

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

16 September 2020

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 brings together information on three key budget areas – salaries, major operational income streams and investment income. The performance of the key budget areas, together with 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 includes details of the impact of the Covid-19 pandemic on the Council's finances and the scale of the potential longer term impact on the Medium Term Financial Strategy and Savings and Transformation Strategy and, in turn, savings and transformation contributions required to balance the budget.

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 2020, with the appropriate proportion of the original estimate for 2020/21.

1.1.2 Members will note that management savings to the end of August are **£41,550 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 2020, with the appropriate proportion of the original estimate for 2020/21.

1.2.2 Members will note that overall income to the end of August is **£973,100 less** than anticipated largely due to the Covid-19 pandemic and measures taken in response.

1.3 Treasury Management

Core Funds

- 1.3.1 The Council achieved a return of 0.66% on its core fund investments for the period ended August 2020 (0.78% to end of June 2020), compared to the 3-month LIBID benchmark of 0.19%. Investment income achieved for the period ended August 2020 is £44,600.
- 1.3.2 At the end of August 2020 the value of core funds stood at £18m. This was invested at an average rate of 0.47% and an average maturity of 186 days.

Cash Flow Funds

- 1.3.3 The Council achieved a return of 0.23% on its cash flow investments for the period ended August 2020 (0.29% to end of June 2020), compared to a 7-day LIBID benchmark of -0.05%. Investment income achieved for the period ended August 2020 is £28,000.
- 1.3.4 At the end of August 2020 the value of cash flow investments stood at £22.2m. This was invested at an average rate of 0.11% and an average maturity of 8 days.

Property Investment Funds

- 1.3.5 Property funds pay dividends quarterly based on activity to the end of March, June, September and December. Investment income achieved for the period ended June 2020 is £35,400 which represents a return of £2.83%.
- 1.3.6 At the end of August 2020 the sum of £5m was invested in property investment funds 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 2020/21 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 end of August 2020.
- 1.4.2 The Leader of the Council in liaison with Chairman of Overview & Scrutiny Committee agreed to advance the sum of £300,000 to the Tonbridge and Malling Leisure Trust (TMLT) under emergency powers. This is not a grant payment, but an advance to assist with cash flow.

1.4.3 Planning and Transportation Advisory Board 3 March 2020

- Recommended and subsequently approved by Cabinet on 30 June 2020 that the provision of hard copies of entire planning application submissions to parish councils cease from 1 September 2020. Estimated annual cost saving £7,500.

1.4.4 Cabinet 3 June 2020

- Resolved that the recommendations of the Street Scene and Environment Services Advisory Board of 5 March 2020 in respect of car parking fees and charges and of the Joint Transportation Board on 9 March 2020 in respect of on-street parking fees and charges be deferred until the next annual review of charges in Autumn 2020. As a result, all other things being equal, income in 2020/21 will be £280,000 less than budgeted (£85,000 of which is reflected in the income monitoring statement above).
- Agreed 'in principle' to provide support to the TMLT as a result of the Government's directions in response to the Covid-19 pandemic.

1.4.5 General Purposes Committee 17 June 2020

- Agreed to establish the post of Digital Content Editor at a cost of £45,150. The cost offset in part by a reduction in the number of licences required in respect of the Council's social media management platform saving £6,000.

1.4.6 Cabinet 30 June 2020

- Recommended to full Council that a supplementary budget of £1m is established in 2020/21 in respect of the Council's Leisure Management Arrangements. Subsequently approved by Council on 14 July 2020.

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

Description	Paragraph Reference	2020/21 £	2021/22 £	2022/23 £
Advance to TMLT	1.4.2	-	-	-
Planning Application Documents	1.4.3	(4,400)	(7,500)	(7,500) *
Car Parking Charges	1.4.4	195,000	-	-
Digital Content Editor	1.4.5	26,300	45,150	45,150 *
Social Media Software Licences	1.4.5	-	(6,000)	(6,000) *
Leisure Management Arrangements	1.4.6	1,000,000	-	-
Total		1,216,900	31,650	31,650

Those items marked with an asterisk* will need to be considered and reflected as appropriate in updating the Medium Term Financial Strategy beyond 2022/23.

