

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

25 June 2014

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 2013/14

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 2014. 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 2013/14 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 2013/14 were highlighted in the notes to the Annual Estimate papers presented to Members during the 2014/15 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 2013/14 will be presented to the **Audit Committee** for **perusal** and to the **General Purposes Committee** for **approval**. The Director of Finance and Transformation will be presenting the Statement of Accounts to the Audit Committee on 16 June and to the General Purposes Committee on 23 June.

1.2 Overall Revenue Position

- 1.2.1 Members are advised that overall the revenue outturn is within budget with a contribution to the General Revenue Reserve of £296,820 compared with the Revised Estimate figure of £71,150. The principal reasons for the favourable outturn position of £225,670 are given in the table below.

1.2.2 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 Business Rates Retention Scheme reserve is established in the sum of £1,500,000, in the main, to take account of the accounting arrangements, e.g. safety net payment accounted for in year and the deficit that triggered the safety net payment in the following year. The balance of around £126,000 is to meet in full or in part our share of any shortfall between our business rates income and the baseline for 2014/15. The maximum amount the authority has to meet of any shortfall in 2014/15 is circa £154,000.
- A sum of £50,000 is to be added to the Invest to Save Reserve to fund initiatives to reduce costs and or generate additional income.

1.2.3 The above proposals have been reflected within the outturn position given above. As already mentioned, measured against the Revised Estimate the overall revenue position is within budget to the sum of £225,670. The principal reasons for the better than expected net position is given in the table below.

| Description | Revised Estimate 2013/14 £ | Provisional Outturn 2013/14 £ | Variation £ |
|---|----------------------------------|-------------------------------------|------------------|
| Business Rates Retention Scheme | (2,494,774) | (2,266,594) | 228,180 |
| Invest to Save Reserve | 50,000 | 100,000 | 50,000 |
| Leisure Services Business Unit | 367,000 | 414,875 | 47,875 |
| Industrial Estate Rents | (94,200) | (61,820) | 32,380 |
| Benefits Changes Grant Funding | (57,150) | (84,154) | (27,004) |
| Software Support, Hire & Maintenance | 425,600 | 391,905 | (33,695) |
| Refuse, Recycling & Street Cleansing Contract | 3,346,000 | 3,311,999 | (34,001) |
| Summons Costs Recovered | (230,000) | (316,955) | (86,955) |
| Salaries, NI & Superannuation Contributions | 9,736,550 | 9,615,855 | (120,695) |
| Major Income Streams | (5,137,350) | (5,297,878) | (160,528) |
| Other Net Changes | 2,115,168 | 1,993,941 | (121,227) |
| Total | 8,026,844 | 7,801,174 | (225,670) |

1.2.4 **[Annex 1]** provides details of Service specific issues in respect of the revenue outturn for 2013/14.

1.3 Leisure Services Business Unit

1.3.1 The trading statement for the Leisure Services Business Unit (LSBU) for the seven month period ended 31 October 2013 shows a deficit of £414,875 compared with the 2013/14 revised estimate of £367,000 producing an adverse variance of £47,875. An analysis of the position in respect of the four sites is given in the table below.

| Leisure Services Business Unit | Revised Estimate | Actual | Variance |
|---|-----------------------------|----------------|-----------------|
| | £ | £ | £ |
| Angel Centre | 134,600 | 149,060 | 14,460 |
| Larkfield Leisure Centre | 15,650 | 31,859 | 16,209 |
| Tonbridge Swimming Pool | 73,650 | 89,081 | 15,431 |
| Poult Wood Golf Centre | 143,100 | 144,875 | 1,775 |
| Total | 367,000 | 414,875 | 47,875 |

1.3.2 The adverse variance is largely due to the receipt of information in respect of receipts in advance post preparation of the revised estimates.

1.4 Capital Plan

1.4.1 A detailed draft outturn position was presented to the Finance, Innovation and Property Advisory Board on 14 May 2014 which showed actual net expenditure of £1,115,000 against a budget provision of £1,941,000.

