

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

17 September 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

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

1.1.2 Members will note that management savings to the end of August are **£234,100 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 2018, with the appropriate proportion of the original estimate for 2018/19.

1.2.2 Members will note that overall income to the end of August is **£9,100 more** than anticipated.

1.3 Treasury Management

Core Funds

1.3.1 The Council achieved a return of 0.82% on its core fund investments for the period ended August 2018, compared to the 3-month LIBID benchmark of 0.59%. Investment income achieved for the period ended August 2018 is £77,050.

- 1.3.2 At the end of August 2018 the value of core funds stood at £20m. This was invested at an average rate of 0.94% and an average maturity of 201 days.

Cash Flow Funds

- 1.3.3 The Council achieved a return of 0.57% on its cash flow investments for the period ended August 2018, compared to a 7-day LIBID benchmark of 0.40%. Investment income achieved for the period ended August 2018 is £27,200.
- 1.3.4 At the end of August 2018 the value of cash flow investments stood at £14.5m. This was invested at an average rate of 0.73% and an average maturity of 63 days.

Property Investment Funds

- 1.3.5 Property funds pay dividends quarterly based on activity to the end of March, June, September and December. Dividends for the period ended June 2018 is £30,200 which represents a return of 3.62%.
- 1.3.6 At the end of August 2018 the value of property funds stood at £5m spread across three different funds.

All Investments

- 1.3.7 The combined return figure for core, cash flow and property investment funds is compared with the original estimate for 2018/19 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 Council on 31 July 2018.

1.4.2 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.

1.4.3 Cabinet 20 March 2018

- Ongoing maintenance and support costs for the General Data Protection Regulation software solution in the order of £20,000.

1.4.4 Overview and Scrutiny Committee 21 June 2018

- Approved changes to the delivery of youth engagement, sports and events development, generating annual savings of £14,900.

1.4.5 General Purposes Committee 25 June 2018

- Approved changes to the establishment in Waste and Street Scene Services, generating annual savings of £32,800 which is to be ring-fenced pending a further review later this year. In addition, there will be temporary staff costs of £76,500 associated with the introduction of the new waste service contract of which £36,500 will be met from the Kent Resource Partnership.

1.4.6 Council 31 July 2018

- Approved temporary arrangements to improve collection at the Council's recycling sites at a cost of £30,000 (£17,500 in 2018/19 and £12,500 in 2019/20).

1.4.7 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	1.4.2	(11,000)	(11,000) *
GDPR Software Solution	1.4.3	20,000	20,000 *
Youth Engagement, Sports & Events Dev	1.4.4	(14,900)	(14,900) *
Waste and Street Scene Services	1.4.5	20,000	20,000
Bring Sites Recycling	1.4.6	17,500	12,500
Total		31,600	26,600

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

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, 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 Charges in respect of the Kent Public Services Network are to reduce by £4,500 following contract review.

- 1.6.3 The mortgage administration contract is to cease from 2019/20, generating a saving of £3,000.
- 1.6.4 The data protection registration fee paid to the Information Commissioner is to increase by £2,400 as a result of General Data Protection Regulation legislation.
- 1.6.5 Increases in a number of IT related costs totalling £33,450 have been identified to date:
- Disaster recovery £5,000 (plus one-off costs of £8,000 funded from Invest to Save Reserve)
 - Firewall replacement £7,200
 - Kemp load balancer £4,350
 - Network £8,900
 - Payroll system £6,400
 - Uniform data management tool £1,600 (plus one-off costs of £9,250 funded from Invest to Save Reserve)
- 1.6.6 The Council is to use the “Jobs Go Public” website for recruitment advertising at a cost of £6,250 and is to be funded from management savings.
- 1.6.7 The following items of unbudgeted building repairs work have been identified:
- Larkfield Leisure Centre - works to internal roof space frame in the leisure pool hall at an estimated cost of £250,000.
 - Tonbridge Racecourse Sportsground - replacement of hand wash units at public conveniences at an estimated cost of £11,200.
 - Tonbridge Castle - adaptation works for IT Disaster Recovery purposes at an estimated cost of £7,250.
 - Tonbridge Farm Sportsground Pavilion - roof tiles to be replaced in the near future at an estimated cost of £100,000.
- The intention is that this currently unbudgeted expenditure be met from the Building Repairs Reserve and, in turn, an additional one-off contribution be made to the Reserve of £400,000 in 2018/19. There is also to be a further stepped increase in the annual contribution to the Building Repairs Reserve from £600,000 to £650,000 from 2019/20 to meet ongoing maintenance and repair obligations.
- 1.6.8 Kent County Council are to pay in the order of £89,000 in recognition of the increased council tax yield as a result of recent changes made to council tax discounts and exemptions.

