

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

23 September 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 brings together information on the Council's key budget areas of Salaries, Major Income Streams and Investment Income. The performance of the key budget areas, together with the approved variations to the revenue budget and areas identified through revenue budget monitoring are then summarised to provide an indicative overall budget position for the year. 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

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 to the end of August 2015, with the appropriate proportion of the original estimate for 2015/16. The statement identifies **net management savings of £85,500** have been achieved.

1.2 Income Monitoring Statement

1.2.1 Appended for information at **[Annex 2]** is a budgetary control statement that compares actual income from fees and charges to the end of August 2015, with the appropriate proportion of the original estimate for 2015/16. Members will note that overall income to the end of August is **£114,600 more** than anticipated.

1.3 Treasury Management

Internally Managed Core Funds

1.3.1 The Council achieved a return of 0.81% on its internally managed core fund investments for the period ended August 2015, compared to a 3-Month LIBID benchmark of 0.46%. Investment income achieved for the period ended August 2015 is £45,650.

1.3.2 At the end of August 2015 the value of the fund stood at £13.5m. This was invested at an average rate of 0.83% and an average maturity of 152 days.

Internally Managed Cash flow Funds

- 1.3.3 The Council achieved a return of 0.63% on its internal cash flow investments for the period ended August 2015, compared to a 7-day LIBID benchmark of 0.36%. Investment income achieved for the period ended August 2015 is £34,850.
- 1.3.4 In cash terms, the value of internally managed cash flow investments at the end of August 2015 was £13.3m. This was invested at an average rate of 0.73% and an average maturity of 105 days.

All Investments

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

1.4 Approved Variations to the Revenue Budget

- 1.4.1 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 Communities Advisory Board on 16 September 2015.

1.4.2 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.

1.4.3 General Purposes Committee 29 June 2015

- Approved various establishment changes which will generate permanent savings of £25,150 per annum. In addition, there are time limited costs of £13,600 which will be met by additional income and a one-off redundancy cost of £25,800.

1.4.4 Finance, Innovation and Property Advisory Board 22 July 2015

- Cabinet Member for Finance, Innovation and Property approved the disposal of amenity land adjacent to 37 Longmead Way, Tonbridge for £4,500.

- 1.4.6 A summary of the approved variations to the revenue budget is given in the table below.

Description	Paragraph Reference	2015/16 £	2016/17 £
Members Allowances	1.4.2	(24,000)	(21,000) *
Establishment Changes – Permanent	1.4.3	(18,850)	(25,150) *
Establishment Changes – Time Limited Costs	1.4.3	-	-
Establishment Changes – Redundancy	1.4.3	25,800	-
Disposal of Amenity Land	1.4.4	(4,500)	-
Total		(21,550)	(46,150)

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

1.5 Virements

- 1.5.1 At the time of writing this report there are no virements to the original revenue estimates for 2015/16 that were approved by Council on 17 February 2015.

1.6 Revenue Budget Monitoring

- 1.6.1 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, that 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.
- 1.6.2 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.
- 1.6.3 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 (£65,000 of which is reflected in the Income Monitoring Statement above).
- 1.6.4 Glass recycling income, net of contribution from Tunbridge Wells Borough Council, is now expected to be £42,000 less than that estimated (£28,000 of which is reflected in the Income Monitoring Statement above) following reductions in the prices.

