

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

23 May 2018

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

The report provides information on the following key budget areas: salaries, major income streams, and investment income, together with approved variations, virements and issues identified via revenue budget monitoring for the year ended March 2018 and the month of April 2018; and for 2017/18 the Business Rates Retention scheme. This information is then aggregated to provide a provisional outturn position for 2017/18 and an indicative outturn position for 2018/19 if nothing else changed.

The report also updates Members on capital expenditure and variations that have been agreed in relation to the Capital Plan for the year ended March 2018 and the month of April 2018.

Details of correspondence received from the Ministry of Housing, Communities and Local Government in respect of passing on local council tax support funding to parish and town councils and our response is also provided for information.

1.1 Salaries Monitoring Statement 2017/18

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 2018, with the revised estimate for 2017/18.

1.1.2 Members will note that management savings to the end of March 2018 are **£172,900 more** than anticipated.

1.2 Income Monitoring Statement 2017/18

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 2018, with the revised estimate for 2017/18.

- 1.2.2 Members will note that overall income for the year ended March 2018 is **£32,184 less** than the revised estimate.

1.3 Treasury Management 2017/18

Core Funds

- 1.3.1 The Council achieved a return of 0.67% on its core fund investments for the period ended March 2018, compared to the 3-month LIBID benchmark of 0.29%. Investment income achieved for the period ended March 2018 is £147,722.
- 1.3.2 At the end of March 2018 the value of core funds stood at £20.0m. This was invested at an average rate of 0.73% and an average maturity of 95 days.

Cash Flow Funds

- 1.3.3 The Council achieved a return of 0.47% on its cash flow investments for the period ended March 2018, compared to a 7-day LIBID benchmark of 0.21%. Investment income achieved for the period ended March 2018 is £69,357.
- 1.3.4 At the end of March 2018 the value of cash flow investments stood at £6.4m. This was invested at an average rate of 0.47% and an average maturity of 3 days.

Property Investment Funds

- 1.3.5 Property fund investments of £1m each were placed with the Local Authorities Property Fund and the Lothbury Property Trust in June 2017 and a further £1m with the Hermes Property Unit Trust in September 2017.
- 1.3.6 Investment income achieved for the period ended March 2018 is £74,643 which represents a return of 3.73%.

All Investments

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

1.4 Approved Variations to the Revenue Budget 2017/18

- 1.4.1 There were no approved variations to the 2017/18 revised revenue estimates reported to Council on 20 February 2018.

1.5 Virements 2017/18

- 1.5.1 There were no virements made to the 2017/18 revised revenue estimates reported to Council on 20 February 2018.

1.6 Business Rates Retention Scheme

- 1.6.1 The Council has until now been below the baseline set under the Business Rates Retention Scheme and the Council has to meet a share of that shortfall up to a maximum of circa £161,000 in 2017/18. As a result the safety net position of 92.5% of the baseline amount was used for the 2017/18 estimate.
- 1.6.2 However, for the first time since the introduction of the Scheme in April 2013 we are above the baseline set. This is by a comparatively modest amount, but above the baseline nonetheless.

1.7 Revenue Budget Summary 2017/18

- 1.7.1 We are currently working on closing the accounts for 2017/18 and an examination of spend to date compared with the 2017/18 revised revenue estimates would suggest a net favourable variance of £639,735 across all Services including that separately identified above. The overall outturn position affording the opportunity to transfer £500,000 to the Property Investment Fund Reserve taking the net favourable to £139,735.
- 1.7.2 The table below provides a broad overview of the provisional outturn for the year ended March 2018. A more detailed analysis of the outturn position is to be found in the Revenue and Capital Outturn Booklet to be reported to Cabinet on 6 June.

Description	Budget to March £	Actual to March £	Variance £
Salaries Monitoring Statement	9,228,500	9,055,600	(172,900)
Income Monitoring Statement	(5,286,600)	(5,254,416)	32,184
Treasury Management	(276,000)	(291,722)	(15,722)
Business Rates Retention Scheme	(1,988,317)	(2,326,598)	(338,281)
Kent Business Rates Pool – Growth Fund	-	60,543	60,543
Property Investment Fund Reserve	-	500,000	500,000
General Fund Services	7,418,347	7,212,788	(205,559)
Net Favourable Variance	9,095,930	8,956,195	(139,735)

- 1.7.3 This gives a contribution to the General Revenue Reserve of **£697,835** compared with the Revised Estimate figure of £558,100.