1.6.9 Tonbridge and Malling Leisure Trust have made loss of income claims amounting to £2,500.

1.6.10 The axle of a vehicle used by the rangers at Leybourne Lakes Country Park is to be replaced at a cost of £4,000.

1.6.11 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:

- Individual Electoral Registration Grant £2,441 (in addition to budgeted £15,000)
- Neighbourhood Planning Grant £5,000
- 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 £10,223
- Universal Credit Housing Payments & Temp Accommodation Grant £6,128
- Universal Credit Universal Support Grant £10,114
- Verify Earnings and Pensions Alerts £27,988
- Welfare Reform Grant £28,145

1.6.12 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	1.6.2	(4,500)	(4,500)	*
Mortgage Administration Services	1.6.3	-	(3,000)	*
Data Protection Registration with ICO	1.6.4	2,400	2,400	*
IT Related Costs	1.6.5	33,450	33,450	*
Recruitment Advertising	1.6.6	-	-	
Building Repairs Reserve	1.6.7	400,000	50,000	*
KCC Contributions	1.6.8	(89,000)	-	
TMLT Loss of Income Claims	1.6.9	2,500	-	

Vehicle Axle	1.6.10	4,000	-
Central Government Grants	1.6.11	-	-
Total		348,850	78,350

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 as at the end of August.

Description	Budget to August £	Actual to August £	Variance £
Salaries Monitoring Statement	4,079,300	3,845,200	(234,100)
Income Monitoring Statement	(2,245,850)	(2,254,950)	(9,100)
Treasury Management	(101,200)	(134,450)	(33,250)
Approved Variations to the Revenue Budget			31,600
Revenue Budgetary Control			348,850
Net Adverse Variance			£104,000

1.7.2 This would suggest if nothing else changed, the contribution to the General Revenue Reserve would be in the order of £329,000 compared to £433,400 anticipated when the budget was set in February 2018.

1.8 Savings and Transformation Strategy

1.8.1 Members will be aware that alongside the Medium Term Financial Strategy (MTFS) sits a Savings and Transformation Strategy. Its purpose to provide structure, focus and direction in addressing the significant financial challenge faced by the Council 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 2018 the projected funding gap was £1.0m with a savings target of £350,000 to be achieved by 1 April 2019. Taking the information reflected in this report in isolation gives net growth in the order of £70,000 and assuming if we can we would want to keep the two subsequent savings tranches at their current level, suggests a revised savings target of £420,000 for this year.

1.8.3 At the time of writing this report, Members are due to consider the outcome of the tenders for the Waste Services contract via the Street Scene and Environmental Services Advisory Board. It is hoped that the new contract (including introducing a charge for garden waste) can make a substantive contribution to the savings target. A review of the MTFs is being undertaken and will be reported to Cabinet in due course. However, for the avoidance of doubt, it is important to emphasise that irrespective of the scale of that contribution, a funding gap will remain to be addressed over the medium term. The size of that projected funding gap to be determined as part of the forthcoming budget cycle.

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 2018 to 31 August 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.

1.9.2 Prior year's expenditure is only shown for finite schemes for which there is a budget in 2018/19. 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 2019/20 and beyond have not been shown. The budget profile for these schemes can be found in the 2018/19 Revenue and Capital Budgets Book.

1.9.4 Members will note a Capital Plan spend (net) at the end of August of £462,000 against a budget of £4m.

1.10 Approved Variations to the Capital Plan

1.10.1 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

1.10.2 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.

1.10.3 The cost of the drainage works to the rugby pitches at the Racecourse Sports Ground have been reassessed at £16,000 (original budget £25,000). These works will now be part funded by a virement of £8,000, approved under delegated authority, from the Land Drainage Improvement Programme.

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 CIPFA Financial Resilience Index

1.12.1 Members may have heard in the local government press that, following the Northamptonshire financial concerns, The Chartered Institute of Public Finance and Accountancy (CIPFA) is consulting S151 officers on its plans to provide an authoritative measure of local authority financial resilience via a new index.

1.12.2 The index, based on publically available information, will provide an assessment of the relative financial health of each English council.

1.12.3 CIPFA states that it has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. The document is attached at **[Annex 4]** for Members' information.

1.12.4 Members will note from Table 1 of the Annex that for us only three of the six indicators are relevant. The deadline for responses was 24 August, so I responded as follows prior to the deadline:

1.12.5 *"Firstly, we are pleased to support in principle the proposal to introduce a financial resilience index. That said, we would see this as informing the discussion / assessment of a council's financial health rather than providing an authoritative measure of financial resilience. We say this because, without detailed commentary as to the particular matters influencing the medium term financial planning of each council, one or more of the indicators in isolation could in some cases be extremely misleading. For district councils, the "score" will rely on only 3 component parts. By way of example, some councils will plan to tactically use their reserves in the short term whilst they instigate and implement initiatives enabling them to move to a balanced budget position within the medium term period. A reduction in reserves may not therefore be a 'bad' thing as may be portrayed by the index and in such a case, the index could create an entirely false impression. We do believe that the forthcoming Financial Management Code will be most useful in setting a framework of good practice against which councils can compare their current arrangements. Overall, as stated at the outset, we support the principle of an index but reiterate that it should be seen as commentary only to support discussion of a council's financial health as opposed to a rigid score which inevitably will end up in a 'league table'."*

1.13 Legal Implications

1.13.1 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.

1.14 Financial and Value for Money Considerations

1.14.1 As set out above.

1.15 Risk Assessment

1.15.1 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.

1.16 Equality Impact Assessment

1.16.1 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.

1.17 Recommendations

1.17.1 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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