

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

05 July 2022

Report of the Director of Finance and Transformation

Part 1- Public

Executive Non Key Decisions

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 also updates Cabinet 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 May 2022, with the appropriate proportion of the original estimate for 2022/23.

1.1.2 Cabinet will note that overall actual expenditure to the end of May is **£10,700** more than budgeted.

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 May 2022, with the appropriate proportion of the original estimate for 2022/23.

1.2.2 Cabinet will note that overall actual income to the end of May is **£49,600** less than budgeted.

1.3 Treasury Management

Core Funds

1.3.1 The Council achieved a return of 0.83% on its core fund investments for the period ended May 2022, compared to the benchmark of 1.10%. Investment income achieved for the period ended May 2022 is £27,400.

1.3.2 At the end of May 2022 the value of core funds stood at £20m. This was invested at an average rate of 0.85% and an average maturity of 107 days.

Cash Flow Funds

- 1.3.3 The Council achieved a return of 0.77% on its cash flow investments for the period ended May 2022, compared to the benchmark of 0.89%. Investment income achieved for the period ended May 2022 is £32,600.
- 1.3.4 At the end of May 2022 the value of cash flow investments stood at £25.5m. This was invested at an average rate of 0.84% and an average maturity of 5 days.

Multi-Asset Diversified Income Funds

- 1.3.5 The Council achieved a return of 3.33% on its multi-asset diversified income funds for the period ended May 2022. Investment income achieved for the period ended May 2022 is £23,600.
- 1.3.6 At the end of May 2022, the sum of £4.25m was invested in multi-asset diversified income funds spread across three different funds.

Property Investment Funds

- 1.3.7 Property funds pay dividends quarterly based on activity to the end of March, June, September and December.
- 1.3.8 At the end of May 2022, the sum of £5m was invested in property investment funds spread across three different funds.

All Investments

- 1.3.9 The combined return figure for core, cash flow and multi-asset diversified income funds is compared with the original estimate for 2022/23 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.
- 1.4.2 Communities and Housing Advisory Board 15 February 2022
- Recommended the recruitment of additional temporary resources to progress work to reduce the number of households in temporary accommodation funded from additional government grant and savings in temporary accommodation costs.
 - Recommended a 20% reduction in the grant funding provided to Age UK Sevenoaks and Tonbridge, generating a saving of £1,600.
- 1.4.3 Cabinet 15 March 2022

- Resolved that West Malling public conveniences remain open until July 2022 and funded under the current arrangement with the County Council Member.
- Approved the use of £100,000 from the Invest to Save Reserve to meet the one-off implementation and training programme costs in respect of the replacement of the Uniform System.

1.4.4 General Purposes Committee 22 March 2022

- Resolved that post DG2010, Environmental Projects Co-ordinator, be redesignated Cleaner Borough Co-ordinator and the hours of the post reduced to 18.5 hours with effect from 1 April 2022. This will generate savings of £18,800 per annum (£3,100 reflected in Salaries Monitoring Statement above).

1.4.5 General Purposes Committee 15 June 2022

- Resolved that post DV0915, Housing Technical Assistant, be redesignated and regraded Housing Technical Officer, scale SO and that the hours of post DV0308, Scientific Officer, be reduced to 24 hours resulting in an overall saving on the establishment of £750.

1.4.6 Emergency and Urgency Decisions under Part 7 of the Constitution

- The Leader resolved on 9 March 2022 that the proposal for the reinstatement of the garden waste service be approved. This will result in additional payments to Urbaser of up to £92,100 over a six-month period. The cost of the proposal to be met from the Budget Stabilisation reserve.

1.4.7 Cabinet Member Decisions under Part 4 of the Constitution

- The Cabinet Member for Finance, Innovation and Property resolved on 20 May 2022 that Zurich Municipal be reappointed as the Council's Insurer commencing on 24 June 2022 for a period of 5 years, with an option to extend for a further two years. The new contract will generate annual savings of £60,000.

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

Description	Paragraph Reference	2022/23 £	2023/24 £
Housing Temporary Staffing	1.4.2	-	-
Grants to Voluntary Groups	1.4.2	(1,600)	(1,600) *
West Malling Public Conveniences	1.4.3	-	-
Replacement of Uniform System	1.4.3	-	-

Cleaner Borough Co-ordinator	1.4.4	(15,700)	(18,800) *
Housing Technical Officer	1.4.5	(550)	(750) *
Garden Waste Collection	1.4.6	-	-
Insurance	1.4.7	(45,000)	(60,000) *
Total		(62,850)	(81,150)

Those items marked with an asterisk* will need to be considered and reflected as appropriate in updating the Medium Term Financial Strategy beyond 2023/24.