1.4.2 The majority of the £826,000 underspend will need to be rolled forward for use in 2014/15. General issues that contributed to the under spend are given below.

- Capital renewals budgets totalling £864,000 with actual capital renewals expenditure totalling £430,000. 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. Although this provides headroom to allow the replacement of assets that did not last as long as expected, the general trend is for actual renewals expenditure to be below budget.
- The very nature of capital expenditure can see the rescheduling, reprofiling and review of future budgetary provision for a variety of reasons. Examples of this include the capital grants to organisations where the one remaining outstanding grant award of £25,000 is expected to be claimed in 2014/15; scheme to increase the provision of parking in the area of the Racecourse Sportsground with a budgeted cost of £92,000 delayed due to ongoing negotiations over lease of land; and housing assistance where grant repayments exceeded expenditure by £63,000 compared to a budget provision of £87,000 producing a net under spend of £150,000.

1.4.3 **[Annex 2]** provides details of Service specific issues in respect of the capital outturn for 2013/14.

1.5 Treasury Management and Investment Strategy Review

- 1.5.1 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 2013/14, attached at **[Annex 3]**, was considered at the June meeting of Audit Committee. **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.**
- 1.5.2 Members will be aware that in January 2014 the Council sold its claim against the insolvent estate of LBI. The claim was sold thorough a competitive auction process, with a reserve price set. The proceeds of sale were paid in cash in Pounds Sterling. The sale means that Tonbridge and Malling Borough Council has recovered just over 95% of the £1 million that was deposited with LBI in 2008.

1.6 Balances and Reserves

- 1.6.1 **[Annex 4]** Table 1 shows the movement on the Special Projects Reserve.
- 1.6.2 **[Annex 4]** Table 2 details the movement on Other Earmarked Reserves. Members will note that there are two contributions to Other Earmarked Reserves that require approval.
- 1.6.3 **[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 2013 | | 5,616,792 |
| Contribution to / (from) Reserve | | 296,820 |
| | | |
| Balance at 31 March 2014 | | 5,913,612 |

- 1.6.4 The Medium Term Financial Strategy anticipated a General Revenue Reserve balance at 31 March 2014 of £5,688,000.

1.7 Audit Committee and General Purposes Committee

- 1.7.1 As mentioned earlier, a copy of the Statement of Accounts for 2013/14 (unaudited) will be presented to the Audit Committee for perusal on 16 June and to the General Purposes Committee for approval on 23 June. The Accounts reflect the revenue and capital outturn position as detailed in this report and accompanying information, together with the subsequent recommendations.

1.8 Legal Implications

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

1.9 Financial and Value for Money Considerations

- 1.9.1 As set out above.

1.10 Risk Assessment

- 1.10.1 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. Therefore, failure to prepare and publish the Accounts within the statutory timescale and in accordance with the Regulations could adversely affect the Council.

1.11 Equality Impact Assessment

- 1.11.1 See 'Screening for equality impacts' table at end of report

1.12 Recommendations

- 1.12.1 Cabinet is **RECOMMENDED** to:

- 1) Receive and approve the Revenue and Capital Outturn for the year 2013/14.
- 2) Endorse the recommendations following a review of specific earmarked reserves set out at paragraph 1.2.2.
- 3) Receive and approve the Treasury Management and Investment Strategy Review 2013/14 **[Annex 3]**.

Background papers:

contact: Sharon Shelton
Neil Lawley

Valuations and reports provided by Investec Asset Management. Information provided by the Council's Treasury Adviser, Sector Treasury Services Ltd. Valuation/Impairment report 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

| Screening for equality impacts: | | |
|---|---------------|---|
| Question | Answer | Explanation of impacts |
| a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? | N / A | This report is factual in nature setting out the Council's revenue and capital expenditure and income for the financial year ended 31 March 2014. |
| b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? | N / A | See above. |
| c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above? | | N / A |

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.