

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

05 June 2019

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 both the year ended March 2019 and month one of 2019/20; and for 2018/19 the Kent wide 100% Business Rates Retention pilot. This information is then aggregated to provide a provisional outturn position for 2018/19 and an indicative outturn position for 2019/20 based on month one. The report also updates Members on capital expenditure and variations that have been agreed in relation to the Capital Plan for both the year ended March 2019 and month one of 2019/20.

1.1 Salaries Monitoring Statement 2018/19

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 2019, with the revised estimate for 2018/19.

1.1.2 Members will note that management savings to the end of March 2019 are **£113,022 more** than anticipated.

1.2 Income Monitoring Statement 2018/19

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 2019, with the revised estimate for 2018/19.

1.2.2 Members will note that overall income for the year ended March 2019 is **£101,232 more** than the revised estimate.

1.4 Treasury Management 2018/19

Core Funds

- 1.4.1 The Council achieved a return of 0.91% on its core fund investments for the year ended March 2019, compared to the 3-month LIBID benchmark of 0.68%. Investment income achieved for the year ended March 2019 is £210,690.
- 1.4.2 At the end of March 2019 the value of core funds stood at £24.0m. This was invested at an average rate of 1.06% and an average maturity of 175 days.

Cash Flow Funds

- 1.4.3 The Council achieved a return of 0.73% on its cash flow investments for the year ended March 2019, compared to a 7-day LIBID benchmark of 0.51%. Investment income achieved for the year ended March 2019 is £112,189.
- 1.4.4 At the end of March 2019 the value of cash flow investments stood at £7.4m. This was invested at an average rate of 0.78% and an average maturity of 1 day.

Property Investment Funds

- 1.4.5 At the start of the year the sum of £3m was invested in property investment funds and a further £2m invested during the year.
- 1.4.6 Investment income achieved from property funds for the year ended March 2019 is £162,908 which represents a return of 3.55%.

All Investments

- 1.4.7 The combined return figure for core, cash flow and property investment funds is compared with the revised estimate for 2018/19 later in this report.

1.5 Approved Variations to the Revenue Budget 2018/19

- 1.5.1 There were no approved variations to the 2018/19 revised revenue estimates reported to Council on 19 February 2019.

1.6 Virements 2018/19

- 1.6.1 There were no virements made to the 2018/19 revised revenue estimates reported to Council on 19 February 2019.

1.7 Kent wide 100% Business Rates Retention pilot 2018/19

- 1.7.1 Members will recall the Kent wide bid for pilot status in respect of 100% business rates retention for the year 2018/19 was successful and the estimated financial benefit divided into two discrete 'pots'. One for financial sustainability paid at individual council level, and the second for housing and commercial growth paid on a cluster basis.

- 1.7.2 Based on the estimates prepared during the bidding process, in terms of financial sustainability, a sum of circa £500,000 would come to Tonbridge and Malling in 2018/19 and an allocation of circa £1m to the West Kent Cluster (Sevenoaks, Tunbridge Wells and Tonbridge and Malling areas) towards supporting housing and commercial growth.
- 1.7.3 As reported during the year, performance suggested the sums set out above could be exceeded. Actual performance is £1,000,000 in respect of financial sustainability and £1,890,000 in respect of the West Kent Cluster.

1.8 Revenue Budget Summary 2018/19

- 1.8.1 Members are to be advised that the contribution to the General Revenue Reserve is £76,406, some £35,144 less than the Revised Estimate figure of £111,550. This after transferring an additional £400,000 to the Tonbridge and Malling Leisure Trust (TMLT) Reserve and £250,000 to the Building Repairs Reserve in recognition of recent and future cost pressures.
- 1.8.2 The table below provides a broad overview of the provisional outturn for the year ended March 2019. A more detailed analysis of the outturn position is to be found in the Revenue and Capital Outturn report and accompanying documents to Cabinet on the rising of this meeting.