1.5 Virements

- 1.5.1 There have been no virements made to the original revenue estimates for 2020/21 reported to Council on 18 February 2020.

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 / are for Members' awareness.

Covid-19 Pandemic

- 1.6.2 The Council received from Government grant funding of £20,120,000 to administer on its behalf both the Small Business Grant Fund and the Retail, Hospitality and Leisure Sector Grant Fund schemes. At the time of writing of that sum 96.2% or £19,355,000 has been paid out to 1,524 businesses. The closing date for businesses to apply for grant aid was 28 August and any remaining balance is to be repaid to BEIS.
- 1.6.3 A further sum of £1,006,000 was received to administer the Discretionary Business Grant Fund scheme and has been paid out in full to 149 businesses.
- 1.6.4 The Council also received £866,829 in respect of the Council Tax Covid-19 Hardship Fund with the expectation that billing authorities will provide all recipients of working age local council tax support in 2020/21 with a further reduction of £150 or a lesser sum where that reduces the liability to £nil. At the time of writing of that sum £723,852 has been applied to 4,826 council tax accounts.
- 1.6.5 The Government has committed to meet the cost of administering the business grant fund schemes and council tax hardship fund referred to above under the New Burdens Grant regime. To date a sum of £130,000 has been received in respect of the business grant fund schemes with a further sum due for carrying out post assurance work. A payment has yet to be received in respect of the council tax hardship fund.
- 1.6.6 The Council has been allocated up to £117,531 from the Reopening High Streets Safely Fund for eligible expenditure incurred to support the safe reopening of high streets and other commercial areas. A bid in the sum of £112,125 was submitted and await confirmation it has been accepted.

- 1.6.7 As reported to Cabinet on 30 June 2020, it is safe to say that the pandemic will have a significant adverse impact on the Council's finances. Primarily as a result of a marked reduction in sources of income (council tax receipts, business rates, fees and charges, rental income and investment income), but there are also unbudgeted costs to be met, e.g. setting up and operation of community hub facilities and increase in temporary accommodation costs.
- 1.6.8 Reduction in sources of income in 2020/21 estimated to be £4m (of which £1,236,700 is reported elsewhere in this report) followed by £2m in 2021/22 and £1m in 2022/23.
- 1.6.9 Unbudgeted costs in 2020/21 estimated to be £350,000 (spend to July 2020 £259,500) followed by £150,000 in 2021/22.
- 1.6.10 As mentioned at paragraph 1.4.6, a supplementary budget of £1m is to be established in 2020/21 in respect of the Council's Leisure Management Arrangements. For financial planning purposes it is assumed support will continue to be required to the sum of £700,000 in 2021/22.
- 1.6.11 Management Team and endorsed by Cabinet imposed an 'Essential Spend Only' policy for the year 2020/21 and set a one-off savings target of £500,000 to be delivered as a result of the policy. On the assumption the potential savings agreed with Services to date realise the anticipated saving a sum of £352,600 has been identified leaving more work to do if the one-off savings target is to be met.
- 1.6.12 To date three tranches of direct 'emergency' funding has been provided by the Government. The first tranche was £40,538, the second tranche £1,316,352 and the third tranche £192,874 giving a total allocation of £1,549,764.
- 1.6.13 The latest funding package included a scheme to reimburse councils for lost income from sales fees and charges; and in the next Spending Review to consider what support councils need to help them meet the pressures of income loss from council tax and business rates. From reading the draft guidance for now a sum of £1,000,000 has been assumed in respect of the income compensation scheme for sales, fees and charges.
- 1.6.14 In spite of the increased government grant funding unless further funding is forthcoming, not only this year, but until income is more akin to pre Covid-19 levels a significant adverse financial impact will remain. Furthermore, despite suggestions that discussions were being had on financial support with regard to council owned leisure facilities run by charitable Trusts, no such announcement has been made.

Other Issues

- 1.6.15 Homeless caseload has continued to increase since the budget was prepared in Autumn 2019 and remains at a high level. The estimated net increased cost in respect of temporary accommodation in 2020/21 is £300,000. For financial

planning purposes it is assumed temporary accommodation costs gradually reduce over a three-year period to a level thereafter akin to the 2020/21 original budget.

