

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

14 May 2014

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 2014: Salaries; Major Income Streams; Investment Income; and the Leisure Services Business Unit. The report also provides details of variations and virements that have been agreed in relation to the 2013/14 revenue budget. This information is then summarised to provide an indicative overall outturn position for 2013/14. In addition, the report provides details of variations identified through revenue budget monitoring in respect of 2014/15. 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 for the year ended March 2014, with the revised estimate for 2013/14. The statement identifies **net management savings of £120,550** have been achieved.

1.2 **Income Monitoring Statement**

- 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 2014, with the revised estimate for 2013/14.
- 1.2.2 Members will note that overall income for the year ended March 2014 is **£160,528 more** than the revised estimate.

1.3 Treasury Management

Externally Managed Core Funds

- 1.3.1 The Council's Fund Manager achieved a gross return of 0.23% for the year ended March 2014 compared to a 7-day Libid benchmark of 0.41%. Investment income achieved for the year ended March 2014 is £35,285.
- 1.3.2 However, due to the way the fund is valued and the accounting for unrealised gains/losses, the sum of £49,210 (representing unrealised losses of £51,576 carried forward at 31 March 2014 less the unrealised losses of £2,366 brought forward at 1 April 2013) is to be added to the investment income figure above. Therefore, investment income reported in our outturn booklet for the year ended March 2014 will be £84,495 which equates to a return of 0.56%.
- 1.3.3 At the end of March 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 Cash Flow Funds

- 1.3.4 The Council achieved a gross investment return of 0.69% on its internal cash flow investments for the year ended March 2014. This equates to investment income of £75,130 excluding interest due on the defaulted Landsbanki investment. In accordance with accounting requirements, notional interest on the Landsbanki investment of £20,198 for 2013/14 will be added to this figure when reported in our outturn booklet for the year ended March 2014.
- 1.3.5 In cash terms, the value of cash flow funds managed internally at the end of March 2014 stood at £5.6m. This was invested at an average rate of 0.87% and an average maturity of 5 days.

All Investments

- 1.3.6 The combined return figure for externally and internally managed investments is compared with the revised estimate for 2013/14 later in this report.

1.4 Leisure Services Business Unit (LSBU)

- 1.4.1 The trading statement for the LSBU to the end of October 2013 shows a deficit of £414,875 compared with the 2013/14 revised estimate of £367,000 producing an **adverse variance of £47,875**.
- 1.4.2 An analysis of the position in respect of the four sites is given in the table below.

Leisure Services Business Unit	Revised Estimate £	Provisional Outturn £	Variance £
Angel Centre	134,600	149,060	14,460
Larkfield Leisure Centre	15,650	31,859	16,209
Tonbridge Swimming Pool	73,650	89,081	15,431
Poult Wood Golf Centre	143,100	144,875	1,775
Total	367,000	414,875	47,875

1.5 Approved Variations to the Revenue Budget

1.5.1 There were no approved variations to the revised revenue estimates for 2013/14 reported to Council on 18 February 2014.

1.6 Virements

1.6.1 There were no virements to the revised revenue estimates for 2013/14 reported to Council on 18 February 2014.

1.7 Revenue Budget Summary 2013/14

1.7.1 We are currently working on closing the accounts for 2013/14 and an examination of spend to date compared with the revised estimates for 2013/14 would suggest a net favourable variance of £152,692 across all Services including that separately identified above.

1.7.2 The table below provides a broad overview of the expected outturn for the year ended March 2014.

Description	Budget to March £	Actual to March £	Variance £
Salaries Monitoring Statement	9,734,850	9,614,300	(120,550)
Income Monitoring Statement	(5,137,350)	(5,297,878)	(160,528)
Treasury Management	(164,400)	(179,823)	(15,423)
Leisure Services Business Unit	367,000	414,875	47,875
Business Rates Retention Scheme	(2,494,774)	(2,266,594)	228,180
Proposed Transfer to Reserves	-	50,000	50,000
General Fund Services	5,721,518	5,539,272	(182,246)
Net Favourable Variance	8,026,844	7,874,152	(152,692)

- 1.7.3 This would suggest a contribution to the General Revenue Reserve of **£223,842** compared with the Revised Estimate figure of £71,150.

1.8 Revenue Budget Monitoring 2014/15

1.8.1 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.

1.8.2 The RPI increase from 1 March 2014 in respect of the Refuse Collection and Recycling, Amenity and Street Cleansing and Public Conveniences Cleansing contracts was 0.3% less than estimated. As a consequence the contract payments will be in the order of £11,000 less than the current estimate.

1.8.3 Paper recycling income is now expected to be £50,000 less than that estimated following reduction in the price paid for paper and tonnages collected.

1.8.4 Telephone (landline) allowances are no longer paid to staff. This will produce annual savings of £4,500.

1.8.5 The Council has been awarded the following grants from central government which will be used to fund as yet unbudgeted expenditure:

- Discretionary Housing Payments £75,494 (in addition to budgeted £90,000)
- Welfare Reform Grant £18,015

1.8.6 Management Team have approved the following under delegated authority:

- Contract extension of the Welfare Advisor post until 30 November 2014 at a cost of £14,350.
- Various changes to the Development Control section producing an annual saving of £7,050.
- Regrading and increase of hours within Leisure services at an annual cost of £20,200.

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 2013 to 31 March 2014 with the 2013/14 Capital Plan. The Capital Plan for 2013/14 is based on the 2013/14 budgets that were approved by Council on 18 February 2014.

- 1.9.2 Prior year's expenditure is only shown for finite schemes for which there is a budget in 2013/14. 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.
- 1.9.3 Capital Plan schemes which are scheduled to start in 2014/15 and beyond have not been shown. The budget profile for these schemes can be found in the 2014/15 Revenue and Capital Budgets Book.
- 1.9.4 Members will note a Capital Plan spend of £1.1m against the revised 2013/14 budget of £1.9m. The majority of this underspend will be rolled forward for use in 2014/15.

1.10 Approved Variations to the Capital Plan

- 1.10.1 Whilst there are no variations that affect the capital monitoring statement at **[Annex 3]** a scheme, with gross costs estimated to be in the region of £33,000, was approved as a matter of urgency. The scheme will enable equipment to be purchased to progress individual voter registration which starts in June 2014. It is expected that the majority of scheme costs will be funded by a government grant. A report on the scheme is to be considered at the next meeting of Overview and Scrutiny Committee and Cabinet.

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 See 'Screening for equality impacts' table at end of report

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:

contact: Neil Lawley

Nil

Sharon Shelton

Director of Finance and Transformation

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	Report details results of internal budget monitoring regime.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	See comment above.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		N / A

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.