

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

21 September 2016

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 2016, with the appropriate proportion of the original estimate for 2016/17. The statement identifies **net management savings of £20,800** 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 2016, with the appropriate proportion of the original estimate for 2016/17. Members will note that overall income to the end of June is **£24,400 more** than anticipated.

1.3 Treasury Management

Internally Managed Core Funds

1.3.1 The Council achieved a return of 0.8% on its internally managed core fund investments for the period ended August 2016, compared to a 3-Month LIBID benchmark of 0.29%. Investment income achieved for the period ended August 2016 is £53,550.

1.3.2 At the end of August 2016 the value of the fund stood at £19.6m. This was invested at an average rate of 0.74% and an average maturity of 107 days.

Internally Managed Cash flow Funds

- 1.3.3 The Council achieved a return of 0.69% on its internal cash flow investments for the period ended August 2016, compared to a 7-day LIBID benchmark of 0.16%. Investment income achieved for the period ended August 2016 is £42,600.
- 1.3.4 In cash terms, the value of internally managed cash flow investments at the end of August 2016 was £12.8m. This was invested at an average rate of 0.77% and an average maturity of 82 days.

All Investments

- 1.3.5 The combined return figure for internally managed investments is compared with the original estimate for 2016/17 later in this report.
- 1.3.6 Whilst the August rate cut and the potential for a second has limited impact on investment income this financial year, the impact over the course of the medium term is significant. The potential to mitigate some of that impact through alternative types of investment e.g. property funds is to be explored and reported to the January 2017 meeting of the Audit Committee.

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 Cabinet on 6 September 2016.
- 1.4.2 Planning and Transportation Advisory Board 12 January 2016
- Approved proposals following the review of car parking fees and charges. This is estimated to generate net additional income of £85,000 per annum (£37,000 of which is reflected in the Salaries Monitoring Statement and Income Monitoring Statement above).
- 1.4.3 Overview and Scrutiny Committee 26 January 2016
- Recommended that the Council withdraw from the direct provision of the Summer Playscheme and Activate Programme. This is expected to generate savings of £59,000 per annum.
- 1.4.4 General Purposes Committee 1 February 2016
- Approved a 2% pay award over two years from 1 April 2016 with the next pay review not then due until 1 April 2018. This will result in a one-off cost of £93,800 in 2016/17 (£39,100 of which is reflected in the Salaries Monitoring Statement above).
- 1.4.5 Housing and Environmental Services Advisory Board 22 February 2016

- Recommended changes to Bulky Household Waste charges and introduction of charges for separate Fridge/Freezer Collection. These, together with changes to the contract, are expected to generate net savings of £40,000 per annum.

1.4.6 Communities Advisory Board 1 March 2016

- Approved changes to grant support for key voluntary sector bodies which will generate savings of £23,000 per annum.

1.4.7 Cabinet 22 March 2016

- Approved the launch of an online community lottery. The one-off cost of appointing the lottery operator (£10,000) and initial marketing cost (£3,000) are to be met from the Invest to Save earmarked reserve.

1.4.8 General Purposes Committee 27 June 2016

- Approved various establishment changes which will generate permanent savings of £89,300 per annum. In addition, there are time limited costs of £8,600 and a one-off redundancy cost of £90,000.

1.4.9 Communities and Housing Advisory Board 25 July 2016

- Noted that budgetary provision of up to £10,000 is to be set aside in each of the next three years, fully funded from the Housing Assistance Reserve, in order to modernise the Housing Service.

1.4.10 Cabinet 28 July 2016 (subject to approval by Council)

- Recommended that the grants to parish councils in respect of the Council Tax Reduction Scheme be withdrawn from 1 April 2017, saving £175,000 per annum.
- Recommended that the Scheme of Financial Arrangements cease upon the introduction of the Special Expenses Scheme on 1 April 2017, saving £226,000 per annum.