Description	Budget to March £	Actual to March £	Variance £
Salaries Monitoring Statement	9,471,050	9,358,028	(113,022)
Income Monitoring Statement	(5,700,150)	(5,801,382)	(101,232)
Treasury Management	(452,000)	(485,787)	(33,787)
Business Rates Pilot / Pool / Reserve	(3,171,160)	(3,443,335)	(272,175)
Building Repairs Reserve	1,000,000	1,250,000	250,000
TMLT Reserve	100,000	500,000	400,000
General Fund Services	8,796,351	8,701,711	(94,640)
Total	10,044,091	10,079,235	35,144

- 1.8.3 This gives a contribution to the General Revenue Reserve of **£76,406** compared with the Revised Estimate figure of £111,550.

1.10 Salaries Monitoring Statement 2019/20

- 1.10.1 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 2019, month one, with the appropriate proportion of the original estimate for 2019/20.
- 1.10.2 Members will note that management savings to the end of April are **£9,700 more** than anticipated.

1.11 Income Monitoring Statement 2019/20

- 1.11.1 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 2019, month one, with the appropriate proportion of the original estimate for 2019/20.
- 1.11.2 Members will note that overall income to the end of April is **£21,750 less** than anticipated.

1.12 Treasury Management 2019/20

Core Funds

- 1.12.1 The Council achieved a return of 1.06% on its core fund investments for the period ended April 2019, compared to the 3-month LIBID benchmark of 0.70%. Investment income achieved for the period ended April 2019 is £23,500.
- 1.12.2 At the end of April 2019 the value of core funds stood at £26.0m. This was invested at an average rate of 1.07% and an average maturity of 170 days.

Cash Flow Funds

- 1.12.3 The Council achieved a return of 0.77% on its cash flow investments for the period ended April 2019, compared to a 7-day LIBID benchmark of 0.57%. Investment income achieved for the period ended April 2019 is £6,100.
- 1.12.4 At the end of April 2019 the value of cash flow investments stood at £5.0m. This was invested at an average rate of 0.75% and an average maturity of 1 day.

Property Investment Funds

- 1.12.5 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.
- 1.12.6 At the end of April 2019 the sum of £5m was invested in property investment funds.

All Investments

1.12.7 The combined return figure for core and cash flow investments is compared with the original estimate for 2019/20 later in this report.

1.13 Approved Variations to the Revenue Budget 2019/20

1.13.1 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 9 April 2019.

1.13.2 Council 9 April 2019

- Approved urgent reinstatement works to the Tonbridge Castle Motte following storm damage in March 2019. The works are estimated to cost £20,000 to be funded from the Local Authorities Parks Improvement Fund received in 2018/19.
- Approved a supplementary estimate of £20,000 to progress high priority repair works to Council owned bridges.

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

Description	Paragraph Reference	2019/20 £	2020/21 £
Tonbridge Castle Motte	1.13.2	-	-
Bridge Repairs	1.13.2	20,000	-
Total		20,000	-

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

1.14 Virements 2019/20

1.14.1 There have been no virements made to the original revenue estimates for 2019/20 reported to Council on 19 February 2019.

1.15 Revenue Budget Monitoring 2019/20

1.15.1 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.

- 1.15.2 The Council has been awarded £100,000 to fund a multi-agency approach to tackling rough sleeping.
- 1.15.3 Priory Wood Open Space – Budget to be established to meet the initial estimated project cost of £50,000. Any ongoing annual revenue budget implications yet to be determined.
- 1.15.4 There is a contract variation order in respect of the waste services contract in the sum of £23,500 to reflect the temporary delivery of paper and cans to different locations to those specified in the contract.
- 1.15.5 Kent County Council are to pay in the order of £156,000 in recognition of the increased council tax yield as a result of recent changes made to council tax discounts and exemptions.
- 1.15.6 Recent above inflationary uplift in energy prices resulting in increased costs of circa £25,000 over current budget provision.
- 1.15.7 Extension of temporary Special Projects Officer post within Revenues and Benefits for a further eleven month period at a cost of £28,400 to be funded from the Transformation Reserve.
- 1.15.8 As reported elsewhere the estimated loss of income claim in respect of the planned major programme of works at Larkfield Leisure Centre is £1,368,000 compared to the current budget provision of £1,000,000. The increased cost to be funded from the Tonbridge and Malling Leisure Trust Reserve.
- 1.15.9 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:
- Single Fraud Investigation Service Project Grant £902
 - Universal Credit New Burdens Grant £31,950
 - Verify Earnings and Pensions Alerts £26,201
 - Welfare Reform Grant £28,891

1.15.10A summary of the items identified through budgetary control is given in the table below.

