

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

18 September 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

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 2019, with the appropriate proportion of the original estimate for 2019/20.

1.1.2 Members will note that management savings to the end of August are **£17,750 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 2019, with the appropriate proportion of the original estimate for 2019/20.

1.2.2 Members will note that overall income to the end of August is **£208,050 more** than anticipated which can be attributed to the very positive take-up of the opt-in garden waste service.

1.3 Treasury Management

Core Funds

1.3.1 The Council achieved a return of 1.11% on its core fund investments for the period ended August 2019 (1.08% to end of May 2019), compared to the 3-month

LIBID benchmark of 0.67%. Investment income achieved for the period ended August 2019 is £121,300.

- 1.3.2 At the end of August 2019 the value of core funds stood at £26m. This was invested at an average rate of 1.13% and an average maturity of 149 days.

Cash Flow Funds

- 1.3.3 The Council achieved a return of 0.78% on its cash flow investments for the period ended August 2019 (0.76% to end of May 2019), compared to a 7-day LIBID benchmark of 0.57%. Investment income achieved for the period ended August 2019 is £42,200.

- 1.3.4 At the end of August 2019 the value of cash flow investments stood at £14.3m. This was invested at an average rate of 0.81% and an average maturity of 42 days.

Property Investment Funds

- 1.3.5 £5m in property fund investments are in place at 30 June spread across three different funds. Investment income achieved for the period ended June 2019 is £43,000 which represents a return of 3.44%.
- 1.3.6 Property Funds issue and redeem units at differing prices reflecting the costs associated with buying and selling property (legal and other expenses). The price differential is typically 8% (6% on entry to a fund, 2% on exit) and is expected to be recouped overtime through capital appreciation. The sale value of units at 30 June is £141,700 below the £5m initial investment. This compares with a sale value of £315,900 below the £5m initial investment at commencement.

All Investments

- 1.3.7 The combined return figure for core, cash flow and property investment funds is compared with the original estimate for 2019/20 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 July 2019.

- 1.4.2 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.

1.4.3 Communities and Housing Advisory Board 28 May 2019

- Recommended that a contribution of £9,750 be made by the Council in respect of the proposal brought forward by Leybourne Parish Council to protect an area of open space from Traveller incursion.

1.4.4 Finance, Innovation and Property Advisory Board 5 June 2019

- Recommended that the budgets in respect of the planned major programme of works at Larkfield Leisure Centre be adjusted to reflect both increased capital and revenue costs associated with the works. The latest estimated loss of income claim in respect of the proposed scheme is £1,138,000 compared to the current budget provision of £1,000,000. The increase to be funded from the Tonbridge and Malling Leisure Trust Reserve.
- Furthermore, it is proposed an additional contribution of £466,000 be made to the Revenue Reserve for Capital Schemes in 2019/20 by way of reimbursement following the latest cost estimate.

1.4.5 Street Scene and Environment Services Advisory Board 11 June 2019

- Recommended commencement of detailed landfill gas investigation and risk assessment work at Priory Wood Open Space and to procure an upgrade to the gas pump and service contract. The investigation and risk assessment costed at £26,650 and the service contract £1,300 per annum.

1.4.6 General Purposes Committee 19 June 2019

- Approved the regrading and reduction in hours of a Senior Planning Policy Officer post at a cost of £1,650 per annum.
- Approved the deletion / increase in hours of Park Rangers posts resulting in a saving of £250 per annum.

1.4.7 Finance, Innovation and Property Advisory Board 17 July 2019

- Recommended that the £150,000 capacity funding received as a result of the inclusion of Borough Green Gardens in the Government's Garden Communities Programme be used towards staffing, design and landscaping work, and master-planning.

1.4.8 Communities and Housing Advisory Board 23 July 2019

- Recommended that £183,000 of the 2019/20 Better Care Fund be allocated towards revenue initiatives.

- Noted the income from the Council's events programme has increased from £12,600 to £20,000 and cost of the Performing Rights Society licence has reduced by £1,850.

1.4.9 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	1.4.2	-	-
Bridge Repairs	1.4.2	20,000	-
Leybourne Open Space	1.4.3	9,750	-
Larkfield Leisure Centre	1.4.4	466,000	-
Priory Wood	1.4.5	26,650	1,300 *
Senior Planning Policy Officer	1.4.6	1,250	1,650 *
Park Rangers	1.4.6	(200)	(250) *
Borough Green Gardens	1.4.7	-	-
Better Care Fund Initiatives	1.4.8	-	-
Events Programme	1.4.8	(9,250)	(9,250) *
Total		514,200	(6,550)

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 2019/20 reported to Council on 19 February 2019.

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 The Council has been awarded £100,000 to fund a multi-agency approach to tackling rough sleeping.

