

TONBRIDGE & MALLING BOROUGH COUNCIL
FINANCE, INNOVATION and PROPERTY ADVISORY BOARD

03 June 2015

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Non-Key Decision (Decision may be taken by the Cabinet Member)

1 FINANCIAL PLANNING AND CONTROL

This report provides information on the following key budget areas for the year ended 31 March 2015: Salaries; Major Income Streams; and Investment Income. The report also provides details of variations and virements that have been agreed in relation to the 2014/15 revenue budget. This information is then summarised to provide an overall outturn position for 2014/15. In addition, the report provides details of variations identified through revenue budget monitoring in respect of 2015/16. The report also updates Members on capital expenditure and variations that have been agreed in relation to the capital plan.

1.1 Salaries Monitoring Statement 2014/15

- 1.1.1 Appended for information at **[Annex 1]** is a budgetary control statement that compares actual expenditure on basic salaries, temporary staff, overtime, superannuation and national insurance for the year ended March 2015, with the revised estimate for 2014/15.
- 1.1.2 Members will note that management savings to the end of March 2015 are **£68,000 more** than anticipated.

1.2 Income Monitoring Statement 2014/15

- 1.2.1 Appended for information at **[Annex 2]** is a budgetary control statement that compares our major sources of income from fees and charges for the year ended March 2015, with the revised estimate for 2014/15.
- 1.2.2 Members will note that overall income for the year ended March 2015 is **£173,700 more** than the revised estimate.

1.3 Treasury Management 2014/15

Externally Managed Core Funds

- 1.3.1 For the period 1 April 2014 to 31 July 2014 the Council's Fund Manager achieved a gross return of 0.62%. This compares with a 7-day LIBID benchmark of 0.35% for the same period. Investment income of £27,900 was achieved for the period ended July 2014.
- 1.3.2 At the end of July 2014 the value of the fund stood at £13.4m. This was invested at an average rate of 0.61% and an average maturity of 0.78 years.

Internally Managed Core Funds

- 1.3.3 The Council's core funds were transferred from the Council's External Fund Manager to in-house management on 1 August 2014. The Council achieved a return of 0.74% on its internally managed core fund investments for the period ended March 2015, compared to a 7-day LIBID benchmark of 0.35%. Investment income achieved for the period ended March 2015 is £66,350.
- 1.3.4 At the end of March 2015 the value of the fund stood at £13.4m. This was invested at an average rate of 0.75% and an average maturity of 0.23 years.

Internally Managed Cash flow Funds

- 1.3.5 The Council achieved a return of 0.64% on its internal cash flow investments for the period ended March 2015, compared to a 7-day LIBID benchmark of 0.35%. Investment income achieved for the period ended March 2015 is £70,000.
- 1.3.6 In cash terms, the value of internally managed cash flow investments at the end of March 2015 was £6m. This was invested at an average rate of 0.74% and an average maturity of 0.01 years.

All Investments

- 1.3.7 The combined return figure for externally and internally managed investments is compared with the revised estimate for 2014/15 later in this report.

1.4 Approved Variations to the Revenue Budget 2014/15

- 1.4.1 There were no approved variations to the revised revenue estimates for 2014/15 reported to Council on 17 February 2015.

1.5 Virements 2014/15

- 1.5.1 There were no virements to the revised revenue estimates for 2014/15 reported to Council on 17 February 2015.

1.6 Revenue Budget Summary 2014/15

- 1.6.1 We are currently working on closing the accounts for 2014/15 and an examination of spend to date compared with the revised estimates for 2014/15 would suggest a small, but nonetheless, favourable variance in the order of £69,000 prior to setting aside circa £155,000 to meet next year's (2015/16) shortfall on the Business Rates Retention scheme; and overall producing a small net adverse variance of £86,000 across all Services including that separately identified above.
- 1.6.2 The table below provides a broad overview of the expected outturn for the year ended March 2015.

Description	Budget to March £	Actual to March £	Variance £
Salaries Monitoring Statement	9,673,400	9,605,400	(68,000)
Income Monitoring Statement	(4,822,800)	(4,996,500)	(173,700)
Treasury Management	(160,150)	(164,250)	(4,100)
Business Rates Retention Scheme	(1,910,945)	(1,593,364)	317,581
Proposed Transfer to Reserves	-	28,000	28,000
General Fund Services	6,798,651	6,784,557	(14,094)
Net Adverse Variance	9,578,156	9,663,843	85,687

- 1.6.3 This would suggest a contribution from the General Revenue Reserve of **£1,242,687** compared with the Revised Estimate figure of £1,157,000.

