

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

19 May 2021

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 the year ended March 2021. This information is then aggregated to provided a provisional outturn position for 2020/21.

The report also updates Members on capital expenditure and variations that have been agreed in relation to the Capital Plan for the year ended March 2021.

Details of an agreement reached with the Tonbridge and Malling Leisure Trust on the transfer of responsibility for all telephony hardware and systems and its replacement to the Trust is also provided for information.

1.1 Salaries Monitoring Statement 2020/21

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 2021, with the revised estimate for 2020/21.

1.1.2 Members will note that management savings to the end of March 2021 are **£213,868 more** than anticipated.

1.2 Income Monitoring Statement 2020/21

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 2021, with the revised estimate for 2020/21.

Members will note that overall income for the year ended March 2021 is **£26,944 more** than the revised estimate with planning application fee income performing above budget in the sum of £205,592. If this was excluded overall income would be circa £179,000 below budget.

1.3 Treasury Management 2020/21

Core Funds

- 1.3.1 The Council achieved a return of 0.53% on its core fund investments for the year ended March 2021, compared to the 3-month LIBID benchmark of 0.02%. Investment income achieved for the year ended March 2021 is £91,955.
- 1.3.2 At the end of March 2021 the value of core funds stood at £16.0m. This was invested at an average rate of 0.39% and an average maturity of 132 days.

Cash Flow Funds

- 1.3.3 The Council achieved a return of 0.13% on its cash flow investments for the year ended March 2021, compared to a 7-day LIBID benchmark of minus 0.07%. Investment income achieved for the year ended March 2021 is £36,821.
- 1.3.4 At the end of March 2021 the value of cash flow investments stood at £15.8m. This was invested at an average rate of 0.04% and an average maturity of 7 days.

Property Investment Funds

- 1.3.5 At the start of the year the sum of £5m was invested in property investment funds and no further sums were invested during the year.
- 1.3.6 Investment income achieved from property funds for the year ended March 2021 is £172,177 which represents a return of 3.42%.

All Investments

- 1.3.7 The combined return figure for core, cash flow and property investment funds is compared with the revised estimate for 2020/21 later in this report.

1.4 Approved Variations to the Revenue Budget 2020/21

- 1.4.1 There were no approved variations to the 2020/21 revised revenue estimates reported to Council on 23 February 2021.

1.5 Virements 2020/21

There were no virements made to the 2020/21 revised revenue estimates reported to Council on 23 February 2021.

1.6 Revenue Budget Summary 2020/21

- 1.6.1 We are currently working on closing the accounts for 2020/21 and an examination of spend to date compared with the 2020/21 revised revenue estimates would suggest a net favourable variance in the order of £965,000 across all budget areas including that separately identified above.

1.6.2 The intention is to transfer most of the favourable variance initially to the budget stabilisation reserve to allow time to consider how we might best make use of the positive outturn position. By way of an example, one option could be to establish a budget for the purchase of temporary accommodation funded in large part from the positive outturn position. This of course only one option of many, there being multiple demands on the Council's finances.

1.6.3 The table below provides a broad overview of the provisional outturn for the year ended March 2021 at the time of writing. A more detailed analysis of the outturn position to be found in the Revenue and Capital Outturn report and accompanying documents reported to Cabinet later in the cycle.

Description	Budget to March £	Actual to March £	Variance £
Salaries Monitoring Statement	10,613,600	10,399,732	(213,868)
Income Monitoring Statement	(4,978,600)	(5,005,544)	(26,944)
Treasury Management	(288,000)	(300,953)	(12,953)
Business Rates Retention Scheme	(2,119,716)	(1,056,743)	1,062,973
Business Rates Retention Scheme Reserve	-	422,800	422,800
Legal Expenses	50,000	161,985	111,985
Housing Benefits (Net)	87,000	(20,433)	(107,433)
Business Grants New Burdens Grant Funding	-	(166,800)	(166,800)
Business Grants / KCC Covid-19 Grant Funding	-	(218,280)	(218,280)
Income Compensation Scheme	(1,200,000)	(1,559,164)	(359,164)
Tax Income Guarantee Scheme	(200,000)	(1,587,717)	(1,387,717)
Other Net Changes	8,610,280	8,540,894	(69,386)
Net Favourable Variance	10,574,564	9,609,777	(964,787)

1.7 Savings and Transformation Strategy

1.7.1 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.

- 1.7.2 When the budget was set in February 2021 the projected funding gap was £475,000 with a savings and transformation contribution of £100,000 to be identified and implemented by 1 April 2022. Not forgetting, this, in addition to delivering on the savings already reflected in the Medium Term Financial Strategy and totalling in excess of £500,000.
- 1.7.3 Progress on meeting this year's savings target and the latest projected funding gap more widely will be reported to future meetings of the Board.

1.8 Capital Monitoring Statement 2020/21

- 1.8.1 Appended for information at **[Annex 3]** is a capital monitoring statement which compares actual capital expenditure for the period 1 April 2020 to 31 March 2021 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 23 February 2021.
- 1.8.2 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.
- 1.8.3 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 2021/22 Revenue and Capital Budgets Book.
- 1.8.4 Members will note a Capital Plan spend net of specific government grants and other contributions of £1,164,000 against a budget provision of £2,271,000. Factors that contributed to the net underspend are given below.
- Capital renewals budgets totalling £433,000 with actual capital renewals expenditure totalling £116,000. 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; 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. The measures taken in response to the Covid-19 pandemic has also had an impact on the level of spend in 2020/21. Scheme budget provisions that are to be rescheduled, reprofiled or subject to review include the Temporary Accommodation, Pembury Road, Tonbridge adaptation works in year underspend £604,000 and CMS Website Solution – in year underspend £58,000.

1.9 Approved Variations to the Capital Plan

There were no approved variations to the 2020/21 Capital Plan reported to Council on 23 February 2021.

1.10 Capital Plan Issues

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.

1.11 Tonbridge and Malling Leisure Trust Telephony System

- 1.11.1 Under the current Management Agreement the Council is obliged to provide a telephony system at all the sites managed by the Trust. The Council's commitment to provision of these services is reflected in its capital renewals provision which currently allows £35,300 for telephony replacement at all the sites over the next 10 year period.
- 1.11.2 A proposal from the Trust whereby the Council pay a capital grant equal to the capital renewals provision in return for the transfer of responsibility for all telephony hardware and systems and its replacement to the Trust has recently been agreed; delivering an annual revenue saving of £3,530.

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 The budget year 2021/22 and review and update of medium term financial planning assumptions now the focus of attention.
- 1.13.2 The positive outturn position is clearly welcome, but does not unfortunately change what is a difficult financial outlook. The latest projected funding gap including those initiatives already built into the MTFS standing at £975,000 notwithstanding the assumption that income and expenditure impacted by Covid-19 will largely return to levels pre the pandemic over the short to medium term.

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 **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:

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Nil

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Director of Finance and Transformation