

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

**Yes**

## **Revenue Management Report: Quarter 3 (to 31 December 2018)**

<b>Final Decision-Maker</b>	Cabinet
<b>Portfolio Holder(s)</b>	Councillor David Reilly – Portfolio Holder for Finance and Governance
<b>Lead Director</b>	Lee Colyer – Director of Finance, Policy and Development
<b>Head of Service</b>	Jane Fineman – Head of Finance and Procurement
<b>Lead Officer/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 £10,026,000, £314,000 less than forecast, be noted;
2. That by year end the Council anticipated net expenditure of £13,910,000 on services, £8,000 under budget and an improvement since Quarter 2 of £170,000, be noted;
3. That the establishment of a 'Waste Bin Replacement Reserve' which will hold an annual contribution towards the purchase of new waste bins, be approved; and
4. That the Write Offs set out in paragraph 2.29 and detailed at Appendix J to the report be approved.

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

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

**Timetable**

<b>Meeting</b>	<b>Date</b>
Management Board	30 January 2019 (Verbal update)
Discussion with Portfolio Holder	12 February 2019
Cabinet Advisory Board	12 February 2019 (Verbal update)
Cabinet	7 March 2019

# Revenue Management Report: Quarter 3 (to 31 December 2018)

## 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 2018, 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 £13,910,000 which is an underspend against budget of £8,000.
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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 outturn position as at 31 December. 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 21 February 2018 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 £13,910,000 which is £8,000 under budget. The various movements to forecast can be seen in Appendix C.
- 2.3 Investment interest is forecast to be £723,000, an increase of £100,000 against budget, and a further £30,000 since Quarter 2. The forecast for investments is based on an overall interest rate of 1.80% and average funds of £40.1m. The additional interest will be transferred to the Strategic Plan Reserve. The outstanding PWLB loan is now £4 million. Interest is being paid at 2.38%, the total cost of which is £97,710 for 2018/19.
- 2.4 Appendices A and F show that £120,000 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 is on target and leaves £40,000 to be found over the last quarter 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, the property development programme and the asset disposal project. The funding currently required from the reserve in 2018/19 is £4,509,000 comprising of £3,337,000 for the Capital Programme, as detailed in the Quarter 3 2018/19 Capital Monitoring Report, £1,142,000 for the Development Programme and £30,000 for the asset disposal project. This is 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 then. In the event that more funding is required than is available in this reserve it is planned to make a transfer from the Pension Settlement reserve which will have a balance of £1,607,000.

- 2.7 The capital programme is also funded from other specific earmarked reserves and this totals £749,000 for 2018/19. This consists of funding of £450,000 from the Invest to Save Reserve, £108,000 from the ICT Partnership Reserve, £61,000 from the Government Grants Reserve, £50,000 from the Carbon Reduction Scheme Reserve, and £80,000 from the Housing Renewal Reserve.
- 2.8 The Strategic Plan Reserve is used to fund corporate priorities and is funded by excess interest over the approved budget. The additional interest of £100,000 expected from investments, as explained in Paragraph 2.3, will be transferred to this reserve as well as interest received from the Fusion loan of £64,860. An amount of £20,000, which is a refund from Southborough Town Council for the cost of the demolition of the toilets at their offices, which was paid from the reserve last year, will also be transferred here.
- 2.9 The Council set up the Grant Volatility Reserve to manage fluctuations in Government grants from one year to the next. Following a reduction in this year's New Homes Bonus the 2018/19 budget included a withdrawal from this reserve of £250,000. The intention is not to make this withdrawal should the budget be more underspent than forecast at year end.
- 2.10 An amount of £215,000 will be transferred to the Pension Settlement reserve to continue to reimburse the £2.1 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 Calverley Square reserve is used to hold savings made that can be used in future to fund the Calverley Square development. Savings of £220,000 were included within the original 2018/19 budget to add to this reserve. An additional £82,000 is now expected to be added, resulting from a saving in the senior management team. This £82,000 has been vired out of both the budget and forecast into the reserve.
- 2.12 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 2018/19. It is expected that a withdrawal will be made from the reserve to fund rent arrears, damage to properties and debt write offs and this amount will be determined at year end.
- 2.13 It is proposed to set up a 'Waste Bin Replacement Reserve' into which an annual contribution of £30,000 will be transferred during Years 2 to 8 of the new Waste Collection contract. The reserve will then be available to fund the purchase of any replacement bins needed during the life of the contract and help smooth the profiling of this expenditure.

### **Major Virements**

- 2.14 A total of £40,000 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 A saving of £20,000 has been included within Utility Bills for electricity for the car parks. This is as a result of sensor controlled lighting being installed in Crescent Road and Great Hall car parks which has reduced the bills.

