

# TONBRIDGE & MALLING BOROUGH COUNCIL

## CABINET

03 June 2020

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 2019/20

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 2020 and subsequent adjustments made in light of the Outturn position.

##### 1.1 Introduction

1.1.1 A detailed revenue and capital outturn position for the year 2019/20 is provided in the Revenue and Capital Outturn Booklet attached at **[Annex 1]** 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 2019/20 were highlighted in the notes to the Annual Estimate papers presented to Members during the 2020/21 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 2019/20 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 27 July.

##### 1.2 Overall Revenue Position

1.2.1 Members are advised that the drawdown from the General Revenue Reserve to support the Budget is £146,861, some £71,739 less than the Revised Estimate figure of £218,600. This after having established a Reorientation/ Post Emergency Reserve in response to the Covid-19 pandemic in the sum of £200,000 and transferring a sum of £50,000 to the Invest to Save Reserve.

1.2.2 The variance of £71,739, in addition to the sums transferred to the two earmarked reserves, can be attributed to, amongst other things, an overall favourable variance across service budgets generally and better than budgeted performance

under the Business Rates Retention Scheme offset by below profile 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 establishment of a Reorientation/ Post Emergency Reserve in the sum of £200,000 in response to the Covid-19 pandemic.
- The transfer of £50,000 to the Invest to Save Reserve to fund future efficiency/ savings initiatives.

1.2.4 As mentioned above, the drawdown from the General Revenue Reserve is £146,861, some £71,739 less than the Revised Estimate figure of £218,600. The principal reasons for the variance is given in the table below.

Description	Revised Estimate 2019/20 £	Provisional Outturn 2019/20 £	Variation £
Reorientation/ Post Emergency Reserve	0	200,000	200,000
Major Income Streams	(6,456,150)	(6,321,669)	134,481
Homelessness Temp Accommodation	288,500	394,888	106,388
Invest to Save Reserve	0	50,000	50,000
Refuse, Recycling & Street Scene – Contract(s) Payments	3,921,000	3,952,557	31,557
Investment Income	(575,000)	(600,158)	(25,158)
IT Supplies & Services	837,000	808,575	(28,425)
Recycling – Vehicle Costs	161,000	120,716	(40,284)
Housing Benefits (Net)	55,000	11,358	(43,642)
Salary Monitoring Statement	10,033,550	9,979,226	(54,324)
Business Rates Retention/ Reserve	(3,160,713)	(3,318,134)	(157,421)
Other Net Changes	5,761,330	5,516,419	(244,911)
<b>Total</b>	<b>10,865,517</b>	<b>10,793,778</b>	<b>(71,739)</b>

1.2.5 **[Annex 2]** provides details of Service specific issues in respect of the revenue outturn for 2019/20. 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 £4,608,000 against a budget provision of £5,769,000. Factors that contributed to the net underspend are given below.

- Capital renewals budgets totalling £1,053,000 with actual capital renewals expenditure totalling £613,000. 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; 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, Boiler and Pool Hall Roof – in year underspend £191,000; Racecourse Sportsground Revetment Works – in year underspend £193,000; CMS Website Solution – in year underspend £140,000 and Revenues and Benefits IT Digital Solution – in year underspend £60,000.

1.3.2 **[Annex 3]** provides details of Service specific issues in respect of the capital outturn for 2019/20. 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 2019/20 is attached at **[Annex 4]**.
- 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 5]** Table 1 shows the movement on the Special Projects Reserve.
- 1.5.2 **[Annex 5]** Table 2 details the movement on Other Earmarked Reserves.
- 1.5.3 **[Annex 5]** 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.

<b>General Revenue Reserve</b>		
	<b>£</b>	<b>£</b>
Balance at 1 April 2019		6,723,099
Contribution to / (from) Reserve		(146,861)
<b>Balance at 31 March 2020</b>		<b>6,576,238</b>

- 1.5.5 The Medium Term Financial Strategy anticipated a General Revenue Reserve balance at 31 March 2020 of £6,504,000.

## **1.6 Audit Committee**

- 1.6.1 As mentioned earlier, an audited copy of the Statement of Accounts for 2019/20 is to be presented to the Audit Committee for approval on 27 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 positive outturn position affording the opportunity to establish a Reorientation/ Post Emergency Reserve in response to the Covid-19 pandemic in the sum of £200,000 and transfer £50,000 to the Invest to Save Reserve to fund future efficiency/ savings initiatives.
- 1.8.2 The budget year 2020/21 and review and update of medium term financial planning assumptions now the focus of attention. Progress on meeting this year's savings and transformation contribution of £20,000 will be reported via the Finance, Innovation and Property Advisory Board. Albeit, this to all intents and purposes has been overtaken by recent events.
- 1.8.3 In the latter part of the year 2019/20 the Covid-19 pandemic had a profound impact across service areas, businesses and the wider community testing the Council's business continuity planning arrangements. It will, in all likelihood, also have a significant adverse impact on the Council's finances and, in turn, reserve balances.
- 1.8.4 Primarily as a result of a likely marked reduction in sources of income (council tax receipts, business rates, fees and charges, rental income and investment income). There are also unbudgeted costs to be met, both time limited and

ongoing, e.g. setting up and operation of community hub facilities and increase in temporary accommodation costs.

- 1.8.5 We will not know the extent of the impact on reserve balances for some time, but believe it safe to say unless there is further significant tranches of funding provided by the government, depleted such that the scale and timing of savings targets set out in the Medium Term Financial Strategy will need to be revisited.
- 1.8.6 As reported to Cabinet in May the indicative 'ballpark' figures we have come up with are a shortfall in income of between £3m and £5m and increased costs of £350,000 in 2020/21, but again should stress these are best guesses and will undoubtedly change. The scale of the adverse impact beyond 2020/21 dependent on the speed and extent of the recovery. In addition, the Leisure Trust that manages the Council's main leisure facilities on its behalf is in need of financial support. The extent and shape of that support and over what time period is difficult to determine at this early stage, but Members will note this is the subject of a separate report elsewhere on the agenda.
- 1.8.7 To date two tranches of 'emergency' funding has been provided by the government. The first tranche was £40,538 and the second tranche £1,316,352 giving a total allocation of £1,356,890.
- 1.8.8 Members should be reassured that Management Team will continue to closely monitor the impact on the Council's finances as more information becomes available and a better understanding begins to emerge, and update Members 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.
- 1.9.2 We will not know the extent of the adverse financial impact as a result of the Covid-19 pandemic for some time, but in all likelihood our reserve balances will be very much reduced from that assumed in February 2020; and as a result, in turn, have an adverse impact on the scale and timing of the savings to be achieved.

## **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 2019/20.
- 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 2019/20 **[Annex 4]**.
- 4) Note that the Covid-19 pandemic will, in all likelihood, have a significant impact on the Council's reserve balances and as a result, in turn, have an adverse impact on the scale and timing of the savings and transformation contributions required.

Background papers:

Nil

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Sharon Shelton

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  
and Deputy Executive Leader