1.5 Virements

- 1.5.1 There have been no virements made to the original revenue estimates for 2022/23 reported to Council on 22 February 2022.

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 £5,213,100 and £288,600 for the mandatory and discretionary Council Tax Energy Rebate schemes. To date a new burdens grant of £55,650 has also been received to meet the cost of administering the schemes (£27,300 reflected in Salaries Monitoring Statement above).
- 1.6.3 Energy – the Council can expect a significant claim under the utility cost sharing agreement with the Tonbridge and Malling Leisure Trust in 2022/23. Latest forecast suggests the net claim could be in the order of £725,000 to be funded from the Budget Stabilisation reserve. What happens beyond 2022/23 dependent on where energy prices are at the time and TMLT trading performance.
- 1.6.4 Energy – the direct impact is difficult to determine not least in the context of the current volatility in the marketplace, but could be in the order of £100,000,
- 1.6.5 The inflationary increase to be applied from 1 April 2022 in respect of the waste services contract was 0.19% more than estimated, equating to budget growth on the annual contract sum of £7,300.
- 1.6.6 An additional payment of £47,000 is to be made to the Waste Services contractor to work the additional Jubilee bank holiday.
- 1.6.7 The Council has been awarded Rough Sleeping Initiatives Grant of £983,500 for the three-year period 2022/23 to 2024/25. This will allow the Council to continue

to fund its partnership work with Look Ahead and Porchlight to tackle rough sleeping.

- 1.6.8 On the purchase of the freehold of 47 High Street, Tonbridge the Council received £33,150 in respect of the service charge and ground rent paid in advance when the six flats were purchased in 2018.
- 1.6.9 The Council has appointed an external consultant to undertake an Internal Communications audit at a cost of £7,500 to be funded from the Peer Review reserve.
- 1.6.10 The fee payable to Kent County Council for the provision of internal audit and counter fraud services for the year 2022/23 is £5,600 more than that assumed at the time the budget was set.
- 1.6.11 The Council will be shortly handing back the public conveniences in Wrotham to the parish council and a sum of £9,000 paid on handover accordingly.
- 1.6.12 The Council Tax Support administration grant awarded by the DLUHC for 2022/23 is £24,200 more than budgeted.
- 1.6.13 The planning application fee in respect of Bushey Wood in the sum of £90,000, which had been expected to be received in the current year, was received in late 2021/22. As a result, all other things being equal, planning application fee income is expected to be below profile by an equivalent sum in 2022/23.
- 1.6.14 The recycling performance payment for 2021/22 increased by £58,000 following the outcome of discussions with KCC when compared to that reflected in the outturn position.
- 1.6.15 The housing needs research project has now been completed with a final payment due of £10,850 to be funded from the Housing Survey reserve.
- 1.6.16 Management Team have made the following establishment changes under delegated authority:
- The temporary Economic Development Officer post has been regraded to scale 4/5 and extended by a further 18 months to March 2024. The annual cost of the post is £35,250 to be funded from the Business Rates Retention Scheme reserve.
- 1.6.17 The Council has been awarded the following grants from central government which will be used to fund as yet unbudgeted expenditure:
- Air Quality Grant £5,342
 - Domestic Abuse Duty New Burdens Grant £34,271
 - Housing Benefit Award Accuracy Initiative Grant £17,924

- Local Authority Data Sharing Programme Grant £11,058
- Verify Earnings and Pension Alerts Grant £22,209
- Welfare Reform Grant £26,002

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

Description	Paragraph Reference	2022/23 £	2023/24 £
Council Tax Energy Rebate Scheme	1.6.2	(28,350)	-
TMLT Utility Cost Sharing Arrangement	1.6.3	-	-
Energy	1.6.4	100,000	-
Waste Services Contract	1.6.5	7,300	7,300 *
Jubilee Bank Holiday Waste Collection	1.6.6	47,000	-
Rough Sleeping Initiatives	1.6.7	-	-
47 High Street, Tonbridge	1.6.8	(33,150)	-
Internal Communications Audit	1.6.9	-	-
Internal Audit & Counter Fraud	1.6.10	5,600	5,600 *
Public Conveniences, Wrotham	1.6.11	9,000	-
Council Tax Support Admin Grant	1.6.12	(24,200)	-
Bushey Wood Planning Application	1.6.13	90,000	-
Recycling Performance Payment	1.6.14	(58,000)	-
Housing Needs Research	1.6.15	-	-
Establishment Changes	1.6.16	-	-
Central Government Grants	1.6.17	-	-
Total		115,200	12,900

Those items marked with an asterisk* will need to be considered and reflected as appropriate in updating the Medium Term Financial Strategy beyond 2023/24.