- 1.6.16 The inflationary increase from 1 April 2020 in respect of the waste services contract was 0.8% less than estimated equating to a saving on the annual contract sum of £30,000.
- 1.6.17 A review by the waste services contractor of the amounts being billed found that the number of properties used in the calculation had been understated, together with a number of other adjustments required to be made to the amount billed. The ongoing annual increased cost of these changes is £62,000 plus a one-off cost of £35,000 for the period up to 31 March 2020.
- 1.6.18 Additional crews were employed by the waste services contractor for four weeks on the resumption of the garden waste collection service. The additional cost of £17,300 was met by Kent County Council.
- 1.6.19 The anticipated exemption from business rates for all standalone public toilets, announced in the Chancellor's Autumn Budget 2018, has yet to be implemented. As a result the Council has had to pay business rates of £18,900.
- 1.6.20 The Council has been awarded £8,100 from the "Old Chalk New Downs" project to carry out woodland work at Holly Hill Wood.
- 1.6.21 A review has taken place of the works required to Council owned bridges over the next three years following the high priority works carried out in 2019. The estimated cost of the works over the three years 2020/21 to 2022/23 is £24,500, £5,500 and £10,000 more than the current budget.
- 1.6.22 The Council Tax Support administration grant awarded by the MHCLG for 2020/21 is £9,400 more than budgeted.
- 1.6.23 Kent County Council are to pay, subject to confirmation, in the order of £156,000 in recognition of the increased council tax yield as a result of changes made to council tax discounts and exemptions.
- 1.6.24 Summons costs recovered currently expected to be £125,000 below budget due to the suspension of court hearings.
- 1.6.25 Management Team have made the following establishment changes under delegated authority:
- The temporary management arrangements in Housing Services have been extended by a further six months to the end of September 2020 at a cost of £37,000. To be funded from government grants received in prior years and set aside in an earmarked reserve.

- The hours of the Health and Safety Officer were temporarily increased by 14.5 hours per week for a period of four weeks at a cost of £2,900. To be funded from management savings.
- The hours of the Private Sector Housing Initiatives Officer and Housing Support Assistant have been temporarily increased by 8 hours per week and 18.5 hours per week respectively for a period of seven weeks at a cost of £3,100 (all of which is reflected in the salary monitoring statement above). To be funded from the Energy Strategy Support Grant (see paragraph 1.6.26 below).
- Maternity cover for two posts within Housing Services will cost £13,500. To be funded from management savings.
- The temporary additional resources in Waste and Street Scene Services, required in the lead up to and mobilisation of the new waste services contract, have been extended by a further six month period to the end of September 2020 at a cost of £55,500. To be funded from ring-fenced sum and management savings.
- Temporary additional administration resources in Waste and Street Scene Services continue to be employed at a cost of £14,600 for the period ended August. To be funded from management savings.
- The temporary administration arrangements in Parking Services have been extended by a further nine month period to the end of December 2020 at a cost of £6,000. To be funded from management savings.

1.6.26 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:

- Covid-19 Housing Benefits Policy Changes Grant £328
- Discretionary Housing Payments Grant £87,941 (in addition to £180,000 budget)
- Energy Strategy Support Grant £100,000
- Local Authority Data Sharing Programme Grant £6,015
- Local Housing Allowance Changes Grant £488
- Rough Sleeping Initiative £88,175
- Severe Disability Premium Changes Grant £1,655
- Universal Credit New Burdens Grant £13,701

- Verify Earnings and Pensions Alerts Grant £24,144
- Welfare Reform Grant £31,470

