

Cabinet

25 June 2020

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

Yes

Quarter 4 – Revenue Management to 31 March 2020

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

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 ended 31 March 2020, be noted.
2. That Members agree the new and updated charges for Planning as set out in this report.

This report relates to the following corporate priorities:

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

Timetable

Meeting	Date
Management Board	6 May 2020 (Verbal update)
Discussion with Portfolio Holder	Verbal update
Cabinet Advisory Board	Cancelled due to COVID-19 pandemic, replaced by Overview & Scrutiny 8 June 20
Cabinet	25 June 2020

Quarter 4 – Revenue Management to 31 March 2020

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 2020, and the forecast outturn position, as at Quarter 3.
- 1.2 The actual outturn shows an underspend against the revised budget of £11,000. This comprises an underspend on expenditure of £1,242,000 offset by an underachievement of income of £1,231,000. The forecast as at Quarter 3 was an overspend of £25,000 so this represents an improvement to the forecast of £36,000.
- 1.3 A net transfer of £3,417,000 has been made from earmarked reserves and a net transfer of £910,000 from the General Fund leaving a balance of £21,229,000 available in usable reserves.

2. INTRODUCTION AND BACKGROUND

Summary Outturn – See Appendix A

- 2.1 Appendix A shows the overall unaudited income and expenditure on services outturn position as at 31 March 2020. 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 The actual outturn for net expenditure on services is £18,673,000, £11,000 below the revised budget. This is an improvement from Quarter 3 of £36,000 which was forecasting an overspend of £25,000. This is as a result of various movements as can be seen in Appendix C.
- 2.3 Investment interest is £68,000 over budget for the year. £42,000 had been projected at Quarter 3 and had been vired into the budget and forecast with a matching transfer to the Strategic Plan reserve. In Quarter 4 there was a further increase of £26,000 that was transferred to the reserve. The Council's investment in the Local Authorities Property Fund has generated a return of 5.15% which has contributed greatly to the interest amount achieved. A further £1 million was repaid to the Public Works Loans Board in Quarter 4 so the outstanding loan is now £1 million which will be repaid in July 2020.
- 2.4 Business rates and central government grants show a surplus to budget of £829,000. This is due to business rates growth since the inception of the business rates retention scheme in 2013/14. The Council is prudent and does not rely on this when setting the budget, as the rules and reliefs are often subject to change.

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 was £10,810,971.

- 2.6 Costs of RIBA Stages 0-3 of £5,126,786 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, were to be treated as capital expenditure and funded from borrowing.
- 2.7 The £5,684,185 capital costs included £532,053 for the purchase of the freehold ownership of The Lodge at the entrance of Calverley Grounds. This property can continue to be treated as capital and sit as an asset on the Council's balance sheet. The remaining £5,152,132 no longer meets the definition of capital and has therefore been transferred to revenue and funded from reserves.
- 2.8 A summary of the position is shown below:

Calverley Square Total Expenditure	£10,810,971
Revenue Expenditure	£5,126,786
Capital Expenditure	£5,684,185
Less Property Acquisition	£532,053
Total to Transfer from Capital to Revenue	£5,152,132
Funding	
Calverley Square Reserve	£1,242,220
Pension Settlement Reserve	£1,832,162
General Fund	£2,077,750
Total Reserves	£5,152,132

- 2.9 Of the £5,152,132 expenditure £4,442,421 was spent in 2018/19 and within the 2018/19 Statement of Accounts sat on the balance sheet as an 'Asset Under Construction'. This has been reversed in 2019/20 and the cost put to revenue. This can be seen as a separate line in Appendix A and will be shown separately in the Comprehensive Income and Expenditure Statement in the 2019/20 accounts.

Usable Reserves – See Appendix D

- 2.10 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 sometimes committed, future liabilities.
- 2.11 £2,077,750 was transferred from the General Fund to fund the reclassified capital costs of the Calverley Square scheme as detailed in Paragraph 2.8. An amount of £326,000 was transferred back to the General Fund from the Strategic Plan Reserve, this being an amount put aside for a dispute with a contractor that is no longer required, along with the surplus to budget of £841,780 achieved this year.
- 2.12 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. During 2019/20 this reserve funded £276,000 of the capital programme, £603,000 of the development programme and £169,000 of revenue expenditure. The revenue expenditure related to costs for the Crescent Road extension which, following the decision regarding Calverley Square, has been stopped and therefore treated as revenue rather than capital as had been planned.

