

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

24 June 2015

Report of the Chief Executive, Director of Finance and Transformation, Leader of the Council and Cabinet Member for Finance, Innovation and Property

Part 1- Public

Executive Non Key Decisions

1 REVENUE AND CAPITAL OUTFURN 2014/15

In accordance with the Council's Financial Procedure Rules we present a report and accompanying information detailing actual Revenue and Capital Outturn for the year ended 31 March 2015. We also present for consideration our recommendations, formulated in conjunction with Management Team, regarding proposed adjustments to the Accounts in light of the Outturn position.

1.1 Introduction

- 1.1.1 A detailed statement of the revenue and capital outturn position for the year 2014/15 is provided in the attached booklet which has been compiled in liaison with Chief Officers, including, where appropriate, explanatory notes of variations between revised estimates and outturn. Variations between the original and revised estimates for 2014/15 were highlighted in the notes to the Annual Estimate papers presented to Members during the 2015/16 budget cycle.
- 1.1.2 In accordance with the Council's constitutional arrangements the Statement of Accounts which shows the outturn in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 will be presented to the **Audit Committee** for **approval**. The Director of Finance and Transformation will be presenting the Statement of Accounts to the Audit Committee on 22 June.

1.2 Overall Revenue Position

- 1.2.1 Members are to be advised at this meeting that overall, and after setting aside circa £155,000 to meet next year's shortfall on the Business Rates Retention scheme, the revenue outturn is slightly over budget to the sum of £85,687 with a contribution from the General Revenue Reserve of £1,242,687 compared with the Revised Estimate figure of £1,157,000.
- 1.2.2 Factors that contributed to the adverse variance include the outcome of the personal search fee litigation, pressure on the housing benefits budget as a result

of government initiatives and setting aside funds to meet next year's shortfall under the Business Rates Retention scheme offset by management savings on the salary bill and our major income streams better than budgeted performance despite Aylesford Newsprint going into administration in February 2014 and the resultant adverse impact on the Council's income. A more detailed analysis of the principal reasons for the adverse variance can be found in the table below.

1.2.3 We have as part of the closedown process undertaken a review of the specific earmarked reserves held by the Council. As a result of this review and in liaison with Management Team the Cabinet are asked to endorse that:

- A Transformation reserve is established in the sum of £28,000 to fund initiatives that deliver operational efficiencies.

1.2.4 The above proposals have been reflected within the outturn position shown. As already mentioned, measured against the Revised Estimate the overall revenue position is slightly over budget to the sum of £85,687. The principal reasons for the adverse variance are given in the table below.

Description	Revised Estimate 2014/15 £	Provisional Outturn 2014/15 £	Variation £
Business Rates Retention Scheme	(1,910,945)	(1,593,364)	317,581
Housing Benefits	30,600	222,291	191,691
Personal Search Fees Provision	0	111,777	111,777
Transformation Reserve	0	28,000	28,000
Homelessness Bad Debt Provision	20,000	(258)	(20,258)
Appeals & Applications	45,000	24,252	(20,748)
DWP Welfare Reform Grants	(39,550)	(67,544)	(27,994)
Developer Contributions Interest	5,200	(24,124)	(29,324)
Summons Costs Recovered	(250,000)	(306,035)	(56,035)
Salaries, NI & Superannuation Contributions	10,938,050	10,859,887	(78,163)
Major Income Streams	(4,310,700)	(4,493,170)	(182,470)
Other Net Changes	5,050,501	4,902,131	(148,370)
Total	9,578,156	9,663,843	85,687

1.2.5 **[Annex 1]** provides details of Service specific issues in respect of the revenue outturn for 2014/15.

1.3 Capital Plan

1.3.1 A detailed draft outturn position was presented to the Finance, Innovation and Property Advisory Board on 3 June 2015 which showed actual net expenditure of £1,166,000 against a budget provision of £1,791,000.

1.3.2 The majority of the £625,000 underspend will need to be rolled forward for use in 2015/16. General issues that contributed to the under spend are given below.