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

Description	Paragraph Reference	2020/21 £	2021/22 £	2022/23 £
New Burdens Grant	1.6.5	(130,000)	-	-
Sources of Income	1.6.8	2,763,300	2,000,000	1,000,000
Covid-19 Expenditure	1.6.9	350,000	150,000	-
Leisure Management Arrangements	1.6.10	-	700,000	-
Essential Spend Only	1.6.11	(500,000)	-	-
Covid-19 Grant Allocation	1.6.12	(1,549,750)	-	-
Income Compensation Scheme	1.6.13	(1,000,000)	-	-
Temporary Accommodation	1.6.15	300,000	200,000	100,000
Waste Services Contract – Inflation	1.6.16	(30,000)	(30,000)	(30,000) *
Waste Services Contract – Billing	1.6.17	97,000	62,000	62,000 *
Garden Waste Collection	1.6.18	-	-	-
Public Conveniences Business Rates	1.6.19	18,900	-	-
Holly Hill Wood	1.6.20	-	-	-
Bridge Works	1.6.21	24,500	5,500	10,000 *
Council Tax Support Admin Grant	1.6.22	(9,400)	-	-
Council Tax Discounts / Exemptions	1.6.23	(156,000)	-	-
Summons Costs Recovered	1.6.24	125,000	-	-
Establishment Changes	1.6.25	(3,100)	-	-
Central Government Grants	1.6.26	-	-	-
Total		300,450	3,087,500	1,142,000

Those items marked with an asterisk* will need to be considered and reflected as appropriate in updating the Medium Term Financial Strategy beyond 2022/23.

1.7 Revenue Budget Summary

1.7.1 The table below brings together information on the 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	4,362,550	4,321,000	(41,550)
Income Monitoring Statement	(2,291,500)	(1,318,400)	973,100
Treasury Management	(176,600)	(108,000)	68,600
Approved Variations to the Revenue Budget			1,216,900
Revenue Budgetary Control			300,450
Net Adverse Variance			2,517,500

1.7.2 This suggests a projected unplanned call on reserves, general revenue reserve and one or more specific earmarked reserves, of circa £2.5m in 2020/21 followed by circa £3.1m in 2021/22 and £1.2m in 2022/23.

1.8 Medium Term Financial Strategy

1.8.1 In the latter part of the year 2019/20 the pandemic commenced its profound impact across service areas, businesses and the wider community; testing the Council's business continuity planning arrangements.

1.8.2 We will not know the full extent of the impact on the Council's finances and reserve balances for some time. Much will depend on the financial support provided by central government, extent and speed of the recovery, whether there is a second 'spike' leading to the reintroduction of some of the measures and societal changes brought about by the response to the pandemic.

1.8.3 But as can be seen above the projected unplanned call on reserves over the next three years is £6.8m. It should also be stressed beyond 2022/23 it is assumed that sources of income will in large part return to pre Covid-19 levels. This in itself could be seen as challenging bearing in mind, for example, behavioural changes in response to the pandemic – more people work from home and more often and subsequent implications for car park income.

1.8.4 It goes without saying that the Council's finances and reserve balances are under severe pressure. The latest projected funding gap is £755,000 (July £600,000) split into three savings tranches, two of £100,000 to be achieved **by** April 2021 and April 2022 and tranche three £555,000 to be achieved **by** April 2024. This reinforces and brings into stark focus the need for the initiatives already reflected in the MTFs **to deliver the saving (or a substitute of equivalent value or**

higher) and in the timescale assumed to both support the integrity of the MTFs and for financial sustainability not to be placed at risk. Not forgetting **having done so a funding gap of £755,000 remains** and a growing sense is getting out of reach.

- 1.8.5 The potential savings agreed with Services to meet the 'Essential Spend Only' policy savings target have been used to identify those that are also ongoing and as such contribute to the savings target of £100,000 to be achieved by April 2021. The potential ongoing savings identified to date is £55,950 leaving more work to do if the target is to be met.

1.9 Savings and Transformation Strategy

- 1.9.1 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.

- 1.9.2 A number of key themes have been identified, together with outline targets and timescales which will need to be revisited and aligned with the latest projected funding gap.

- 1.9.3 As mentioned earlier not only will the Council need to deliver any new targets, but it will also need to ensure it delivers on the 'outstanding' decisions it made prior to the Covid-19 pandemic and factored into the MTFs.

- 1.9.4 Management Team will be considering this over the coming weeks with the intention of bringing a draft revision of the Strategy to Cabinet in the Autumn.

1.10 Covid-19 Local Authority Financial Monitoring Return

- 1.10.1 Since April the Ministry of Housing, Communities and Local Government has asked local authorities to complete a monthly return designed to help departments across central government understand the impact of the Covid-19 pandemic on local authority finances for planning purposes.

