

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

20 September 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 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 2017, with the appropriate proportion of the original estimate for 2017/18.

1.1.2 Members will note that management savings to the end of August are **£140,100 more** than anticipated.

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

1.2.2 Members will note that overall income to the end of August is **£18,700 more** than anticipated.

1.3 Treasury Management

Core Funds

1.3.1 The Council achieved a return of 0.67% on its core fund investments for the period ended August 2017, compared to a 3-month LIBID benchmark of 0.19%. Investment income achieved for the period ended August 2017 is £61,200.

- 1.3.2 At the end of August 2017 the value of the fund stood at £22m. This was invested at an average rate of 0.66% and an average maturity of 166 days.

Cash Flow Funds

- 1.3.3 The Council achieved a return of 0.42% on its cash flow investments for the period ended August 2017, compared to a 7-day LIBID benchmark of 0.11%. Investment income achieved for the period ended August 2017 is £22,100.
- 1.3.4 In cash terms, the value of internally managed cash flow investments at the end of August 2017 was £11.7m. This was invested at an average rate of 0.45% and an average maturity of 49 days.

Property Investment Funds

- 1.3.5 Property fund investments of £2m were placed at the end of June with the Local Authorities' Property Fund (£1m) and the Lothbury Property Trust (£1m). A further £1m is expected to be placed at the end of September with the Hermes Property Unit Trust. Dividends from property funds are distributed on a quarterly basis. The next distribution is due at the end of September 2017.
- 1.3.6 In setting the budget for the current financial year no income from property funds was anticipated. Based on recent performance by the funds net income for 2017/18 is likely to be in the region of £70,000 (£77,500 dividends at 4% per annum less a one-off addition to treasury management consultancy fees of £7,500). Net income from these three investments in 2018/19 is expected to be £120,000 per annum.

All Investments

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

1.4 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 the Economic Regeneration Board on 6 September 2017.

- 1.4.2 Cabinet 21 March 2017

- Approved the acceptance of the offer from the Department for Communities and Local Government to increase planning fees by 20% from July 2017. Increase in statutory fees has been delayed and implementation date is now expected to be 1 October 2017. This is expected to generate £132,000 income per annum (£66,000 in 2017/18).

1.4.3 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.

1.4.4 Finance, Innovation and Property Advisory Board 21 June 2017

- Recommended that the IT and digital solutions capital plan scheme for the Revenues and Benefits Shared Service be approved in the sum of £65,000, together with one-off revenue costs of £5,000 to be funded from the Transformation Reserve. The estimated ongoing revenue cost of £26,000 is to be factored into the overall shared service cost framework.

1.4.5 General Purposes Committee 26 June 2017

- Approved various establishment changes which will generate on-going savings of £24,400 per annum. The saving in 2017/18 will be £20,200 (£6,000 of which is reflected in the Salaries Monitoring section above). In addition, there are one-off redundancy / retirement costs of £55,100.

1.4.6 Economic Regeneration Advisory Board 6 July 2017

- Recommended that the Service Level Agreement with Tourism South East is not renewed and with Visit Kent is reduced. The proposal will generate annual savings of £2,500.

1.4.7 Communities and Housing Advisory Board 24 July 2017

- Recommended that the West Kent Hospital and Handyperson Scheme and secondment of occupational therapist be extended until March 2019. This is expected to cost £117,000 and will be funded from the 2017/18 Better Care Fund.
- Recommended that the Tonbridge and Malling Leisure Trust's proposed Management Fee from 1 April 2018 be agreed, generating a net annual saving of £144,850.

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

Description	Paragraph Reference	2017/18 £	2018/19 £
Planning Fees	1.4.2	(66,000)	(132,000) *
Members Allowances	1.4.3	(10,850)	(12,400) *
Shared Service IT and Digital Solutions	1.4.4	-	-
Establishment Changes – On-going	1.4.5	(14,200)	(24,400) *
Establishment Changes – One-off	1.4.5	55,100	-
Tourism South East & Visit Kent SLA	1.4.6	(2,500)	(2,500) *
West Kent Hospital & Handyperson Scheme & Occupational Therapists	1.4.7	-	-
TMLT Management Fee	1.4.7	-	(144,850) *
Total		(38,450)	(316,150)

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 Cabinet, Management Team or Chief Officers may approve virements under delegated authority. At the time of writing this report the following virement has been brought to my attention.

1.5.2 The Director of Street Scene, Leisure and Technical Services has vired £6,000 from the Drainage Improvement Programme Capital Plan Scheme to the Repairs and Maintenance budget within the Transportation cost centre. This virement, together with contributions totalling £3,000 from the Tonbridge Town Lands Charity is to fund the replacement of lamp columns on the cycle way near Bradford Street car park.

1.6 Revenue Budget Monitoring

1.6.1 As part of our budget monitoring and control arrangements Management Team 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.