1.8 Salaries Monitoring Statement 2018/19

- 1.8.1 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 April 2018, with the appropriate proportion of the original estimate for 2018/19.

- 1.8.2 Members will note that management savings to the end of April are **£53,100 more** than anticipated.

1.9 Income Monitoring Statement 2018/19

- 1.9.1 Appended for information at **[Annex 4]** is a budgetary control statement that compares our major sources of income from fees and charges to the end of April 2018, with the appropriate proportion of the original estimate for 2018/19.

- 1.9.2 Members will note that overall income to the end of April is **£44,226 less** than anticipated.

1.10 Treasury Management 2018/19

Core Funds

- 1.10.1 The Council achieved a return of 0.73% on its core fund investments for the period ended April 2018, compared to the 3-month LIBID benchmark of 0.50%. Investment income achieved for the period ended April 2018 is £12,700.
- 1.10.2 At the end of April 2018 the value of core funds stood at £22.0m. This was invested at an average rate of 0.73% and an average maturity of 78 days.

Cash Flow Funds

- 1.10.3 The Council achieved a return of 0.48% on its cash flow investments for the period ended April 2018, compared to a 7-day LIBID benchmark of 0.36%. Investment income achieved for the period ended April 2018 is £3,600.
- 1.10.4 At the end of April 2018 the value of cash flow investments stood at £3.2m. This was invested at an average rate of 0.50% and an average maturity of 1 day.

Property Investment Funds

- 1.10.5 Property funds pay dividends quarterly based on activity to the end of March, June, September and December. No dividends are due in the period 1 April to 30 April.

All Investments

- 1.10.6 The combined return figure for core and cash flow investments is compared with the original estimate for 2018/19 later in this report.

1.11 Approved Variations to the Revenue Budget 2018/19

1.11.1 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 10 April 2018.

1.11.2 Finance, Innovation and Property Advisory Board 3 January 2018

- Renegotiation of the banking contract and merchant acquirer services contract with current providers delivered a saving in the order of £11,000.

1.11.3 Cabinet 20 March 2018

- Ongoing maintenance and support costs for the General Data Protection Regulation software solution in the order of £20,000 in 2018/19 rising to £23,000 in 2019/20.

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

Description	Paragraph Reference	2018/19 £	2019/20 £
Banking and Merchant Acquirer Services	1.11.2	(11,000)	(11,000) *
GDPR Software Solution	1.11.3	20,000	23,000 *
Total		9,000	12,000

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

1.12 Virements 2018/19

1.12.1 There have been no virements made to the original revenue estimates for 2018/19 reported to Council on 20 February 2018.

1.13 Revenue Budget Monitoring 2018/19

1.13.1 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.

1.13.2 Reduction in Kent Public Services Network charges of around £4,500 following contract review.

1.13.3 Cessation of mortgage administration contract at a cost of £3,000 from 2019/20.

1.13.4 Data Protection registration with the Information Commissioner fee increase of £2,400 due to General Data Protection Regulation legislation.

1.13.5 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:

- Real Time Information Bulk Data Matching £3,352
- Self and Custom Build Housing New Burdens Grant £30,000
- Single Fraud Investigation Service Project Grant £1,158
- Universal Credit New Burdens Grant £6,128
- Verify Earnings and Pensions Alerts £34,989
- Welfare Reform Grant £28,145

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

Description	Paragraph Reference	2018/19 £	2019/20 £
Kent Public Services Network	1.13.2	(4,500)	(4,500) *
Mortgage Administration Services	1.13.3	-	(3,000) *
Data Protection Registration with ICO	1.13.4	2,400	2,400 *
Central Government Grants	1.13.5	-	-
Total		(2,100)	(5,100)

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

1.14 Revenue Budget Summary 2018/19

1.14.1 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 as at the end of April.

