

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

23 July 2014

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 June 2014, with the appropriate proportion of the original estimate for 2014/15. The statement identifies **net management savings of £4,950** have been achieved.

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 June 2014, with the appropriate proportion of the original estimate for 2014/15.

1.2.2 Members will note that overall income to the end of June is **£400 less** than anticipated.

1.3 Treasury Management

Externally Managed Funds

- 1.3.1 The Council's Fund Manager achieved a gross return of 0.62% for the period ended June 2014, compared to a 7-day LIBID benchmark of 0.41%. Investment income achieved for the period ended June 2014 is £20,550 excluding unrealised losses on recent UK Gilt purchases.
- 1.3.2 At the end of June 2014 the value of the fund stood at £13.4m. This was invested at an average rate of 0.60% and an average maturity of 0.75 years.

Internally Managed Cash flow Funds

- 1.3.3 The Council achieved a return of 0.69% on its internal cash flow investments for the period ended June 2014, compared to a 7-day LIBID benchmark of 0.41%. Investment income achieved for the period ended June 2014 is £17,200.
- 1.3.4 In cash terms, the value of internally managed investments at the end of June 2014 was £7.3m. This was invested at an average rate of 0.78% and an average maturity of 0.22 years.

All investments

- 1.3.5 The combined return figure for externally and internally managed investments is compared with the original estimate for 2014/15 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 Cabinet on 25 June 2014.
- 1.4.2 Local Environmental Management Advisory Board 27 May 2014
- Recommended that the Waste Electrical and Electronic Equipment recycling pilot be extended to 30 June 2015. The cost of extension is £19,000 of which £6,000 is being funded by a contribution from Kent County Council and the remainder from existing revenue budgets and an earmarked reserve.
- 1.4.3 General Purposes Committee 23 June 2014
- Approved various establishment changes which will generate permanent savings of £86,000 per annum. In addition, there are time limited costs of £33,100 and a one-off redundancy cost of £30,700.

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

Description	Paragraph Reference	2014/15 £	2015/16 £
Waste Electrical and Electronic Equipment	1.4.2	-	-
Establishment Changes – Permanent	1.4.3	(64,500)	(86,000) *
Establishment Changes – Time Limited Costs	1.4.3	33,100	18,200
Establishment Changes – Redundancy	1.4.3	30,700	-
Total		(700)	(67,800)

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 At the time of writing this report there are no virements to the original revenue estimates for 2014/15 that were approved by Council on 18 February 2014.

1.6 Revenue Budget Monitoring

- 1.6.1 As part of our budgetary 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, that 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 RPI increase from 1 March 2014 in respect of the Refuse Collection and Recycling and Amenity and Street Cleansing contracts was 0.3% less than estimated. As a consequence the contract payments will be in the order of £11,000 less than the current estimate.
- 1.6.3 Paper recycling income is now expected to be £50,000 less than that estimated (£5,500 of which is reflected in the Income Monitoring Statement above) following reduction in the price paid for paper and tonnages collected.
- 1.6.4 Telephone (landline) allowances are no longer paid to key staff who may be called 'out of hours'. This will produce annual savings of £4,500.

1.6.5 The Council has been awarded the following grants from central government and other public bodies. It is anticipated that these grants will be used to fund as yet unbudgeted expenditure. Any residual balance at the year-end will be transferred to reserves.

- Discretionary Housing Payments £75,494 (in addition to budgeted £90,000)
- Welfare Reform Grant £18,015
- New Homes Bonus Adjustment £6,845
- Localising Council Tax Support New Burdens Grant £75,660
- Individual Electoral Registration Grant £20,370 (in addition to budgeted £25,000)
- Housing Benefits Grants £2,365
- Public Health Funding £79,853 (in addition to budgeted £72,300)

1.6.6 The Council has received a one-off payment of £25,000 in respect of the new ground lease granted at Vale Rise, Tonbridge, as reported to this Board on 22 May 2013.

1.6.7 The Council has paid Tonbridge and Malling Leisure Trust £6,250 for supporting the delivery of Capital Plan schemes in 2013/14. Future payments are the subject of discussion.

