

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

06 June 2018

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 OUTTURN 2017/18

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 2018 and subsequent adjustments made 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 2017/18 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 2017/18 were highlighted in the notes to the Annual Estimate papers presented to Members during the 2018/19 budget cycle.

1.1.2 In accordance with the Council's Constitution 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 2017/18 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 23 July.

1.2 Overall Revenue Position

1.2.1 Members are to be advised that overall, the revenue outturn is within budget to the sum of £639,735 affording the opportunity to transfer £500,000 to the Property Investment Fund Reserve as detailed below. After taking into account this transfer, there is a favourable variance of £139,735 and a contribution to the General Revenue Reserve of £697,835 compared with the Revised Estimate figure of £558,100.

1.2.2 The favourable variance can, amongst other things, be attributed to the fact that for the first time since the introduction of the Business Rates Retention Scheme the Council is above the baseline set; overall housing benefit payments,

recoupments and contribution to the bad debt provision lower than budgeted; and management savings on the salary bill. Offset by, amongst other things, the contribution to the Property Investment Fund reserve and lower than budgeted performance in our major operational income streams.

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 Cabinet is asked to note and endorse that:

- The sum of £500,000 is added to the Property Investment Fund Reserve to supplement future property fund investments to generate a better rate of return / increased investment income than might otherwise be achieved.

1.2.4 As mentioned above, measured against the Revised Estimate the outturn position is within budget to the sum of £139,735. The principal reasons for the favourable variance is given in the table below and a more detailed analysis of the outturn position is to be found in the attached Revenue and Capital Outturn Booklet.

Description	Revised Estimate 2017/18 £	Provisional Outturn 2017/18 £	Variation £
Property Investment Fund Reserve	0	500,000	500,000
Kent Business Rates Pool Growth Fund*	0	60,543	60,543
Building Control Partnership	46,000	85,053	39,053
Major Income Streams	(5,286,600)	(5,254,416)	32,184
Leisure Development	81,050	55,572	(25,478)
Payments to Principals / Ticket Refunds	363,000	335,298	(27,702)
Housing Benefits	198,750	67,823	(130,927)
Salary Monitoring Statement	9,228,500	9,055,600	(172,900)
Business Rates Retention Scheme	(1,988,317)	(2,326,598)	(338,281)
Other Net Changes	6,453,547	6,377,320	(76,227)
Total	9,095,930	8,956,195	(139,735)

*final figure subject to confirmation from business rates pool lead authority

1.2.5 **[Annex 1]** provides details of Service specific issues in respect of the revenue outturn for 2017/18.

1.3 Capital Plan

1.3.1 A draft outturn position was presented to the Finance, Innovation and Property Advisory Board on 23 May 2018 which showed actual net expenditure of £1,094,000 against a budget provision of £1,885,000.

1.3.2 Factors that contributed to the net underspend are given below.

- Capital renewals budgets totalling £1,121,000 with actual capital renewals expenditure totalling £659,000. Capital renewals provisions reflect predictions as to when assets will need to be replaced. Underspend can

largely be attributed to a lower than anticipated spend on capital renewals at our leisure facilities, in large part due to the replacement of fitness equipment at Larkfield Leisure Centre moving to 2018/19; and in respect of information technology.

- The very nature of capital expenditure and funding can see the rescheduling, reprofiling and review of future budget provision. Scheme budget provisions that are to be rescheduled, reprofiled or subject to review include the Virtual Desktop Infrastructure Project – in year underspend £80,000; Revenues and Benefits IT Digital Solution – in year underspend £65,000; and Racecourse Sportsground Riverside Revetment Works – in year underspend £28,000.

1.3.3 **[Annex 2]** provides details of Service specific issues in respect of the capital outturn for 2017/18.

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 been 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. A copy of the annual review report for the year 2017/18 is attached at **[Annex 3]** and supersedes the update provided to the Audit Committee on 3 April 2018 which was recommended to Cabinet under minute AU 18/19.

1.4.2 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.

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

1.5.4 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 2017		5,948,858
Contribution to / (from) Reserve		697,835
Balance at 31 March 2018		6,646,693

1.5.5 The Medium Term Financial Strategy anticipated a General Revenue Reserve balance at 31 March 2018 of £6,507,000.

1.6 Audit Committee

1.6.1 As mentioned earlier, a copy of the Statement of Accounts for 2017/18 is to be presented to the Audit Committee for approval on 23 July. The Accounts reflect the revenue and capital outturn position as detailed in this report and accompanying information, together with the subsequent adjustments as appropriate.

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 The favourable variance of circa £640,000 affording the opportunity to transfer £500,000 to the Property Investment Fund Reserve to generate a better rate of return / increased investment income than might otherwise be achieved is clearly welcome.

1.8.2 However, this should not be confused with the latest projected 'funding gap' and, in turn, savings target of £1 million, which remains unchanged. Why is that? The favourable outturn position is in large part as a result of one-off better than budgeted performance rather than ongoing 'savings' and as a result does not contribute towards the savings target identified when setting the 2018/19 Budget.

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 requested to:

- 1) Note and endorse the Revenue and Capital Outturn for the year 2017/18.
- 2) Note and endorse the action taken following a review of specific earmarked reserves set out at paragraph 1.2.3.
- 3) Note and endorse the Treasury Management and Investment Strategy Review 2017/18 **[Annex 3]**.

Background papers:

Nil

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