Description	Paragraph Reference	2019/20 £	2020/21 £
Rough Sleeping Initiative	1.15.2	-	-
Priory Wood Open Space	1.15.3	50,000	-
Waste Services Contract	1.15.4	23,500	-
Council Tax Discounts / Exemptions	1.15.5	(156,000)	-
Energy Prices	1.15.6	25,000	25,000 *
Special Projects Officer	1.15.7	-	-
TMLT Loss of Income Claim	1.15.8	-	-
Central Government Grants	1.15.9	-	-
Total		(57,500)	25,000

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

1.16 Revenue Budget Summary 2019/20

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 2019, month one.

Description	Budget to April £	Actual to April £	Variance £
Salaries Monitoring Statement	832,000	822,300	(9,700)
Income Monitoring Statement	(372,100)	(350,350)	21,750
Treasury Management	(23,250)	(29,600)	(6,350)
Approved Variations to the Revenue Budget			20,000
Revenue Budgetary Control			(57,500)
Net Favourable Variance			(31,800)

1.16.1 This would suggest if nothing else changed, the contribution to the General Revenue Reserve would be £482,400 compared to £450,600 anticipated when the budget was set in February 2019.

1.17 Savings and Transformation Strategy

- 1.17.1 Alongside the Medium Term Financial Strategy sits a Savings and Transformation Strategy. The purpose of the Strategy is to provide structure, focus and direction in addressing the financial challenge faced by the Council. In so doing, it recognises that there is no one simple solution and as a result we will need to adopt a number of ways to deliver the required savings and transformation contributions within an agreed timescale. A number of key themes have been identified, together with outline targets and timescales.
- 1.17.2 When the budget was set in February 2019 the projected funding gap was £550,000 with a savings and transformation contribution of £100,000 to be achieved by 1 April 2020. Progress on meeting this year's savings and transformation contribution will be reported to future meetings of the Board.

1.18 Capital Monitoring Statement 2018/19

- 1.18.1 Appended for information at **[Annex 5]** is a capital monitoring statement which compares actual capital expenditure for the period 1 April 2018 to 31 March 2019 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 19 February 2019.
- 1.18.2 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.
- 1.18.3 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 2019/20 Revenue and Capital Budgets Book.
- 1.18.4 Members will note a Capital Plan spend net of specific government grants and other contributions of £1,040,000 against the revised 2018/19 budget of £1,507,000. Factors that contributed to the net underspend are given below.
- Capital renewals budgets totalling £801,000 with actual capital renewals expenditure totalling £639,000. 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; printing and reprographics equipment; 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 Ventilation and Boiler Replacement – in year underspend £87,000; Revenues and Benefits IT Digital Solution – in year underspend £60,000; and Conference System – in year underspend £27,000.

1.19 Capital Monitoring Statement 2019/20

- 1.19.1 Appended for information at **[Annex 6]** is a capital monitoring statement which compares actual capital expenditure at the end of April 2019, month one, with the 2019/20 Capital Plan. The Capital Plan for 2019/20 is based on the 2019/20 budgets that were approved by Council on 19 February 2019, amended for slippage from 2018/19.
- 1.19.2 Members will note a Capital Plan spend (net) at the end of April 2019 of £25,000 against a budget of £4.2m.
- 1.19.3 As reported elsewhere the estimated capital cost of the planned major programme of works at Larkfield Leisure Centre is £2,149,000 (including expenditure to date of £120,000) compared to the current budget provision of £1,650,000. The increased cost to be funded from the Tonbridge and Malling Leisure Trust Reserve and Revenue Reserve for Capital Schemes.
- 1.19.4 The Council has received the second and final payment of EU Exit Funding for Local Government in the sum of £17,484 to support local authorities in their preparations for the UK leaving the EU.

1.20 Approved Variations to the Capital Plan

- 1.20.1 None.

1.21 Capital Plan Issues

- 1.21.1 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.

1.22 Legal Implications

- 1.22.1 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.

1.23 Financial and Value for Money Considerations

- 1.23.1 As set out above.

1.24 Risk Assessment

1.24.1 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.

1.25 Equality Impact Assessment

1.25.1 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.

1.26 Recommendations

1.26.1 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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