- Capital renewals budgets totalling £811,000 with actual capital renewals expenditure totalling £539,000. Capital renewals provisions reflect predictions as to when assets will need to be replaced. These predictions reflect, where possible, the experience gained with similar assets, and aim to result in sufficient budget to maintain the asset base without over-inflating the Capital Plan. These predictions cannot always be accurate; and, if anything, there is a tendency towards caution.
- The very nature of capital expenditure can see the rescheduling, reprofiling and review of future budgetary provision for a variety of reasons. Budget provisions that are to be rescheduled, reprofiled or subject to review include Disabled Facilities Grants – net under spend £105,000; Improvement programme for existing car parks – under spend £45,000; and Renewable energy schemes – under spend £36,000.

1.3.3 **[Annex 2]** provides details of Service specific issues in respect of the capital outturn for 2014/15.

1.4 Treasury Management and Investment Strategy Review

1.4.1 The Council adopted the December 2009 edition of the Chartered Institute of Public Finance and Accountancy Treasury Management Code of Practice and Cross-Sectoral Guidance Notes on 18 February 2010 and due regard has also given to subsequent revisions to the Code. The Code requires an annual review report of the previous year to be presented and endorsed by Members. To comply with the Code an annual review report for the year 2014/15, attached at **[Annex 3]**, was considered by the Audit Committee at its meeting earlier this week. **As this is a technical document, if Members have any questions, could we please ask that you contact Michael Withey on extension 6103 in advance of the meeting.**

1.5 Balances and Reserves

1.5.1 **[Annex 4]** Table 1 shows the movement on the Special Projects Reserve.

1.5.2 **[Annex 4]** Table 2 details the movement on Other Earmarked Reserves. Members will note that there is one contribution to Other Earmarked Reserves that requires approval.

1.5.3 **[Annex 4]** Table 3 gives details of some minor revenue adjustments agreed by the Director of Finance and Transformation during the closedown process.

The Council is required to have regard to the level of its balances and reserves before making decisions concerning its finances. The Council's General Fund working balance is set at £1,250,000 and this sum is considered appropriate for an authority of our size and scale. The position in respect of the Council's General Revenue Reserve is given below.

General Revenue Reserve		
	£	£
Balance at 1 April 2014		5,913,612
Contribution to / (from) Reserve		1,242,687
Balance at 31 March 2015		4,670,925

1.5.4 The Medium Term Financial Strategy anticipated a General Revenue Reserve balance at 31 March 2015 of £4,757,000.

1.6 Audit Committee

1.6.1 As mentioned earlier, a copy of the Statement of Accounts for 2014/15 (unaudited) will be presented to the Audit Committee for approval on 22 June. The Accounts reflect the revenue and capital outturn position as detailed in this report and accompanying information, together with the subsequent recommendations.

1.7 Legal Implications

1.7.1 There are a number of legislative requirements to consider as we move through the closedown process, and prepare and publish the Statement of Accounts.

1.8 Financial and Value for Money Considerations

1.8.1 As set out above.

1.9 Risk Assessment

1.9.1 The compilation and presentation of the revenue and capital outturn forms part of the closedown process, leading to the preparation and publication of the Statement of Accounts which is a statutory document. Failure to prepare and publish the Accounts within the statutory timescale and in accordance with the Regulations could adversely affect the Council.

1.10 Equality Impact Assessment

1.10.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.11 Recommendations

1.11.1 Cabinet is **RECOMMENDED** to:

- 1) Receive and approve the Revenue and Capital Outturn for the year 2014/15.

- 2) Endorse the recommendations following a review of specific earmarked reserves set out at paragraph 1.2.3.
- 3) Receive and approve the Treasury Management and Investment Strategy Review 2014/15 **[Annex 3]**.

Background papers:

contact: Sharon Shelton
Neil Lawley

Investment information provided by King & Shaxson
Valuation/Impairment information provided by BPS
Chartered Surveyors

Julie Beilby
Chief Executive

Sharon Shelton
Director of Finance and Transformation

Nicolas Heslop
Leader of the Council

Martin Coffin
Cabinet Member for Finance, Innovation and Property