

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

**21 June 2017**

**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 2017: Salaries; Major Income Streams; and Investment Income. The report also provides details of variations and virements that have been agreed in relation to the 2016/17 revenue budget. This information is then summarised to provide an overall outturn position for 2016/17. In addition, the report provides details of variations identified through revenue budget monitoring in respect of 2017/18. 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 2016/17**

- 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 2017, with the revised estimate for 2016/17.
- 1.1.2** Members will note that management savings to the end of March 2017 are **£172,510 more** than anticipated.

**1.2     Income Monitoring Statement 2016/17**

- 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 2017, with the revised estimate for 2016/17.
- 1.2.2** Members will note that overall income for the year ended March 2017 is **£66,940 more** than the revised estimate.

### **1.3 Treasury Management 2016/17**

#### *Core Funds*

- 1.3.1 The Council achieved a return of 0.71% on its core fund investments for the period ended March 2017, compared to the 3-month LIBID benchmark of 0.34%. Investment income achieved for the period ended March 2017 is £139,991.
- 1.3.2 At the end of March 2017 the value of the fund stood at £24.0m. This was invested at an average rate of 0.68% and an average maturity of 117 days.

#### *Cash Flow Funds*

- 1.3.3 The Council achieved a return of 0.57% on its cash flow investments for the period ended March 2017, compared to a 7-day LIBID benchmark of 0.20%. Investment income achieved for the period ended March 2017 is £91,492.
- 1.3.4 In cash terms, the value of internally managed cash flow investments at the end of March 2017 was £6.1m. This was invested at an average rate of 0.50% and an average maturity of 61days.

#### *All Investments*

- 1.3.5 The combined return figure for both core and cash flow funds is compared with the revised estimate for 2016/17 later in this report.

### **1.4 Approved Variations to the Revenue Budget 2016/17**

- 1.4.1 There were no approved variations to the revised revenue estimates for 2016/17 reported to Council on 14 February 2017.

### **1.5 Virements 2016/17**

There were no virements to the revised revenue estimates for 2016/17 reported to Council on 14 February 2017.

### **1.6 Revenue Budget Summary 2016/17**

- 1.6.1 The accounts for 2016/17 have been closed and an examination of spend compared with the revised estimates for 2016/17 shows a favourable variance of £43,153 across all Services including that separately identified above.
- 1.6.2 The table below provides a broad overview of the outturn for the year ended March 2017.

Description	Budget to March £	Actual to March £	Variance £
Salaries Monitoring Statement	9,505,350	9,332,840	(172,510)
Income Monitoring Statement	(5,194,900)	(5,261,840)	(66,940)
Treasury Management	(206,000)	(231,483)	(25,483)
Invest to Save Reserve	200,000	400,000	200,000
Tonbridge & Malling Leisure Trust	0	120,000	120,000
General Fund Services	3,998,857	3,900,637	(98,220)
<b>Net Favourable Variance</b>	<b>8,303,307</b>	<b>8,260,154</b>	<b>(43,153)</b>

- 1.6.3 This gives a contribution to the General Revenue Reserve of **£908,903** compared with the Revised Estimate figure of £865,750.

## 1.7 Salaries Monitoring Statement 2017/18

- 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 May 2017, with the appropriate proportion of the original estimate for 2017/18.

- 1.7.2 Members will note that management savings to the end of May are **£48,000 more** than anticipated.

## 1.8 Income Monitoring Statement 2017/18

- 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 May 2017, with the appropriate proportion of the original estimate for 2017/18.

Members will note that overall income to the end of May is **£9,400 more** than anticipated.

## 1.9 Treasury Management 2017/18

### *Core Funds*

- 1.9.1 The Council achieved a return of 0.67% on its core fund investments for the period ended April 2017, compared to a 3-month LIBID benchmark of 0.21%. Investment income achieved for the period ended April 2017 is £12,900.
- 1.9.2 At the end of April 2017 the value of the fund stood at £23m. This was invested at an average rate of 0.66% and an average maturity of 115 days.

### *Cash Flow Funds*

- 1.9.3 The Council achieved a return of 0.41% on its cash flow investments for the period ended April 2017, compared to a 7-day LIBID benchmark of 0.11%. Investment income achieved for the period ended April 2017 is £3,400.
- 1.9.4 In cash terms, the value of internally managed cash flow investments at the end of April 2017 was £10.9m. This was invested at an average rate of 0.41% and an average maturity of 31days.

### *All Investments*

- 1.9.5 The combined return figure for both core and cash flow funds is compared with the original estimate for 2017/18 later in this report.

## **1.10 Approved Variations to the Revenue Budget 2017/18**

- 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 16 May 2017.
- 1.10.2 Cabinet 21 March 2017
- Approved the acceptance of the offer from the Department of Communities and Local Government to increase planning fees by 20% from July 2017. This is expected to generate £132,000 income per annum (£99,000 in 2017/18) some of which may be required to meet additional resource costs.
- 1.10.3 Council 11 April 2017
- Approved changes to Members Allowances which will generate annual savings of £12,400 per annum in the short term and £25,400 per annum following the next Borough Council election in May 2019.
- 1.10.4 A summary of the approved variations to the revenue budget is given in the table below.