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 May £	Actual to May £	Variance £
Salaries Monitoring Statement	1,837,650	1,848,350	10,700
Income Monitoring Statement	(968,000)	(918,400)	49,600
Treasury Management	(37,500)	(83,600)	(46,100)
Approved Variations to the Revenue Budget			(62,850)
Revenue Budgetary Control			115,200
Net Adverse Variance			66,550

1.7.2 This would suggest if nothing else changed, the contribution to the General Revenue Reserve would be £37,950 compared to £104,500 anticipated when the budget was set in February 2022.

1.8 Medium Term Financial Strategy / Savings and Transformation Strategy

1.8.1 As reported to the meeting in June, Cabinet will not be surprised to hear that the position outlined only in February is now exacerbated by the conflict in Ukraine and its impact on global economic conditions. The scale of the impact is very difficult to determine, the report setting out a number of factors to consider (not exhaustive).

1.8.2 It is not my intention to again set out each of the factors in that report, but to instead focus on just one – **inflation** – and specifically in respect of the waste services contract, to give a sense of the potential scale of the impact.

- Inflation and the waste services contract – if inflation rates in October 2022 are where they are today the inflationary increase in April 2023 will be 14% compared to 4% reflected in the Medium Term Financial Strategy. This would represent budget growth and **this alone** would add to the funding gap circa £400,000. What happens after that dependent on where inflation rates are at the time.

1.8.3 The impact of surging inflation is not unique to Tonbridge and Malling and, unless the government recognise the scale of the pressure in future finance settlements and council tax referendum principles, it will be no surprise if a number of councils finances are under severe strain – including this Council. As Members are aware, we are already facing a difficult and challenging financial outlook.

1.8.4 Again, as mentioned in the report to Cabinet in June it is very difficult at this juncture to give an indication of what this could do to the funding gap. **Undoubtedly there will be an adverse impact** – it is the scale of that impact that is difficult to determine, albeit significant. But as highlighted in June, if we had to give a sense of where we believe it might now sit (emphasising the word ‘might’), we would suggest somewhere in the order of £3.0m and could easily be more.

- 1.8.5 Given this backdrop it is **essential** that we identify and achieve this year's savings target of £350,000 by the start of the 2023/24 year. To this end Cabinet at its meeting in June Cabinet resolved that *'in order to ensure that the target of £350,000 is achieved by the start of the financial year 2023/24, a comprehensive report detailing all strands of work being undertaken in respect of the Savings and Transformation Strategy, including progress being made on achieving targets and outcomes be presented to Cabinet in November 2022.'*

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 2022 to 31 May 2022 with the 2022/23 Capital Plan. The Capital Plan for 2022/23 is based on the 2022/23 budgets that were approved by Council on 22 February 2022, amended for slippage from 2021/22.
- 1.9.2 Prior year's expenditure is only shown for finite schemes for which there is a budget in 2022/23. 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 2023/24 and beyond have not been shown. The budget profile for these schemes can be found in the [2022/23 Revenue and Capital Budgets Book](#).
- 1.9.4 Cabinet will note a Capital Plan spend (net) at the end of May 2022 of £348,000 against a budget for the year of £4.201m.

1.10 Approved Variations to the Capital Plan

- 1.10.1 There were no approved variations to the Capital Plan approved by Council on 22 February 2022.

1.11 Capital Plan Issues

- 1.11.1 The capital plan monitoring statement 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 Committee.

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.

1.14.2 The Council's financial sustainability at increased risk following the Ukraine conflict and its adverse impact on global economic conditions.

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 Policy Considerations

1.16.1 Budgetary and policy framework is relevant to all areas of the Council's business.

1.17 Recommendations

1.17.1 Cabinet are asked to:

- 1) Note that as at the end of May 2022 the projected overall outturn position for the year 2022/23 is a net adverse variance of circa £66,550 when compared to the budget set in February 2022.
- 2) Note the not insignificant impact of the current economic global conditions on the Council's finances, and the need to identify and implement opportunities to deliver as a minimum this year's savings target of £350,000.

Background papers:

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Nil

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Director of Finance and Transformation