1.7 Salaries Monitoring Statement 2015/16

- 1.7.1 Appended for information at **[Annex 3]** is a budgetary control statement that compares actual expenditure on basic salaries, temporary staff, overtime, superannuation and national insurance to the end of April 2015, with the appropriate proportion of the original estimate for 2015/16.
- 1.7.2 Members will note that management savings to the end of April are **£16,500 more** than anticipated.

1.8 Income Monitoring Statement 2015/16

- 1.8.1 Appended for information at **[Annex 4]** is a budgetary control statement that compares actual income from fees and charges to the end of April 2015, with the appropriate proportion of the original estimate for 2015/16.
- 1.8.2 Members will note that overall income to the end of April is **£15,850 more** than anticipated.

1.9 Treasury Management 2015/16

Internally Managed Core Funds

- 1.9.1 The Council achieved a return of 0.78% on its internally managed core fund investments for the period ended April 2015, compared to a 7-day LIBID benchmark of 0.36%. Investment income achieved for the period ended April 2015 is £8,600.
- 1.9.2 At the end of April 2015 the value of the fund stood at £13.4m. This was invested at an average rate of 0.8% and an average maturity of 0.31 years.

Internally Managed Cash flow Funds

- 1.9.3 The Council achieved a return of 0.57% on its internal cash flow investments for the period ended April 2015, compared to a 7-day LIBID benchmark of 0.36%. Investment income achieved for the period ended April 2015 is £5,150.
- 1.9.4 In cash terms, the value of internally managed cash flow investments at the end of April 2015 was £7.8m. This was invested at an average rate of 0.78% and an average maturity of 0.48 years.

All Investments

- 1.9.5 The combined return figure for internally managed investments is compared with the original estimate for 2015/16 later in this report.

1.10 Approved Variations to the Revenue Budget 2015/16

- 1.10.1 Listed below are the variations that have been agreed to the revenue budget. It has been based upon those variations approved by Portfolio Holders, Committees, Cabinet and Council up to the meeting of Council on 19 May 2015.

1.10.2 Council 19 May 2015

- Noted a reduction in the number of Cabinet members, including the leader, from eight to six and approved changes to Committees / Advisory Boards. This will generate ongoing savings of at least £21,000 and £24,000 in 2015/16.

1.11 Virements 2015/16

- 1.11.1 There have been no virements to the original revenue estimates for 2015/16 reported to Council on 17 February 2015.

1.12 Revenue Budget Monitoring 2015/16

- 1.12.1 As part of our budget monitoring and control arrangements Chief Officers confirm that budgetary control has been undertaken within the Service areas under their

control each month and at the same time highlight those areas, if any, which they wish to bring to the attention of the Director of Finance and Transformation. In addition, the Accountancy Section also monitors budgetary performance across the whole range of services during the year. At the time of writing this report the following areas have been brought to my attention.

- 1.12.2 The RPI increase from 1 March 2015 in respect of the Refuse Collection and Recycling, Amenity and Street Cleansing and Public Conveniences Cleansing contracts was 1.5% less than estimated. As a consequence the contract payments will be in the order of £55,000 less than the current estimate.
- 1.12.3 The revised procedures put into place following Aylesford Newsprint going into administration are expected to result in paper recycling income being £190,000 less than that estimated.
- 1.12.4 Glass recycling income, net of contribution from Tunbridge Wells Borough Council, is now expected to be £42,000 less than that estimated following reductions in the prices.
- 1.12.5 Recycling credits are now expected to be £18,000 less than that estimated due to a reduction in tonnages recycled.
- 1.12.6 The Council has been awarded the following grants from central government which will be used to fund as yet unbudgeted expenditure:
- Fraud and Error Reduction Incentive Scheme Maintenance Fund £12,455
 - Localising Council Tax Support New Burdens Grant £21,419
 - New Homes Bonus Returned In-Year £6,707
 - Right to Move Grant £3,044
 - Welfare Reform Grant £15,149
- 1.12.7 Additional annual pension contributions are forecast to be £12,000 less than the current budget.
- 1.12.8 Changes to the way the Council sends and receives post are expected to generate savings of £12,000 per annum.
- 1.12.9 Government initiatives are currently putting pressure on the housing benefits budget. The financial impact is estimated to be in the order of £150,000 to £200,000. It is uncertain as to how long and to what extent this pressure will last and further complicated by the fact that in due course working age claimants will transfer to Universal Credit.

1.12.10A summary of the items identified through budgetary control is given in the table below.

