

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

05 June 2019

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 2018/19

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 2019 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 2018/19 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 2018/19 were highlighted in the notes to the Annual Estimate papers presented to Members during the 2019/20 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 2018/19 will be presented to the **Audit Committee** for **approval**. The Director of Finance and Transformation is to present an audited copy of the Statement of Accounts to the Audit Committee on 29 July.

1.2 Overall Revenue Position

1.2.1 Members are to be advised that the contribution to the General Revenue Reserve is £76,406, some £35,144 less than the Revised Estimate figure of £111,550. This after transferring an additional £400,000 to the Tonbridge and Malling Leisure Trust (TMLT) Reserve and £250,000 to the Building Repairs Reserve in recognition of recent and future cost pressures.

1.2.2 The variance of £35,144 can, amongst other things, be attributed to the additional sums transferred to the two earmarked reserves referred to above. This is of course offset by many other things – for example, better than budgeted

performance under the Business Rates Retention Scheme; overall housing benefit payments, recouplements and contribution to the bad debt provision lower than budgeted; management savings on the salary bill; and better than budgeted performance in our major operational income streams. See paragraph 1.2.4 for further detail.

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, and referred to above, Cabinet is asked to note and endorse:

- The transfer of an additional sum of £400,000 to the TMLT Reserve to part fund the estimated increased costs of the planned major programme of works at Larkfield Leisure Centre.
- The transfer of an additional sum of £250,000 to the Building Repairs Reserve to recognise recent and potential future cost pressures.

1.2.4 As mentioned above, the contribution to the General Revenue Reserve is £76,406, some £35,144 less than the Revised Estimate figure of £111,550. The principal reasons for the variance is given in the table below.

Description	Revised Estimate 2018/19 £	Provisional Outturn 2018/19 £	Variation £
TMLT Reserve	100,000	500,000	400,000
Building Repairs Reserve	1,000,000	1,250,000	250,000
Legal Expenses	53,250	152,148	98,898
TMLT Loss of Income Claim(s)	2,150	51,373	49,223
Investment Income	(452,000)	(485,787)	(33,787)
IT Supplies & Services	759,550	673,307	(86,243)
Major Income Streams	(5,700,150)	(5,801,382)	(101,232)
Housing Benefits (Net)	115,000	5,691	(109,309)
Salary Monitoring Statement	9,471,050	9,358,028	(113,022)
Business Rates Pilot / Pool / Reserve	(3,171,160)	(3,443,335)	(272,175)
Other Net Changes	7,866,401	7,819,192	(47,209)
Total	10,044,091	10,079,235	35,144

1.2.5 **[Annex 1]** provides details of Service specific issues in respect of the revenue outturn for 2018/19. A more detailed analysis of the outturn position is to be found in the attached Revenue and Capital Outturn Booklet.

1.3 Capital Plan

1.3.1 Members will note a Capital Plan spend net of specific government grants and other contributions of £1,040,000 against a budget provision of £1,507,000. Factors that contributed to the net underspend are given below.

- Capital renewals budgets totalling £801,000 with actual capital renewals expenditure totalling £639,000. 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; printing and reprographics equipment; 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 Ventilation and Boiler Replacement – in year underspend £87,000; Revenues and Benefits IT Digital Solution – in year underspend £60,000; and Conference System – in year underspend £27,000.

1.3.2 **[Annex 2]** provides details of Service specific issues in respect of the capital outturn for 2018/19. A more detailed analysis of the outturn position is to be found in the attached Revenue and Capital Outturn Booklet.

1.4 Treasury Management and Investment Strategy Review

1.4.1 An updated Prudential Code and Treasury Management Code were published by CIPFA in December 2017. The focus of both updates is to ensure the risks associated with investment in 'non-financial assets which are held primarily for financial returns' are properly evaluated, reported, subject to scrutiny and managed over time.

1.4.2 Council adopted the December 2017 edition of the Codes in October 2018. The Treasury Management 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 2018/19 is attached at **[Annex 3]**.

1.4.3 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 2018		6,646,693
Contribution to / (from) Reserve		76,406
Balance at 31 March 2019		6,723,099

1.5.5 The Medium Term Financial Strategy anticipated a General Revenue Reserve balance at 31 March 2019 of £6,758,000.

1.6 Audit Committee

1.6.1 As mentioned earlier, an audited copy of the Statement of Accounts for 2018/19 is to be presented to the Audit Committee for approval on 29 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 transfer of an additional sum of £400,000 to the TMLT Reserve to part fund the estimated increased costs of the planned major programme of works at Larkfield Leisure Centre and an additional sum of £250,000 to the Building Repairs Reserve to recognise recent and potential future cost pressures is a welcome outcome of a positive outturn position.

1.8.2 The budget year 2019/20 and review and update of medium term financial planning assumptions informed by the outturn position now the focus of attention. It would be remiss not to remind Members of the latest projected funding gap of £550,000 with a savings and transformation contribution of £100,000 to be achieved this year. Progress on meeting this year's savings and transformation contribution will be reported via the Finance, Innovation and Property Advisory Board.

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 2018/19.
- 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 2018/19 **[Annex 3]**.

Background papers:

Nil

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