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

Description	Paragraph Reference	2016/17 £	2017/18 £	
Review of Car Parking Fees and Charges	1.4.2	(48,000)	(85,000)	*
Holiday Activity Programmes	1.4.3	(44,000)	(59,000)	*
Pay Award	1.4.4	54,700	-	

Bulky Waste/Fridge/Freezer Collection	1.4.5	(40,000)	(40,000) *
Key Voluntary Sector Bodies Grant Support	1.4.6	(23,000)	(23,000) *
Online Community Lottery	1.4.7	-	-
Establishment Changes – Permanent	1.4.8	(66,900)	(89,300) *
Establishment Changes – Time Limited Costs	1.4.8	8,600	-
Establishment Changes – Redundancy	1.4.8	90,000	-
Housing Service Modernisation	1.4.9	-	-
Council Tax Reduction Scheme Grants (subject to Council approval)	1.4.10	-	(175,000) *
Special Expenses Scheme (subject to Council approval)	1.4.10	-	(226,000) *
Total		(68,600)	(697,300)

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 2016/17 that were approved by Council on 16 February 2016.

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 2016 in respect of the Refuse Collection and Recycling, Amenity and Street Cleansing contracts was 0.2% less than estimated. As a consequence the contract payments will be in the order of £7,000 less than the current estimate.
- 1.6.3 A new catering concession is to be provided at Tonbridge Racecourse Sports Ground generating income of £6,000 per annum.
- 1.6.4 Prices paid for recyclate materials (cans, glass and textiles) continue to fall. Based on latest prices income is expected to be £26,000 less than originally estimated (£4,500 of which is reflected in the Income Monitoring Statement above).

- 1.6.5 Funding has been received from the National Lottery (£8,800) and Tonbridge Round Table (£2,700) to install table tennis tables at Tonbridge Racecourse Sports Ground.
- 1.6.6 The Council has secured funding of £8,000 from Tesco's "Bags of Help" scheme to assist with improvement works at Leybourne Lakes Country Park.
- 1.6.7 The Local Council Tax Support Administration Grant for 2016/17 is £22,800 more than estimated.
- 1.6.8 On the introduction of the Local Council Tax Support Scheme in April 2013 the Council accounted for overpayments/underpayments in respect of the old Council Tax Benefits scheme and penalties in respect of council tax discounts/exemptions within the Collection Fund. It has since been established that these should be accounted for within the General Fund. As a result one-off adjustments of £210,100 and £4,700 have been actioned covering the period 2013/14 to 2015/16. It should be noted that the annual sum to be accounted for in the future in respect of overpayments/underpayments will reduce over time to nil.
- 1.6.9 The engine of one of the Council's recycling vehicles needed to be replaced at a cost of £14,000 half of which will be met by Tunbridge Wells Borough Council.
- 1.6.10 The mobile catering contractor at Tonbridge Castle has withdrawn resulting in loss of income of £5,000 per annum.
- 1.6.11 A developer contribution of £25,400 in respect of Isles Quarry West is to be used to fund expenditure previously incurred in respect of the customer services surgery at Borough Green.
- 1.6.12 Kent County Council has agreed to pay the Council £50,100 in respect of the changes made to council tax discounts and exemptions and £15,600 following the withdrawal of the second homes grant.
- 1.6.13 Tonbridge and Malling Leisure Trust have submitted a loss of income claim of £6,100 in respect of the closure of the health suite at Larkfield Leisure Centre during the recent refurbishment.
- 1.6.14 The Council has been awarded the following grants from central government which will be used to fund as yet unbudgeted expenditure:
- Benefit Cap New Burdens Grant £24,909
 - Brownfield Register Grant £10,000
 - Discretionary Housing Payments £30,280 (in addition to budgeted £141,000)
 - Electoral Registration Grant £4,153 (in addition to budgeted £20,000)

- Fraud and Error Reduction Incentive Scheme Maintenance Fund £16,175
- New Homes Bonus Returned In-Year £4,797
- Local Authority Data Sharing Grant £12,389
- Pension Credit Assessed Income Period Reform Grant £747
- Real Time Information New Burdens Grant £2,010
- Self-Build & Custom Housebuilding Register Grant £5,850
- Single Fraud Investigation Service Project Grant £1,928
- Welfare Reform Grant £16,983