Description	Paragraph Reference	2015/16 £	2016/17 £
Environmental Health Contracts RPI Increase	1.12.2	(55,000)	(55,000) *
Paper Recycling	1.12.3	190,000	190,000 *
Glass Recycling	1.12.4	42,000	42,000 *
Recycling Credits	1.12.5	18,000	18,000 *
Central Government Grants	1.12.6	-	-
Additional Annual Pension Contributions	1.12.7	(12,000)	(12,000) *
Postages	1.12.8	(12,000)	(12,000) *
Housing Benefits	1.12.9	175,000	175,000 *
Total		346,000	346,000

Those items marked with an asterisk* will need to be considered and reflected as appropriate in updating the Medium Term Financial Strategy.

1.13 Revenue Budget Summary 2015/16

1.13.1 The table below brings together information on the Council's key budget areas, the variations agreed to the revenue budget and items identified through budgetary control to provide a broad overview of the expected financial performance for the year.

Description	Budget to April £	Actual to April £	Variance £
Salaries Monitoring Statement	797,150	780,650	(16,500)
Income Monitoring Statement	(284,150)	(300,00)	(15,850)
Treasury Management	(13,750)	(13,750)	0
Approved Variations to the Revenue Budget			(24,000)
Revenue Budgetary Control			346,000
Net Adverse Variance			289,650

1.13.3 This would mean that rather than contributing £73,550 (original estimate for 2015/16) to the General Revenue Reserve in 2015/16 as anticipated when the budget was set in February 2015, if nothing else changed, we would draw down in the order of £216,100.

1.13.4 It should be noted that some of our other major income streams performed above budget in 2014/15 and if this continues in 2015/16, which will become clearer as we move through the year, this will negate to some extent the loss in recycling income as set out above.

1.14 Capital Monitoring Statement 2014/15

1.14.1 Appended for information at **[Annex 5]** is a capital monitoring statement which compares actual capital expenditure for the period 1 April 2014 to 31 March 2015 with the 2014/15 Capital Plan. The Capital Plan for 2014/15 is based on the 2014/15 budgets that were approved by Council on 17 February 2015.

1.14.2 Prior year's expenditure is only shown for finite schemes for which there is a budget in 2014/15. Where schemes are of a rolling programme nature, prior year's expenditure has not been shown in order to avoid large, generally meaningless, totals building up.

1.14.3 Capital Plan schemes which are scheduled to start in 2015/16 and beyond have not been shown. The budget profile for these schemes can be found in the 2015/16 Revenue and Capital Budgets Book.

1.14.4 Members will note a Capital Plan spend of £1.2m against the revised 2014/15 budget of £1.8m. The majority of this underspend will be rolled forward for use in 2015/16.

1.15 Capital Monitoring Statement 2015/16

1.15.1 Appended for information at **[Annex 6]** is a capital monitoring statement which compares actual capital expenditure for the period 1 April 2015 to 30 April 2015 with the 2015/16 Capital Plan. The Capital Plan for 2015/16 is based on the 2015/16 budgets that were approved by Council on 17 February 2015, amended for slippage from 2014/15.

1.15.2 Members will note a Capital Plan spend of £133,000 against an amended 2015/16 net expenditure budget of £2.2m

1.16 Approved Variations to the Capital Plan

1.16.1 At the March meeting of Cabinet Members agreed to an increase in the gross budget provision for Tonbridge Town Lock. The increase cost is expected to be met from additional grant and developer contributions.

1.17 Capital Plan Issues

1.17.1 The capital plan monitoring statement, as presented to this Board, is essentially aimed at monitoring the financial performance of the capital plan overall and on a Service and scheme basis. Notes have been provided to supply further information where this is felt to be particularly relevant. Other monitoring reports, which provide greater information about individual schemes, are presented by the Services to the relevant Advisory Board.

1.18 Legal Implications

1.18.1 This report fulfils the requirement of the Local Government Act 2003 which places a statutory duty on the authority to monitor income and expenditure against budget and to take action if overspends or shortfalls in income emerge. If monitoring establishes that the budget situation has deteriorated, authorities are required to take such action as they consider necessary. This might include action to reduce spending in the rest of the year, to increase income or to finance all or part of the shortfall from reserves.

1.19 Financial and Value for Money Considerations

1.19.1 As set out above.

1.20 Risk Assessment

1.20.1 Budgetary control is a prerequisite of good financial management, financial planning and control and needs to be reviewed to ensure it remains effective and relevant.

1.21 Equality Impact Assessment

1.21.1 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.

1.22 Recommendations

1.22.1 Members are asked to **note** and **endorse** the contents of the report.

The Director of Finance and Transformation confirms that the proposals contained in the recommendation(s), if approved, will fall within the Council's Budget and policy Framework.

Background papers:

contact: Neil Lawley

Nil

Sharon Shelton
Director of Finance and Transformation