- 2.13 The capital programme is also funded from other specific earmarked reserves and this amount totalled £198,000 for 2019/20. This consists of funding of £25,000 from the RVP Maintenance Reserve, £16,000 from the Invest to Save Reserve, £47,000 from the Housing Renewal Reserve, £108,000 from the ICT Partnership Reserve and £2,000 from the Digital Transformation Reserve. Funding of £2,060,000 for the capital programme also comes from the capital receipts reserve from monies received from property disposal.
- 2.14 The Strategic Plan Reserve is used to fund corporate priorities. Additional interest of £68,000 from investments, as explained in Paragraph 2.3, has been transferred to this reserve as well as interest charged on the Fusion loan of £46,000. A withdrawal from the reserve of £377,000 has been made which comprises a transfer of £326,000 to the General Fund, as explain in Paragraph 2.11, as well as funding a number of small corporate projects.
- 2.15 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. £259,000 of the reserve was used this year with £421,000 being transferred to the reserve from grants received during the year. The main transfers related to homelessness and rough sleeper costs where £241,000 was funded from the existing reserve and grants of £282,000, received in the year, were added to the reserve.
- 2.16 An amount of £225,000 was 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. This brought the balance of the reserve to £1,832,162 which was used to fund the Calverley Square project as set out in Paragraph 2.8.
- 2.17 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 was made into the reserve which is equivalent to the amount allocated for Year 9 of the New Homes Bonus.
- 2.18 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 £1,242,220 was used to fund some of the costs of the project and the reserve will now be closed.
- 2.19 The Rent Advance and Deposit Reserve holds money set aside by the Council to fund the rent advance and deposit guarantee schemes. There was a contribution of £119,000 made to the reserve for 2019/20 and a withdrawal of £111,000 to fund debt write offs and an increase to the bad debt provision held on the balance sheet.

Major Virements

- 2.20 Appendices A and F show that £180,000 has been recorded and transferred to the Vacancy Factor from Directorate budgets. Vacancy factor is the saving created whilst a budgeted post is vacant. There have also been virements for the revenue expenditure financed by the earmarked reserves.

Financial Performance of Major Expenditure Accounts – See Appendix E

- 2.21 The actual outturn for expenditure was £640,000 under budget. The main variances are explained in the paragraphs below.
- 2.22 Utility Bills for the year were £77,000 over budget mostly as a result of electricity being over budget by £51,000.

- 2.23 Other Premises costs were £81,000 under budget. This was due to an underspend in the service charges the Council pays for the RVP and Meadow Road car parks.
- 2.24 External Contract Payments were £49,000 over budget, and included within this overspend is a cost of £60,000 for recycling bank expenditure which had not been included when setting the budget.
- 2.25 IT and Communications were £42,000 underspent which was mainly due to an underspend of £38,000 on promotion costs at the Assembly Hall Theatre.
- 2.26 Consultants/Legal Fees were forecast to be underspent by £30,000 in Quarter 3 which was due to lower than budgeted spend on Property Consultants by the Property team. There was a further reduction of £40,000 for these costs to the end of the year. Also included within Consultant/Legal Fees is an overspend of £190,000 for costs for the Local Plan. The Council has put aside money in a reserve, to meet the costs associated with the Local Plan, as the phasing of costs varies across years. The Planning team had an underspend on their staff costs during 2019/20, due to vacancies, and it was therefore decided not to utilise the reserve for meeting this cost this year. This means the money will be available for use in later years.
- 2.27 There was a forecast underspend of £600,000 within Other Fees from 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 2.34, was under budget. In addition to this there was a further reduction to budget of £51,000 which mainly consisted of an underspend of £35,000 for the dog fowling and littering contract which is now being delivered in-house.
- 2.28 Other Supplies & Services were £76,000 under budget. This is made up of a number of underspends with the most significant being an underspend of £30,000 on replacement bin costs, due to the roll out of the new contract, and an underspend of £25,000 on project costs for the Parks.

Employee Related Costs – See Appendix F and G

- 2.29 The actual outturn for Employee Related Costs was £602,000 under budget. The vacancy factor of £180,000 was achieved with another £45,000 being transferred in Quarter 4.
- 2.30 A saving of £850,000 was realised across salaries, national insurance and pension for the year. Of this £180,000 was transferred to the vacancy factor and as at Quarter 3 £480,000 had been projected as savings from posts within Planning, Property Services, the Assembly Hall Theatre, Digital Services, Finance and the Weald Information Centre. The additional £190,000 saving comes from a further £62,000 from Planning, a further £45,000 from the Assembly Hall Theatre, £27,000 from Executive Secretariat, £27,000 from Parking, £18,000 from Gateway, as well as a number of small underspends and overspends across the Council.
- 2.31 Other Employee costs shows an overspend against the budget of £101,000, the majority of which relates to agency costs for temporary staff needed when posts have been vacant.

Income Streams – See Appendix H

- 2.32 Off Street Parking income had been forecast to be £180,000 lower than budget this year and ended up being £332,000 under budget, a further reduction of £152,000. Income for January and February was slightly above budget but the month of March showed a loss to budget of £172,000. This was as a result of the coronavirus pandemic which saw offices and shops across the borough close under Government guidance.