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

Description	Paragraph Reference	2016/17 £	2017/18 £
Environmental Health Contracts RPI Increase	1.6.2	(7,000)	(7,000) *
Racecourse Catering Concession	1.6.3	(6,000)	(6,000) *
Recycling Income	1.6.4	21,500	26,000 *
Table Tennis Project	1.6.5	-	-
Leybourne Lakes Project	1.6.6	-	-
Local Council Tax Support Admin. Grant	1.6.7	(22,800)	-
Council Tax Benefits	1.6.8	(245,100)	(35,000)
Penalties	1.6.8	(8,700)	(4,000) *
Recycling Vehicle	1.6.9	7,000	-
Tonbridge Castle Catering Concession	1.6.10	5,000	5,000 *
Developer Contribution	1.6.11	(25,400)	-
Council Tax Discounts and Exemptions	1.6.12	(50,100)	-
Second Homes Grant	1.6.12	(15,600)	-
Loss of Income Claim	1.6.13	6,100	-
Central Government Grants	1.6.14	-	-
Total		(341,100)	(21,000)

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	3,957,950	3,937,150	(20,800)
Income Monitoring Statement	(1,955,950)	(1,980,350)	(24,400)
Treasury Management	(78,000)	(96,150)	(18,150)
Approved Variations to the Revenue Budget			(68,600)
Revenue Budgetary Control			(341,100)
Net Favourable Variance			(473,050)

1.7.2 This would suggest if nothing else changed, the contribution to the General Revenue Reserve would be in the order of £948,000 compared to £474,500 anticipated when the budget was set in February 2016.

1.8 Savings and Transformation Strategy

1.8.1 Members will be aware that alongside the Medium Term Financial Strategy now sits a Savings and Transformation Strategy. Its purpose to provide structure, focus and direction in addressing the significant financial challenge that lies ahead and, in so doing, recognise there is no one simple solution and we will need to adopt a number of ways to deliver the savings within an agreed timetable.

1.8.2 When the budget was set in February 2016 the projected funding gap was £1.825m with a savings target in 2016/17 of £625,000. From the information above it can be seen that good progress has been made towards meeting the savings target for this year.

1.8.3 Unsurprisingly, there are factors that take the funding gap in the wrong direction, e.g. the pending withdrawal of KCC from the Gateway, apprenticeship levy and recent cut in the bank rate.

1.9 Capital Monitoring Statement

1.9.1 Appended for information at **[Annex 3]** is a capital monitoring statement which compares actual capital expenditure for the period 1 April 2016 to 31 August 2016 with the 2016/17 Capital Plan.

- 1.9.2 The Capital Plan for 2016/17 is based on the 2016/17 budgets that were approved by Council on 16 February 2016, amended for slippage from 2015/16.
- 1.9.3 Prior year's expenditure is only shown for finite schemes for which there is a budget in 2016/17. 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.
- 1.9.4 Capital Plan schemes which are scheduled to start after 2016/17 have not been shown. The budget profile for these schemes can be found in the 2016/17 Budget Book.
- 1.9.5 Members will note that at the end of August net expenditure of £321,000 has been incurred against an amended 2016/17 net expenditure budget of £2.7m.

1.10 Approved and Other Variations to the Capital Plan

- 1.10.1 The Haysden Country Park Site Improvement scheme was approved by Cabinet on 1 March 2016. The scheme which is mainly funded by external grant provides for general improvements to the Country Park including works to the western end of Barden Lake.
- 1.10.2 In 2015/16 KCC funded a winter warmth programme to improve the safety and warmth of properties housing vulnerable people. Additional funding from KCC of £18,000 has been received to extend the scheme into 2016/17.
- 1.10.3 The Communities and Housing Advisory Board (25 July 2016) were notified of a significant increase in Government support for disabled facility adaptations in 2016/17 and 2017/18. The level of grant was sufficient to enable the £665,000 mandatory element of the Disabled Facility scheme to be funded in full and the excess grant of £105,000 set aside to fund a new Discretionary Disabled Facility scheme.
- 1.10.4 The Communities and Housing Advisory Board (25 July 2016) also reviewed the level of need for and funding arrangements for Housing Assistance. The gross budget of £90,000 was reduced to £60,000 per annum.

1.11 Capital Plan Issues

- 1.11.1 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.

1.12 Legal Implications

1.12.1 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.

1.13 Financial and Value for Money Considerations

1.13.1 As set out above.

1.14 Risk Assessment

1.14.1 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.

1.15 Equality Impact Assessment

1.15.1 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.

1.16 Recommendations

1.16.1 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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