- 1.6.3 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 a different location than that specified in the contract.
- 1.6.4 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.
- 1.6.5 Recent above inflationary uplift in energy prices resulting in increased costs of circa £25,000 over current budget provision.
- 1.6.6 Loss of income claim received from the Tonbridge and Malling Leisure Trust in the sum of £27,800 following closure of the Spacebowl at Larkfield Leisure Centre in February, April and May. A claim for a similar amount is expected in respect of the current closure of the Spacebowl.
- 1.6.7 Invoice raised in 2018/19 in the sum of £13,900 for works carried out at Vale Rise Depot not required. Sum due deducted from a monthly contract payment.
- 1.6.8 The Council has purchased four fire evacuation chairs at a cost of £2,200.
- 1.6.9 Two scanners have been purchased for the receptions at Kings Hill and Tonbridge Castle at a cost £2,150 (including software). This is to be funded from the Transformation Reserve.
- 1.6.10 A one-off subscription of £20,000 is to be made to Smarter Digital Services to provide 80 days of assistance with business process mapping. This is to be funded either by way of a virement(s) or from the Invest to Save Reserve.
- 1.6.11 Members will note from the Income Monitoring Statement the very positive take-up of the opt-in garden waste service exceeding both the short term target of 30% or £550,000 and medium term target of 40% or £735,000 on commencement. Assuming take-up remains at its current level and after taking into account additional annual collection costs of around £80,000 gives net additional income next year is £210,000 and circa £50,000 by the end of the medium term.
- 1.6.12 Homelessness caseload has increased significantly since the start of the year. There are currently around 60 households in temporary accommodation and at this level the associated increased cost (budget growth) is circa £100,000.
- 1.6.13 Management Team have made the following establishment changes under delegated authority:
- Posts in the Parking Enforcement Team have been regraded at a cost of £35,300 per annum.
 - The Customer Services restructure at Tonbridge Castle resulted in termination payments of £17,250 (£5,050 of which was paid in 2018/19 and the balance in 2019/20).

- Temporary staffing arrangements in the Waste and Street Scene Team have been extended to the end of January 2020. The extension will cost £48,350 to be funded from the ring-fenced sum (£32,800) and the Waste and Street Scene Initiatives Reserve (£15,550).
- Temporary Special Projects Officer post has been extended to the end of March 2020 at a cost of £29,450 to be funded from the Transformation Reserve (£12,250 reflected in Salaries Monitoring Statement above).
- Temporary Revenues and Visiting Assistant post has been extended to the end of March 2020 at a cost of £28,450 to be funded by a contribution from Kent County Council and management savings.

1.6.14 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:

- Brexit Funding £70,000
- Individual Electoral Registration Grant £3,569 (in addition to budgeted £13,000)
- Local Authority Data Sharing Programme Grant £9,576
- Rapid Rehousing Pathway Grant £72,951
- 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

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

Description	Paragraph Reference	2019/20 £	2020/21 £
Rough Sleeping Initiative	1.6.2	-	-
Waste Services Contract	1.6.3	23,500	-
Council Tax Discounts / Exemptions	1.6.4	(156,000)	-
Energy Prices	1.6.5	25,000	25,000 *
TMLT Loss of Income	1.6.6	55,600	-
Vale Rise Depot	1.6.7	13,900	-

Fire Evacuation Chairs	1.6.8	2,200	-
Reception Scanners	1.6.9	-	-
Business Process Mapping	1.6.10	-	-
Garden Waste Collection – Income	1.6.11	-	(290,000)
Garden Waste Collection – Cost	1.6.11	40,000	80,000
Temporary Accommodation	1.6.12	100,000	100,000 *
Parking Enforcement Team	1.6.13	20,600	35,300 *
Customer Services Team	1.6.13	12,200	-
Waste & Street Scene Team	1.6.13	-	-
Special Projects Officer	1.6.13	(12,250)	-
Revenues and Visiting Assistant	1.6.13	-	-
Central Government Grants	1.6.14	-	-
Total		124,750	(49,700)

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 an indicative overall budget position for the year.

Description	Budget to August £	Actual to August £	Variance £
Salaries Monitoring Statement	4,157,700	4,139,950	(17,750)
Income Monitoring Statement	(2,725,400)	(2,933,450)	(208,050)
Treasury Management	(168,600)	(206,500)	(37,900)
Approved Variations to the Revenue Budget			514,200
Revenue Budgetary Control			124,750
Net Adverse Variance			375,250

1.7.2 This would suggest if nothing else changed, the contribution to the General Revenue Reserve would be £75,350 compared to £450,600 anticipated when the budget was set in February 2019.

1.8 Savings and Transformation Strategy

1.8.1 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.

1.8.2 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. Taking in isolation the position detailed in this report suggests the funding gap has increased to in excess of £675,000 highlighting why it is important to identify and implement opportunities to deliver at least this year's savings and transformation contribution of £100,000 which as things stand would give a funding gap higher than that at the start of the year. Notwithstanding the funding gap will undoubtedly change many times as we move through the year.

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 2019 to 31 August 2019 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.

1.9.2 Prior year's expenditure is only shown for finite schemes for which there is a budget in 2019/20. 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 2020/21 and beyond have not been shown. The budget profile for these schemes can be found in the 2019/20 Revenue and Capital Budgets Book.

1.9.4 Members will note a Capital Plan spend (net) at the end of August 2019 of £282,000 against a budget of £4.8m.

1.10 Approved Variations to the Capital Plan

1.10.1 The latest 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 General Revenue Reserve.

- 1.10.2 As reported to Finance, Innovation and Property Advisory Board on 17 July 2019, the Council is to purchase of mobile working software at a cost of £23,000. This is to be funded from the Invest to Save Reserve.
- 1.10.3 As reported to Communities and Housing Advisory Board on 23 July 2019, the Disabled Facilities Grant budgets have been amended to reflect to 2019/20 Better Care Fund allocation.
- 1.10.4 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.

1.11 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 kept under review to ensure it remains effective and relevant.

1.15 Equality Impact Assessment

- 1.15.1 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.

1.16 Recommendations

1.16.1 Members are asked to:

- 1) **Note** that as at the end of August 2019 the projected overall outturn position is a net adverse variance of circa £375,250, after making an additional contribution to the revenue reserve for capital schemes of £466,000, when compared to the budget set in February 2019.
- 2) **Note** the position in respect of the projected funding gap and over the coming months the need to identify and implement opportunities to deliver at least this year's savings and transformation contribution of £100,000 which as things stand would give a funding gap higher than that at the start of the year.

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