- 2.16 There is a forecast overspend of £10,000 within Other Premises Costs which relates to additional costs due to the effects of the new cleaning contract. Cleaning costs have increased in general as the Council had been benefiting from the terms of an old contract with suppressed employee costs.
- 2.17 There is a forecast underspend of £24,000 within External Contract Payments. This is made up of a reduced annual cost of £12,000 for the CCTV contract and a saving of £12,000 for the management contract for Dowding House, made due to the delay in the property being operational.
- 2.18 Other Fees are forecast to be underspent by £43,000. 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 September 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 2.24.

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

- 2.19 Salary costs are forecast to be £410,000 under budget, £120,000 of which has been vired to meet the Vacancy Factor. Of the remaining £290,000, £180,000 is as a result of new posts within the Property Services team that have not yet been filled, £60,000 is due to vacancies within the Parking team and £50,000 is due to vacancies within the Planning Service.
- 2.20 A saving of £10,000 has been forecast this quarter within Other Employee Costs which is for general ad hoc partnership costs which won't be needed this year.

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

- 2.21 Off Street Parking income is forecast to be a further net £80,000 under achieved which is made up of two amounts. One is a reduction of £210,000 in overall parking income mainly from the extended closure of Crescent Road car park, although this has been mitigated in part by increased income at the other car parks. The second forecast is for additional income of £130,000. This is a compensation payment from the developers of Union House car park due to the closure of most of the car park spaces during this year.
- 2.22 The forecast income for the Assembly Hall theatre has been reduced by £30,000. With uncertainties in the economy that are likely to continue at least until the end of March, it is felt prudent to assume that the theatre income may be a casualty.
- 2.23 Revenue Contribution is forecast to be £28,000 over achieved. This is made up of £18,000 for charging another Local Authority for a shared post within the Property team and £10,000 for a contribution towards the cost of CCTV from the Safe Town Partnership.
- 2.24 The forecast for Other Income has decreased by a net £5,000 this quarter which is made up of three different amounts. Forecast increases have been included of £42,000 for street naming and numbering, due to a number of new large developments, and £25,000 for greater than budgeted licensing income for premises. A reduction in income has been included of £72,000 from the Litter and Dog Fowling contract with Kingdom, as explained in Paragraph 2.18 this has been cancelled.

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

- 2.25 This table shows variances by Cabinet Portfolio Holder.

### **Council Tax and Business Rates**

- 2.26 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 2018/19 is £77.3 million of which £7.85 million is due to this Council.
- 2.27 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 £56.6 million. The Council receives back £2.38 million in Redistributed Business Rates from the Government which is 4.2p in every pound.
- 2.28 The table below shows the Quarter 3 recovery rate for Council Tax to be 0.85% below target and 0.29% below collection rates at this time last year. The Quarter 3 recovery rate for Business Rates was above target by 0.75% and 1.55% above collection rates at this time last year.

Revenue Billing Stream	2018/19 Collection as at 31/12/2018	2018/19 Target as at 31/12/2018	2017/18 Collection as at 31/12/2017
Council Tax	85.15%	86.00%	85.44%
Business Rates	85.55%	84.80%	84.00%

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

- 2.29 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:
- 1 debt of £12,031.51 in respect of Housing Benefit Overpayments in accordance with FPR 6.3 being a debt of over £10,000
  - 11 debts totalling £448,464.08 in respect of Business Rates in accordance with FPR 6.3 being debts of over £10,000
- 2.30 The Business Rates write off should be seen in the context of the total amount collected as it represents only 0.79% of the yearly total. Debts can be written back again in future years should it subsequently become apparent that the sum is again recoverable.
- 2.31 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 2018/19 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.

- 3.3 Cabinet can approve the establishment of a 'Waste Bin Replacement Reserve' or conclude that it is not required.
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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 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.
- 4.3 That a 'Waste Bin Replacement Reserve' is established to set aside monies to be used for future bin replacement costs.
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#### **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 5.1 The budget was approved by Full Council on 21 February 2018. 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 The Finance and Governance Advisory Board were given a verbal update on 12 February 2019 and there were no 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**

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</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 and sustainability</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>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 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 Write Offs for 2018/19

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## 9. BACKGROUND PAPERS

Budget 2018/19 and Medium Term Financial Strategy Update – CAB130/17

<http://democracy.tunbridgewells.gov.uk/meetings/documents/s36314/11%20Budget%202018-19%20and%20Medium%20Term%20Financial%20Strategy%20Update.pdf>