<b>Description</b>	<b>Paragraph Reference</b>	<b>2017/18 £</b>	<b>2018/19 £</b>
Planning Fees	1.10.2	(99,000)	(132,000) *
Members Allowances	1.10.3	(10,850)	(12,400) *
<b>Total</b>		<b>(109,850)</b>	<b>(144,400)</b>

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

## **1.11 Virements 2017/18**

- 1.11.1 There have been no virements to the original revenue estimates for 2017/18 reported to Council on 14 February 2017.

## **1.12 Revenue Budget Monitoring 2017/18**

- 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 2017 in respect of the Refuse Collection and Recycling and Amenity and Street Cleansing contracts was 0.7% more than estimated. As a consequence the contract payments will be in the order of £26,000 more than the current estimate.
- 1.12.3 Snodland Town Council has withdrawn the contribution towards Leybourne Lakes Country Park which was expected to be £2,000 in 2017/18.
- 1.12.4 The Council has been awarded the following grants from central government which will be used to fund as yet unbudgeted expenditure or reductions in other government funding streams:
- Community Housing Fund £23,655
  - Discretionary Housing Payments £134,178 (in addition to budgeted £150,000)
  - Flexible Homelessness Support Grant £175,267
  - Local Authority Data Sharing Programme Grants £3,133
  - New Homes Bonus Returned In-Year £5,081
  - Self and Custom Build Housing New Burdens Grant £30,000
  - Single Fraud Investigation Service Project Grant £1,350
  - Welfare Reform Grant £29,999

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

Description	Paragraph Reference	2017/18 £	2018/19 £
Environmental Health Contracts RPI Increase	1.12.2	26,000	26,000 *
Leybourne Lakes Country Park Contribution	1.12.3	2,000	2,000 *
Central Government Grants	1.12.4	-	-
<b>Total</b>		<b>28,000</b>	<b>28,000</b>

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 2017/18

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 May £	Actual to May £	Variance £
Salaries Monitoring Statement	1,585,350	1,537,350	(48,000)
Income Monitoring Statement	(719,400)	(728,800)	(9,400)
Treasury Management (to end of April)	(10,250)	(16,300)	(6,050)
Approved Variations to the Revenue Budget			(109,850)
Revenue Budgetary Control			28,000
<b>Net Favourable Variance</b>			<b>(145,300)</b>

1.13.2 This would suggest if nothing else changed, the contribution to the General Revenue Reserve would be in the order of £580,000 compared to £434,500 anticipated when the budget was set in February 2017.

### 1.14 Savings and Transformation Strategy

1.14.1 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.

- 1.14.2 When the budget was set in February 2017 the projected funding gap was £1.6m with a savings target of £650,000 to be achieved by 1 April 2018. Progress has and continues to be made towards meeting the savings target for this year, for example, renegotiation of the service fee paid to Tonbridge and Malling Leisure Trust and the outcome of the insurance tender reported elsewhere on this agenda.

### **1.15 Capital Monitoring Statement 2016/17**

- 1.15.1 Appended for information at **[Annex 5]** is a capital monitoring statement which compares actual capital expenditure for the period 1 April 2016 to 31 March 2017 with the 2016/17 Capital Plan. The Capital Plan for 2016/17 is based on the 2016/17 budgets that were approved by Council on 14 February 2017.
- 1.15.2 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.
- 1.15.3 Capital Plan schemes which are scheduled to start in 2017/18 and beyond have not been shown. The budget profile for these schemes can be found in the 2017/18 Revenue and Capital Budgets Book.
- 1.15.4 Members will note a Capital Plan spend of £0.3m against the revised 2016/17 budget of £1.1m. The underspend can largely be attributed to a lower than anticipated spend on vehicles, plant and equipment (renewals) at our leisure facilities and in respect of information technology; and due to the nature of capital expenditure and funding the rescheduling / re-profiling and review of future budgetary provision.

### **1.16 Capital Monitoring Statement 2017/18**

- 1.16.1 Appended for information at **[Annex 6]** is a capital monitoring statement which compares actual capital expenditure for the period 1 April 2017 to 30 April 2017 with the 2017/18 Capital Plan. The Capital Plan for 2017/18 is based on the 2017/18 budgets that were approved by Council on 14 February 2017, amended for slippage from 2016/17.
- 1.16.2 Members will note a Capital Plan spend of £44,000 against an amended 2017/18 net expenditure budget of £2.9m

### **1.17 Approved and Other Variations to the Capital Plan**

- 1.17.1 The 2017/18 Disabled Facilities budgets incorporated in Annex 6 reflect those approved by Council in February 2017. A higher level of grant has been received (£860,000 compared to £770,000 excluding slippage from 2016/17) which will necessitate a budget amendment in due course.

## **1.18 Capital Plan Issues**

- 1.18.1 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.

## **1.19 Legal Implications**

- 1.19.1 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.

## **1.20 Financial and Value for Money Considerations**

- 1.20.1 As set out above.

## **1.21 Risk Assessment**

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.

## **1.22 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.

## **1.23 Recommendations**

- 1.23.1 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

Sharon Shelton  
Director of Finance and Transformation