

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

02 June 2021

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 2020/21

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 2021 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 2020/21 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 2020/21 were highlighted in the notes to the Annual Estimate papers presented to Members during the 2021/22 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 2020/21 will be presented to the **Audit Committee** for **approval**. The Director of Finance and Transformation is to present an unaudited copy of the Statement of Accounts to the Audit Committee on 26 July.

1.2 Overall Revenue Position

1.2.1 Members are advised that the contribution to the General Revenue Reserve is £509,287, some £64,787 more than the Revised Estimate figure of £444,500. This after having transferred a sum of £700,000 to the Budget Stabilisation Reserve; £150,000 to the Local Development Framework Reserve; and £50,000 to the Invest to Save Reserve.

1.2.2 The variance prior to the sums transferred to the three earmarked reserves detailed above of £964,787 can be attributed to, amongst other things, the sales,

fees and charges income compensation scheme, Covid-19 related grant funding and savings on the salary bill. 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 £700,000 initially to the Budget Stabilisation Reserve to allow time to consider how we might best make use of the positive outturn position. By way of an example, one option could be to establish a budget for the purchase of temporary accommodation funded in large part from the positive outturn position. This of course only one option of many, there being multiple demands on the Council's finances.
- The transfer of £150,000 to the Local Development Framework Reserve to meet costs in respect of the Local Plan.
- The transfer of £50,000 to the Invest to Save Reserve to fund future efficiency/ savings initiatives.

1.2.4 As mentioned above, the contribution to the General Revenue Reserve is £509,287, some £64,787 more than the Revised Estimate figure of £444,500. The principal reasons for the variance is given in the table below.

Description	Revised Estimate 2020/21 £	Provisional Outturn 2020/21 £	Variation £
Budget Stabilisation Reserve	-	700,000	700,000
Local Development Framework Reserve	-	150,000	150,000
Invest to Save Reserve	-	50,000	50,000
Business Rates Retention Scheme	(2,119,716)	(1,056,743)	1,062,973
Business Rates Retention Scheme Reserve	-	422,800	422,800
Legal Expenses	50,000	161,985	111,985
Temporary Accommodation	771,000	826,660	55,660
Payments to Principals / Ticket Refunds	284,000	233,537	(50,463)
Housing Benefits (Net)	87,000	(20,433)	(107,433)
Business Grants New Burdens Grant Funding	-	(166,800)	(166,800)
Salaries	10,613,600	10,399,732	(213,868)
Business Grants / KCC Covid-19 Grant Funding	-	(218,280)	(218,280)
Income Compensation Scheme	(1,200,000)	(1,559,164)	(359,164)
Tax Income Guarantee Scheme	(200,000)	(1,587,717)	(1,387,717)
Other Net Changes	2,288,680	2,174,200	(114,480)
Total	10,574,564	10,509,777	(64,787)

1.2.5 **[Annex 2]** provides details of Service specific issues in respect of the revenue outturn for 2020/21. 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 £1,164,000 against a budget provision of £2,271,000. Factors that contributed to the net underspend are given below.

- Capital renewals budgets totalling £433,000 with actual capital renewals expenditure totalling £116,000. 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. The measures taken in response to the Covid-19 pandemic has also had an impact on the level of spend in 2020/21. Scheme budget provisions that are to be rescheduled, reprofiled or subject to review include the Temporary Accommodation, Pembury Road, Tonbridge adaptation works – in year underspend £604,000 and CMS Website Solution – in year underspend £58,000.

1.3.2 **[Annex 3]** provides details of Service specific issues in respect of the capital outturn for 2020/21. 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 2020/21 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.

General Revenue Reserve		
	£	£
Balance at 1 April 2020		6,576,239
Contribution to / (from) Reserve		509,287
Balance at 31 March 2021		7,085,526

- 1.5.5 The Medium Term Financial Strategy anticipated a General Revenue Reserve balance at 31 March 2021 of £7,021,000.

1.6 Audit Committee

- 1.6.1 As mentioned earlier, an unaudited copy of the Statement of Accounts for 2020/21 is to be presented to the Audit Committee for approval on 26 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 budget year 2021/22 and review and update of medium term financial planning assumptions now the focus of attention.
- 1.8.2 The positive outturn position is clearly welcome, but does not unfortunately change what is a difficult financial outlook. The latest projected funding gap including those initiatives already built into the MTFs standing at £975,000 notwithstanding the assumption that income and expenditure impacted by Covid-19 will largely return to levels pre the pandemic over the short to medium term.

1.8.3 Progress on meeting this year's savings and transformation contribution of £100,000 along with those initiatives already built into the Medium Term Financial Strategy, but yet to be delivered 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

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 2020/21.
- 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 2020/21 **[Annex 4]**.
- 4) Give consideration to how this year's savings and transformation contribution of £100,000 is to be achieved.

Background papers:

Nil

contact: Neil Lawley

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