Description	Budget to April £	Actual to April £	Variance £
Salaries Monitoring Statement	818,900	765,800	(53,100)
Income Monitoring Statement	(385,350)	(341,124)	44,226
Treasury Management	(14,850)	(16,300)	(1,450)
Approved Variations to the Revenue Budget			9,000
Revenue Budgetary Control			(2,100)
Net Favourable Variance			(3,424)

1.14.2 This would suggest if nothing else changed, the contribution to the General Revenue Reserve would be in the order of £436,800 compared to £433,400 anticipated when the budget was set in February 2018.

1.15 Savings and Transformation Strategy

1.15.1 Members will be aware that alongside the Medium Term Financial Strategy 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.

1.15.2 When the budget was set in February 2018 the projected funding gap was £1.0m with a savings target of £350,000 to be achieved by 1 April 2019. Progress on meeting this year's savings target will be reported to future meetings of the Board.

1.16 Capital Monitoring Statement 2017/18

1.16.1 Appended for information at **[Annex 5]** is a capital monitoring statement which compares actual capital expenditure for the period 1 April 2017 to 31 March 2018 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 20 February 2018.

1.16.2 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.

1.16.3 Capital Plan schemes which are scheduled to start in 2018/19 and beyond have not been shown. The budget profile for these schemes can be found in the 2018/19 Revenue and Capital Budgets Book.

1.16.4 Members will note a Capital Plan spend of £1.1m against the revised 2017/18 budget of £1.9m. Factors that contributed to the net underspend are given below.

- Capital renewals budgets totalling £1,121,000 with actual capital renewals expenditure totalling £659,000. Capital renewals provisions reflect predictions as to when assets will need to be replaced. Underspend can largely be attributed to a lower than anticipated spend on capital renewals at our leisure facilities, in large part due to the replacement of fitness equipment at Larkfield Leisure Centre moving to 2018/19; and in respect of information technology.
- The very nature of capital expenditure and funding can see the rescheduling, reprofiling and review of future budget provision. Scheme budget provisions that are to be rescheduled, reprofiled or subject to review include the Virtual Desktop Infrastructure Project – in year underspend £80,000; Revenues and Benefits IT Digital Solution – in year underspend £65,000; and Racecourse Sportsground Riverside Revetment Works – in year underspend £28,000.

1.17 Capital Monitoring Statement 2018/19

1.17.1 Appended for information at **[Annex 6]** is a capital monitoring statement which compares actual capital expenditure for the month of April 2018 with the 2018/19 Capital Plan. The Capital Plan for 2018/19 is based on the 2018/19 budgets that were approved by Council on 20 February 2018, amended for slippage from 2017/18.

1.17.2 Members will note a Capital Plan spend (net) at the end of April of £46,000 against a budget of £4m.

1.18 Approved Variations to the Capital Plan

1.18.1 Cabinet in March 2018 followed by Council in April 2018 approved the purchase of an automated software solution for General Data Protection Regulation purposes. The capital cost of £66,000 is to be funded from the Invest to Save Reserve.

1.18.2 Cabinet in March 2018 followed by Council in April 2018 approved the sum of up to £1.6m be added to the Capital Plan for the purchase of property for temporary accommodation purposes funded from section 106 monies.

1.19 Capital Plan Issues

1.19.1 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.

1.20 Local Council Tax Support Funding

- 1.20.1 On the introduction of council tax support schemes in April 2013 a sum of money was separately identified as that to be passed onto parish and town councils, but no legal requirement to do so. In subsequent years no separate sum has been identified and where the Council has seen significant reductions in government grant funding over that period and since 2017/18 receives no revenue support grant. Members may also recall that withdrawal of local council tax support funding formed part of the consultation on the introduction of special expenses from 2017/18.
- 1.20.2 Attached at **[Annex 7]** is correspondence received from the Ministry of Housing, Communities and Local Government in respect of passing on local council tax support funding to parish and town councils and our response.

1.21 Legal Implications

- 1.21.1 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.

1.22 Financial and Value for Money Considerations

- 1.22.1 As set out above.

1.23 Risk Assessment

- 1.23.1 Budgetary control is a prerequisite of good financial management, financial planning and control and needs to be kept under review to ensure it remains effective and relevant.

1.24 Equality Impact Assessment

- 1.24.1 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.

1.25 Recommendations

- 1.25.1 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

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Director of Finance and Transformation