- 1.10.2 For the year 2020/21 an estimated reduction in sources of income of £3.9m and increased costs of £1.7m were reflected in the most recent return submitted.

1.11 Capital Monitoring Statement

- 1.11.1 Appended for information at **[Annex 3]** is a capital monitoring statement which compares actual capital expenditure for the period 1 April 2020 to 31 August 2020 with the 2020/21 Capital Plan. The Capital Plan for 2020/21 is based on the 2020/21 budgets that were approved by Council on 18 February 2020, amended for slippage from 2019/20.

1.11.2 Prior year's expenditure is only shown for finite schemes for which there is a budget in 2020/21. 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.

1.11.3 Capital Plan schemes which are scheduled to start in 2021/22 and beyond have not been shown. The budget profile for these schemes can be found in the 2020/21 Revenue and Capital Budgets Book.

1.11.4 Members will note a Capital Plan spend (net) at the end of August 2020 of £902,000 against a budget for the year of £3.885m.

1.12 Approved Variations to the Capital Plan

1.12.1 Budget provision for Housing Disabled Facility Adaptations is based on the current year approved provision of 1,161,000 (Council, February 2020) plus prior year slippage of £137,000. This budget will be reviewed as part of the revised estimates process.

1.13 Capital Plan Issues

1.13.1 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.

1.14 Legal Implications

1.14.1 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.

1.15 Financial and Value for Money Considerations

1.15.1 In the latter part of the year 2019/20 the Covid-19 pandemic commenced its profound impact on service areas, businesses and the wider community testing the Council's business continuity planning arrangements. It will, in all likelihood, also have a significant adverse impact on the Council's finances and reserve balances.

1.15.2 Primarily as a result of a marked reduction in sources of income (council tax receipts, business rates, fees and charges, rental income and investment

income). There are also unbudgeted costs to be met, both time limited and ongoing, e.g. setting up and operation of community hub facilities and increase in temporary accommodation costs; and the financial support to be provided to the Tonbridge and Malling Leisure Trust.

- 1.15.3 We will not know the extent of the impact on the Council's finances and reserve balances for some time, but believe it safe to say unless there is further significant tranches of funding provided by the government some significant decisions will need to be made so as not to place financial sustainability at risk.
- 1.15.4 The future Spending Review, Fair Funding Review and Business Rates Reforms brings further uncertainty in addition to the adverse impact of the Covid-19 pandemic. How TMBC will fair, together with the current economic conditions have the potential to place further pressure on the Council's finances.

1.16 Risk Assessment

- 1.16.1 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.
- 1.16.2 The Medium Term Financial Strategy sets out the high level financial objectives the Council wishes to fulfil and underpins the budget setting process for the forthcoming year and over the Strategy period. As the Council's high level financial planning tool the Strategy needs to be reviewed and updated at least annually and in the current climate regularly reviewed by Management Team.
- 1.16.3 The Strategic risks '*Financial position/budget deficit*' and '*Corporate Strategy and Savings and Transformation Strategy*' have been escalated to RED risk on the Strategic Risk Register. The financial challenge such financial sustainability at increased risk.
- 1.16.4 The outcome of the Spending Review, Fair Funding Review and Business Rates Reforms have the potential to place further pressure on the Council's finances.
- 1.16.5 The continuing uncertainty and volatility surrounding local government finances does not aid financial planning with the increased risk of significant variations compared to projections; and the consequent implications on the level of reserves held.

1.17 Equality Impact Assessment

- 1.17.1 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.

1.18 Policy Considerations

- 1.18.1 Business Continuity/Resilience

1.18.2 Community

1.18.3 Health and Safety

1.18.4 Healthy Lifestyles

1.19 Recommendations

1.19.1 Members are **RECOMMENDED** to:

- 1) Note that the financial impact of the Covid-19 pandemic is such that unless there is further significant tranches of funding provided by the government some significant decisions will need to be made if the integrity of the MTFS is to be maintained and financial sustainability is not to be placed at risk.
- 2) Note the progress made in meeting both the one-off savings target of £500,000 and ongoing savings target of £100,000.
- 3) Note the intention to bring a draft revision of the Savings and Transformation Strategy to Cabinet in the Autumn.

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