- 1.6.5 Recycling credits are now expected to be £18,000 less than that estimated (£1,000 of which is reflected in the Income Monitoring Statement above) due to a reduction in tonnages recycled.
- 1.6.6 The Council has been awarded the following grants from central government which will be used to fund unbudgeted expenditure:
- Fraud and Error Reduction Incentive Scheme Maintenance Fund £12,455 (£6,228 received to date)
 - Individual Electoral Registration Grant £17,976 (in addition to budgeted £39,000)
 - Localising Council Tax Support New Burdens Grant £21,419
 - New Homes Bonus Returned In-Year £6,707
 - Real Time Information New Burdens Grant £11,698 (£3,549 received to date)
 - Right to Move Grant £3,044
 - Welfare Reform Grant £15,149
- 1.6.7 Additional annual pension contributions are forecast to be £12,000 less than the current budget.
- 1.6.8 Changes to the way the Council sends and receives post are expected to generate savings of £12,000 per annum.
- 1.6.9 Government initiatives are currently putting pressure on the housing benefits budget. The financial impact is estimated to be in the order of £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.
- 1.6.10 Recycling banks at the Aylesford branch of Sainsbury's are now provided by the store. Recycling credits are protected for 12 months which will mean that there will be a net saving of £11,000 in 2015/16 followed by a net loss of £14,500 in 2016/17 before rising to a net loss of £19,500 in a full year.
- 1.6.11 Management Team have approved the following under delegated authority:
- Increased the hours of the Youth and Play Officer from 22.5 to 37 hours for a further two month period at a cost of £2,450.
 - Increased the hours of the Benefits Assistant from 26 hours to 37 hours for a 20 month period at a cost of £10,950. This is to be funded in full from the Real Time Information New Burdens Grant.

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

Description	Paragraph Reference	2015/16 £	2016/17 £	2017/18 £	
Environmental Health Contracts RPI Increase	1.6.2	(55,000)	(55,000)	(55,000)	*
Paper Recycling	1.6.3	125,000	190,000	190,000	*
Glass Recycling	1.6.4	14,000	42,000	42,000	*
Recycling Credits	1.6.5	17,000	18,000	18,000	*
Central Government Grants	1.6.6	-	-	-	
Additional Annual Pension Contrib's	1.6.7	(12,000)	(12,000)	(12,000)	*
Postages	1.6.8	(12,000)	(12,000)	(12,000)	*
Housing Benefits	1.6.9	200,000	200,000	200,000	*
Sainsbury's Aylesford Recycling Site	1.6.10	(11,000)	14,500	19,500	*
Youth and Play Officer	1.6.11	-	2,450	-	
Benefits Assistant	1.6.11	-	-	-	
Total		266,000	387,950	390,500	

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

1.7 Revenue Budget Summary

1.7.1 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 August £	Actual to August £	Variance £
Salaries Monitoring Statement	4,036,000	3,950,500	(85,500)
Income Monitoring Statement	(1,876,850)	(1,991,450)	(114,600)
Treasury Management	(70,200)	(80,500)	(10,300)
Approved Variations to the Revenue Budget			(21,550)
Revenue Budgetary Control			266,000
Net Adverse Variance			34,050

1.7.2 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 contribute in the order of £39,500.

1.7.3 It should be noted that some of our other major income streams continue to perform above budget in 2015/16 and if this continues, which is expected, this will negate in large part the loss in recycling income as set out above.

1.8 Capital Monitoring Statement

1.8.1 Appended for information at **[Annex 3]** is a capital monitoring statement which compares actual capital expenditure for the period 1 April 2015 to 31 August 2015 with the 2015/16 Capital Plan.

1.8.2 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.

1.8.3 Prior year's expenditure is only shown for finite schemes for which there is a budget in 2015/16. 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.

1.8.4 Capital Plan schemes which are scheduled to start after 2015/16 have not been shown. The budget profile for these schemes can be found in the 2015/16 Budget Book. Members will note that at the end of August net expenditure of £0.6m has been incurred against an amended 2015/16 net expenditure budget of £2.5m.

1.9 Approved Variations to the Capital Plan

1.9.1 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.

1.9.2 A report detailing the use of the urgency procedure to increase the budget for the Larkfield Leisure Centre Health Suite Refurbishment by £102,000 is to be submitted to the Overview and Scrutiny Committee on 15 September followed by Cabinet on 7 October. The increase is to be funded by way of a £50,000 contribution from the Tonbridge and Malling Leisure Trust and the balance of £52,000 from virements of £20,000 from the Renewable Energy Scheme and £32,000 from the Car Park Improvement Rolling Programme.

1.10 Capital Plan Issues

1.10.1 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.

1.11 Legal Implications

1.11.1 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.

1.12 Financial and Value for Money Considerations

1.12.1 As set out above.

1.13 Risk Assessment

1.13.1 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.

1.14 Equality Impact Assessment

1.14.1 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.

1.15 Recommendations

1.15.1 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:

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Nil

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Director of Finance and Transformation