- 1.6.2 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 equating to £26,000.
- 1.6.3 Snodland Town Council has withdrawn the contribution towards Leybourne Lakes Country Park which was expected to be £2,000 in 2017/18.
- 1.6.4 Saving of circa £55,000 per annum achieved following the competitive retender of the Council's insurance cover. It is anticipated that insurance costs will increase by £10,000 from 2018/19 following a change in the calculation to be used in for certain insurance claims.
- 1.6.5 The payment to Sainsbury's in respect of ticket refunds at Angel Car Park for the financial years 2014/15 to 2016/17 has now been resolved with a one-off saving of £153,000 when compared to the provision made for the three years. Future payments are expected to be circa £40,000 less than the current budget provision.
- 1.6.6 The Council has paid a one-off sum of £30,000 in respect of business rates relating to the Gibson Building for prior years.
- 1.6.7 Under the Management Agreement with Tonbridge and Malling Leisure Trust the Council is required to meet the increase in the employer's pension contribution following the recent triennial revaluation amounting to circa £28,000.
- 1.6.8 Cost of Microsoft licences will be £20,000 more than the current budget due to recent exchange rate fluctuations.
- 1.6.9 The annual subscription to the Government Connect Secure Extranet (GCSX) will be £10,000 more than the current budget. However, it is anticipated that GCSX will be redundant from 2019/20, generating a net annual saving of £6,500.
- 1.6.10 Credit and debit card charges will be banned from January 2018 which will result in a loss of income of £8,800.
- 1.6.11 Investment income from cash flow surpluses and core cash is expected to be £50,000 more than the original estimate (£30,750 of which is reflected in the Treasury Management section above). The additional income relates to higher than expected cash balances following a delay by the Valuation Office in resolving business rate appeals.
- 1.6.12 The Council's long term cash balances have been reviewed and £2m identified for investment in Property Funds. At the end of June, £1m had been placed in each of the Local Authorities' Property Fund and the Lothbury Property Trust. In anticipation of funds from the disposal of existing assets a further £1m is due to be placed with the Hermes Property Unit Trust (end of September). These three investments are expected to generate net income over and above existing budget provision of £70,000 in 2017/18 and £120,000 in 2018/19.

1.6.13 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
- Flexible Homelessness Support Grant £175,267
- Local Authority Data Sharing Programme Grants £3,133
- New Homes Bonus Returned In-Year £5,081
- Real Time Information New Burdens Grant £2,513
- Self and Custom Build Housing New Burdens Grant £30,000
- Single Fraud Investigation Service Project Grant £1,350
- Welfare Reform Grants £34,033

1.6.14 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	1.6.2	26,000	26,000	*
Leybourne Lakes Country Park Contribution	1.6.3	2,000	2,000	*
Insurance	1.6.4	(41,000)	(55,000)	*
Factoring of Insurance Claims	1.6.4	-	10,000	*
Angel Car Park Refunds	1.6.5	(193,000)	(40,000)	*
Gibson Building Business Rates	1.6.6	30,000	-	
TMLT Employer's Pension Contribution	1.6.7	28,000	28,000	*
Microsoft Licences	1.6.8	20,000	20,000	*
Government Connect Secure Extranet	1.6.9	10,000	10,000	*
Credit and Debit Card Charges	1.6.10	2,200	8,800	*
Investment Income - Cash Flow / Core Cash	1.6.11	(19,250)	-	
Investment Income - Property Funds	1.6.12	(70,000)	(120,000)	*
Central Government Grants	1.6.13	-	-	
Total		(205,050)	(110,200)	

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	3,963,350	3,823,250	(140,100)
Income Monitoring Statement	(1,999,450)	(2,018,150)	(18,700)
Treasury Management	(52,550)	(83,300)	(30,750)
Approved Variations to the Revenue Budget			(38,450)
Revenue Budgetary Control			(205,050)
Net Favourable Variance			(433,050)

- 1.7.2 This would suggest if nothing else changed, the contribution to the General Revenue Reserve would be in the order of £868,000 compared to £434,500 anticipated when the budget was set in February 2017.

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 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. But it is becoming progressively more difficult reinforced by the fact that a good part of this year's savings target is yet to be identified and implemented. Members will be aware a finance briefing has been arranged for next week to discuss the Council's finances and the significant financial challenge that lies ahead.

1.10 Capital Monitoring Statement

- 1.10.1 Appended for information at **[Annex 3]** is a capital monitoring statement which compares actual capital expenditure for the period 1 April 2017 to 31 August 2017 with the 2017/18 Capital Plan.
- 1.10.2 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.
- 1.10.3 Prior year's expenditure is only shown for finite schemes for which there is a budget in 2017/18. 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.
- 1.10.4 Capital Plan schemes which are scheduled to start after 2017/18 have not been shown. The budget profile for these schemes can be found in the 2017/18 Budget Book.
- 1.10.5 Members will note that at the end of August net expenditure of £228,000 has been incurred against an amended 2017/18 net expenditure budget of £3m.

1.11 Approved and Other Variations to the Capital Plan

- 1.11.1 The 2017/18 Mandatory Disabled Facilities Grants budget has been increased to £720,000 from the original Council approved budget of £665,000. The increase reflects slippage brought forward from 2016/17, additional government support awarded for 2017/18 less a transfer to revenue to extend the current hospital discharge pilot (CHAB July 2017).
- 1.11.2 FIPAB in June 2017 recommended approval of an IT scheme to facilitate a Revenues and Benefits shared service arrangement with Gravesham Borough Council. The scheme cost of £65,000 is to be funded from the Transformation Reserve.
- 1.11.3 £6,000 has been vired under delegated authority from the Drainage Improvement Programme scheme budget for 2017/18 to part fund the replacement of lamp columns on the cycle way near Bradford Street car park.

1.12 Capital Plan Issues

- 1.12.1 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.

1.14 Legal Implications

1.14.1 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.

1.15 Financial and Value for Money Considerations

1.15.1 As set out above.

1.16 Risk Assessment

1.16.1 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.

1.17 Equality Impact Assessment

1.17.1 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.

1.18 Recommendations

1.18.1 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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