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

Description	Paragraph Reference	2014/15 £	2015/16 £
Environmental Health Contracts RPI Increase	1.6.2	(11,000)	(11,000) *
Paper Recycling	1.6.3	44,500	50,000 *
Telephone Allowances	1.6.4	(4,500)	(4,500) *
Central Government Grants	1.6.5	-	-
One-off Payment for Vale Rise, Tonbridge	1.6.6	(25,000)	-
Capital Plan Support by TMLT	1.6.7	6,250	-
Total		10,250	34,500

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 a broad overview of the expected financial performance for the year.

Description	Budget to June £	Actual to June £	Variance £
Salaries Monitoring Statement	2,419,500	2,414,550	(4,950)
Income Monitoring Statement	(1,089,050)	(1,088,650)	400
Treasury Management	(41,650)	(37,750)	3,900
Approved Variations to the Revenue Budget			(700)
Revenue Budgetary Control			10,250
Net Adverse Variance			8,900

1.7.2 This would mean that rather than having to draw down £1,076,850 (original estimate for 2014/15) from the General Revenue Reserve to support our budget in 2014/15 as anticipated when the budget was set in February 2014, if nothing else changed, we would draw down in the order of £1,086,000.

1.8 Medium Term Financial Strategy

1.8.1 Members will recall that the projected funding gap identified (albeit this is a forever moving target) as part of the 2014/15 budget setting process was £1.875m. As in previous iterations of the Medium Term Financial Strategy the savings target was initially broken down into tranches (tranche one £650,000, tranche two £700,000 and tranche three £525,000) to be achieved by the start of the year 2016/17, 2017/18 and 2019/20 respectively.

1.8.2 However, in order to maintain momentum and focus, a savings target for this year of £200,000 was set by breaking out the first savings tranche into two parts – i.e. £200,000 followed by £450,000. From the information given in the tables above net savings of around £50,000 have been identified to date. There are a number of initiatives in the 'pipeline', e.g. proposed building control shared service and bringing back in-house externally managed funds that can contribute towards meeting the savings target; and Management Team continue to explore further opportunities to meet the savings target for this 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 2014 to 30 June 2014 with the 2014/15 Capital Plan.

- 1.9.2 The Capital Plan for 2014/15 is based on the 2014/15 budgets that were approved by Council on 18 February 2014, amended for slippage from 2013/14.
- 1.9.3 Prior year's expenditure is only shown for finite schemes for which there is a budget in 2014/15. 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.
- 1.9.4 Capital Plan schemes which are scheduled to start after 2014/15 have not been shown. The budget profile for these schemes can be found in the 2014/15 Budget Book. Members will note that at the end of June net expenditure of £227,000 has been incurred against an amended 2014/15 net expenditure budget of £2.9m.

1.10 Approved Variations to the Capital Plan

- 1.10.1 A report detailing the use of the urgency procedure to create a new Capital Plan scheme was submitted to the June 2014 meeting of Overview and Scrutiny Committee. The scheme, funded in full by Government, has enabled the Council to comply with the requirement to introduce individual electoral registration from June 2014.
- 1.10.2 Members at the September 2013 meeting of Overview and Scrutiny Committee recommended the introduction of a Capital Plan scheme to enable committee agendas to be viewed electronically during meetings using tablet computers. The initial scheme to provide tablet computers for Members and Chief Officers has proved a success. Management Team, under delegated authority, approved a virement of £11,000 to enable the scheme to be expanded so that officers attending meetings can view agendas electronically.
- 1.10.3 The Government announced a number of schemes to support businesses and home owners recover from the impact of the recent flooding. The Repair and Renewals Grant scheme is deemed capital expenditure and appears within the Corporate Services section of the capital monitoring statement. Expenditure incurred thus far of £16,000 has been reimbursed in full by Government.

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 reviewed to ensure it remains effective and relevant.

1.15 Equality Impact Assessment

1.15.1 See 'Screening for equality impacts' table at end of report

1.16 Recommendations

1.16.1 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

Sharon Shelton

Director of Finance and Transformation

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	Report details results of internal budget monitoring regime.

Screening for equality impacts:		
Question	Answer	Explanation of impacts
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	See comment above.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		Not applicable.

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.