- 2.33 On Street Parking income had been forecast to be £70,000 above budget. At the end of the year it was £94,000 above budget, a further increase of £24,000. This is as a result of an increase in penalty charge notices issued and a focus on the collection of outstanding debts.
- 2.34 The forecast for income from the Assembly Hall theatre had been reduced by £750,000. This was as a result of the budget for ticket sales being too optimistic.. The actual income was £822,000 under budget, a further decrease of £72,000. Alongside other UK theatres the Assembly Hall Theatre was closed in March in line with Government guidance. Tickets for shows in March have been refunded and future show refunds continue to be made as the theatre currently remains closed.
- 2.35 Income from rents was forecast to be £30,000 lower than budget this year, which was due to several properties that the Council rents to tenants being vacant for a number of months. The actual income was £70,000 above budget. The increase was mainly due to additional rental income received from tenants in temporary accommodation. The rental income comes from the Housing Benefit that is claimed by tenants using the temporary accommodation and the increase was due to an increased number of tenants needing accommodation.
- 2.36 Crematorium income was forecast to be £190,000 under budget. The actual outturn was £245,000 under budget, a further £55,000. Nationally the death rate had fallen, during the 2019 calendar year, and in particular the death rate in Kent, East and West Sussex had fallen by 5.5%. Local funeral directors reported that they have had less business in the year. A new Crematorium in Horam may be providing competition as may a Cemetery in Sevenoaks that is now offering cremations.
- 2.37 Revenue contribution was £132,000 above budget. This was due to a number of small increases in various contributions with the most significant being an increase to budget of £54,000 for recycling credit income and an increase of £20,000 for the Environmental Health recharge for the shared service.
- 2.38 Planning income was forecast to be £30,000 lower than budget and concluded being £28,000 under budget, an improvement of £2k. Within this Building Control income was over budget by £30,000 and Planning income was under budget by £28,000.
- 2.39 The Council is now providing an in-house service for littering and dog fouling. A reduction of £20,000 had been included in Quarter 3 within Other Income. The actual decrease to budget was £100,000. A number of other overs and unders to budget are included within Other Income. The most significant ones are an increase to budget of £117,000 for green waste charges, an increase to budget of £44,000 for ticket sales at the Ice Rink and a decrease to budget of £48,000 for the sale of replacement wheeled bins.

Variances by Portfolio Holder– See Appendix I

- 2.40 This table shows variances by Cabinet Portfolio Holder based on the structure as at 31 March 2020. The new distribution of portfolios will be reflected in the 2020/21 Quarter 1 report.

Planning Fees and Charges

- 2.41 Fees and Charges across the Council, including for Planning Services, were set by Cabinet at its meeting of 21 November 2019 (CAB93/19).

2.42 Since the Fees and Charges report a court case has determined that Planning Authorities are once again able to charge for monitoring fees for S106 agreements. It is proposed the Council charges the following:

For residential developments of under 40 units with one planning obligation - £1,000
For each additional planning obligation - £500

For residential developments of 40 units or more with one planning obligation - £1,500
For each additional planning obligation - £750

2.43 As a result of the coronavirus lockdown transport consultants have been unable to undertake traffic surveys. The Council has received requests from consultants to use data from surveys that the Council has commissioned to inform the transport evidence to support the Draft Local Plan. It is therefore proposed to charge £600 per survey request.

Council Tax and Business Rates

2.44 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.

2.45 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.

2.46 The table below shows the Quarter 4 recovery rate for Council Tax to be 0.26% below target and 0.21% below collection rates for last year. The Quarter 4 recovery rate for Business Rates was below target by 0.77% and 1.13% below collection rates for last year.

Revenue Billing Stream	2019/20 Collection as at 31/03/2020	2019/20 Target as at 31/03/2020	2018/19 Collection as at 31/03/2019
Council Tax	98.09%	98.35%	98.30%
Business Rates	98.03%	98.80%	99.16%

Write Off/Excusal of Debts – See Appendix J

2.47 Financial Procedure Rule (FPR) 6.2 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.

2.48 Appendix J gives a complete analysis of all debts written off by the Council over the financial year 2019/20, of which there are 3,573 accounts totalling £1,013,788. This should be seen in the context of the £183,883,400 of income collected by the Council during the year meaning that only 0.54% 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.

3. AVAILABLE OPTIONS

- 3.1 This report is essentially for information.
- 3.2 Cabinet can approve the new charges for Planning Services or decide not to implement these charges.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 That Members acknowledge the unaudited actual revenue outturn for the year and the variances to the revised budget and forecast outturn as at Quarter 3.
- 4.2 That Cabinet approve the proposed charges for services offered by Planning as set out in the report.
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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 The Finance and Governance Cabinet Advisory Board, on 2 June 2020, was cancelled due to the COVID-19 pandemic. This was replaced by Overview and Scrutiny on 8 June 2020.
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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 (name of officer and date)
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 forecast outturn net revenue position compared to revised budget.	Jane Fineman, Head of Finance, Procurement & Parking
Staffing	The report monitors the establishment to the post	Clare Hazard,

establishment	occupied.	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 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 Write Off Summary

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%202019-20%20and%20MTFS%20Update.pdf>