailed above. 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.

2.13 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 £4,505,000 comprising of £3,505,000 for the Capital Programme, as detailed in the Quarter 3 2019/20 Capital Monitoring Report, and £1,000,000 for the Development Programme.

2.14 The capital programme is also funded from other specific earmarked reserves and this totals £644,000 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, £54,000 from the Invest to Save Reserve, £154,000 from the Housing Renewal Reserve, £212,000 from the ICT Partnership Reserve and £12,000 from the Digital Transformation Reserve. Funding of £2,534,000 for the capital

programme is also coming from the capital receipts reserve from monies received from property disposal.

- 2.15 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 £158,000 from the reserve to fund costs in 2019/20.
- 2.16 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 as well as the additional income from investments of £42,000 achieved this year as explained in Paragraph 2.3.
- 2.17 The Government Grants reserve holds income received from Government, relating to specific projects, which is received in one year but is not able to be used until future periods. £233,000 of this reserve is to be used this year for homelessness and rough sleeper costs.
- 2.18 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 had been intended to use this reserve to fund the capital programme once it had been fully reimbursed. However the current balance of £1.832 million will now be used to fund the Calverley Square project as set out in Paragraph 2.11.
- 2.19 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 budget risk to the Council as it is not relying on the Year 9 amount within its balanced the budget.
- 2.20 The Calverley Square reserve was set up to hold savings to be used to fund the interest and loan repayments for the borrowing for the Calverley Square project. As the scheme has now been terminated the balance of the reserve of £1.242 million will be used to fund the costs of the project and the reserve will then be closed.
- 2.21 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 £119,000 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**

- 2.22 A total of £45,000 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**

- 2.23 Consultants/Legal Fees are forecast to be underspent by £30,000. This is as a result of a lower than budgeted spend on Property Consultants by the Property team.
- 2.24 There is a forecast underspend of £600,000 within Other Fees which is as a result of a reduction in the costs of show fees which are paid to promoters at the Assembly Hall Theatre. The cost of show fees is driven by the income received for shows which, as explained in Paragraph 2.28, is forecast to be under budget.

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

2.25 Salary costs are forecast to be £615,000 under budget, £135,000 of which has been vired to meet the Vacancy Factor. £87,000 of underspends had been reported at Quarter 2 meaning an additional £393,000 has been included this quarter. This is made up of £120,000 of vacancies within the Planning Service, £100,000 within Property Services, £80,000 within the Assembly Hall Theatre, £38,000 within Digital Services, £30,000 within Finance and £25,000 from the Weald Information Centre.

### **Income Streams – See Appendix H**

- 2.26 Off Street Parking income is forecast to be a further £200,000 lower than budget this quarter. Parking income in Royal Victoria Place (RVP), Meadow Road and Crescent Road car parks is below budget. Season ticket income is not as affected suggesting that it is shopper and visitor numbers, rather than worker numbers that have declined, particularly over the Christmas period. A forecast of £80,000 of additional income from compensation has potentially offset this deficit. This is contractual from the developers of Union House car park due to the closure of the car park during this year.
- 2.27 On Street Parking income is forecast to be £70,000 above budget. This is as a result of an increase in tickets issued and a focus on the collection of outstanding debts.
- 2.28 The forecast for income from the Assembly Hall theatre has been reduced by £750,000. This is as a result of the budget for ticket sales being too optimistic and a reduction in income, in the region of £200,000 compared to last year. As explained in Paragraph 2.24 the spend on show fees, which are paid to promoters, is determined by ticket sales so the costs are also forecast to be under budget. Staff costs at the theatre are also under budget this year as explained in Paragraph 2.25.
- 2.29 Income from rents is forecast to be £30,000 lower than budget this year, which is due to several properties being vacant for a number of months. £7,000 of this was from a property which was sold mid-year which brought in a capital receipt for the Council.
- 2.30 Crematorium income is forecast to be another £70,000 under budget 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 providing competition as may a Cemetery in Sevenoaks that is now offering cremations.
- 2.31 Planning income is forecast to be £30,000 lower than budget. This is made up of £70,000 more income expected for planning application income, as a number of large applications have been received this year, and £100,000 of income which will not be received for Planning Performance Agreements. This was a new charge this year where the Council would recharge the costs associated with supporting major/strategic developments though the planning cycle. Due to staff vacancies the Council has not been able to offer this service, the fee for which is in addition to the standard planning application fee.
- 2.32 The Council has started providing an in-house service for littering and dog fouling. A reduction of £20,000 in income has been included this quarter to reflect the actual fines that are being issued.

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

2.33 This table shows variances by Cabinet Portfolio Holder.

### Offence Penalties Charges

2.34 Offence Penalty Charges were set by Cabinet at its meeting of 21 November 2019 (CAB93/19). Each offence has a charge range and authorities may select their charge providing it falls within the range set. Our charges are set at the top of the range as these are totally avoidable charges and are set to deter anti-social behaviour.

2.35 It is now proposed to start issuing fines for 'Breach of Householder Duty'. Householders have a responsibility to ensure that household waste is properly disposed of, with household waste including waste from domestic properties, caravans and residential homes. The proposed charge for this offence is £400, the maximum legislative figure.

### 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 2019/20 is £82.9 million of which £8.17 million is 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 2019/20 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.

2.38 The table below shows the Quarter 3 recovery rate for Council Tax to be 0.08% below target and 0.53% below collection rates at this time last year. The Quarter 3 recovery rate for Business Rates was below target by 1.32% and 2.07% below collection rates at this time last year.

Revenue Billing Stream	2019/20 Collection as at 31/12/2019	2019/20 Target as at 31/12/2019	2018/19 Collection as at 31/12/2018
Council Tax	84.62%	84.70%	85.15%
Business Rates	83.48%	84.80%	85.55%

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

2.39 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:

- 2 debts totalling £3,630.00 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
- 1 debt of £2,989.33 in respect of Housing Rent Arrears in accordance with FPR 6.2.2 (c) being a debt of £1,500 or over outstanding for more than 2 years
- 1 debt of £19,581.72 in respect of Housing Benefit Overpayments in accordance with FPR 6.3 being a debt of over £10,000
- 12 debts totalling £311,375.65 in respect of Business Rates in accordance with FPR 6.3 being debts of over £10,000

- 2.40 The Business Rates write offs should be seen in the context of the total amount collected as it represents only 0.56% of the yearly total. Debts can be written back again in future years should it subsequently become apparent that the sum is again recoverable.
- 2.41 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.

**3. AVAILABLE OPTIONS**

- 3.1 This report is essentially for information.
- 3.2 Cabinet can approve the new charge for Offence Penalties or decide not to issue fines for this offence.
- 3.3 Cabinet can approve the Write Offs requested or refuse.

**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 3.
- 4.2 That the write offs are approved to enable a clean audit at year end that appropriately reflects the Council’s financial position.

**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 18 February 2020 and .....

**6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 6.1 The decision will be published on the Council’s website.

**7. CROSS-CUTTING ISSUES AND IMPLICATIONS**

Issue	Implications	Sign-off (name of officer and date)

<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>