

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

04 July 2023

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 2023, with the appropriate proportion of the original estimate for 2023/24.

1.1.2 Cabinet will note that overall actual expenditure to the end of May is **£46,650** more than budgeted at the February Budget meeting. However, this overspend includes £42,300 of temporary staffing in Planning following Decision Notice D230019URG as explained in paragraph 1.4.5 below.

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 2023, with the appropriate proportion of the original estimate for 2023/24.

1.2.2 Cabinet will note that overall actual income to the end of May is **£141,550** less than budgeted. This is relatively early days in the new financial year and we will continue to monitor this.

1.3 Treasury Management

Core Funds

- 1.3.1 The Council achieved a return of 4.47% on its core fund investments for the period ended May 2023, compared to the benchmark of 4.51%. Investment income achieved for the period ended May 2023 is £194,998.
- 1.3.2 At the end of May 2023 the value of core funds stood at £26m. This was invested at an average rate of 4.46% and an average maturity of 87 days.

Cash Flow Funds

- 1.3.3 The Council achieved a return of 4.68% on its cash flow investments for the period ended May 2023, compared to the benchmark of 4.33%. Investment income achieved for the period ended May 2023 is £177,573.
- 1.3.4 At the end of May 2023 the value of cash flow investments stood at £21.7m. This was invested at an average rate of 4.48% and an average maturity of 9 days.

Multi-Asset Diversified Income Funds

- 1.3.5 The Council achieved a return of 4.33% on its multi-asset diversified income funds for the period ended May 2023. Investment income achieved for the period ended May 2023 is £30,729.
- 1.3.6 At the end of May 2023, 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 2023, 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 2023/24 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 Cabinet 7 March 2023

- [Endorsed](#) the proposed Green Business Grant Scheme for 2023/24 and 2024/25. The revenue costs of the scheme of £6,000 (£2,000 in 2023/24 and £4,000 in 2024/25) will be funded from the UK Shared Prosperity Fund.

1.4.3 General Purposes Committee 15 March 2023

- [Resolved](#) that the proposals for changes to the establishment in Revenue and Benefits, Accountancy and Exchequer, Customer Services and Parking Administration be approved. The proposals generate net growth of £3,300 per annum (£3,800 in 2023/24 of which £1,100 reflected in salary monitoring above).

1.4.4 Cabinet 4 April 2023

- [Resolved](#) that the Blue Bell Hill commuter car park be closed and the site secured to prevent any pedestrian and vehicular access. Fencing will need to be installed at the main entrance to prevent access. The cost of this is estimated to be £5,000. Existing season ticket holders will also have to be refunded at an estimated cost of £2,100 (all of which is reflected in income monitoring statement above). The ongoing financial impact of the closure is expected to be broadly neutral.
- [Resolved](#) that a new Community Development Grant Scheme be launched from April 2023. The scheme will be funded from the £165,269 allocated to the Council from the UK Shared Prosperity Fund (£33,962 in 2023/24 and £131,307 in 2024/25).

1.4.5 Emergency and Urgency Decisions under Part 7 of the Constitution

- The Leader [resolved](#) on 13 March 2023 that the proposal for the net additional cost of £127,000 of employing agency staff to fill vacant positions in Development Management for the initial period of the 6 months from April 2023 to September 2023 be met from the Council's General Revenue Reserve (£42,300 reflected in salary monitoring above).

1.4.6 Cabinet Member Decisions under Part 4 of the Constitution

- The Cabinet Member for Strategic Planning and Infrastructure [resolved](#) on 7 March 2023 that the provisional Biodiversity Net Gain grant from the Department for Environment, Food and Rural Affairs of £15,638 be accepted. Delegated authority has been granted to the Director of Planning, Housing and Environmental Health to agree a programme of works to be funded from the grant.
- The Cabinet Member for Economic Regeneration [agreed](#) on 8 March 2023 the proposals for TMBC Apprenticeships (£25,000) and Apprenticeships

Grant Scheme (£30,000). Both proposals will be funded from the Business Rates Retention Pilot Reserve.

- The latest triennial revaluation of the Tonbridge & Malling Leisure Trust has reported a pension fund deficit of £756,000 in relation to former Council employees who were transferred to the Trust under TUPE legislation in November 2013, for which the Council retains liability. The actuaries have proposed that the Council pays-off the deficit in instalments totalling £1.07m over the next 11 years. The Cabinet Member for Finance, Innovation and Property [resolved](#) on 8 March 2023 that instalment due in 2023/24 of £79,800 be funded from the Tonbridge & Malling Leisure Trust Reserve. Cabinet on 6 June 2023 [endorsed](#) the transfer of £249,000 to the reserve to fund the instalments for 2023/24 to 2025/26, covering the period until the next triennial revaluation. Consideration will be given, during 2023/24, as to whether it might be more cost effective for the Council to discharge its existing liability in a shorter timescale to that proposed by the actuary. See also paragraph 1.6.2.
- The Cabinet Member for Finance, Innovation and Property [resolved](#) on 21 March 2023 that the Adelante Smartpay cashiering system be upgraded at a cost of £57,500. This will be funded from the Transformation Reserve.
- The Cabinet Member for Strategic Planning and Infrastructure [resolved](#) on 21 March 2023 that the Active Travel Capability Fund grant from Kent County Council of up to £25,000 be accepted. A detailed project delivery approaches will be reported to Members in the coming months.
- The Cabinet Member for Technical and Waste Services [resolved](#) on 3 April 2023 that all scheduled waste collections and street cleaning services be maintained on Monday 8 May 2023, the King's Coronation Bank Holiday. The cost of the proposal is £30,762 and will be funded from the Budget Stabilisation Reserve
- The Cabinet Member for Housing [resolved](#) on 18 April 2023 that the existing fixed term posts of Temporary Accommodation Welfare Officer and Housing Allocations Assistant be extended to 31 March 2024 and that a new six-month fixed term post of Housing Allocations Assistant be established. The cost of the proposals is £60,603 and will be funded from the additional Homelessness Prevention Grant funding received in 2022/23.
- The Cabinet Member for Finance, Innovation and Property [resolved](#) on 19 April 2023 that a dedicated Business Change Project Management resource be established for a period of 6 months to support the Agile project. The cost of the proposal is £58,500 and will be funded from the Budget Stabilisation Reserve.

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

Description	Paragraph Reference	2023/24 £	2024/25 £
Green Business Grant Scheme	1.4.2	-	-
Establishment	1.4.3	2,700	3,300 *
Blue Bell Hill Car Park	1.4.4	5,000	-
Community Development Grant Scheme	1.4.4	-	-
Development Management Agency Staff	1.4.5	84,700	-
Biodiversity Net Gain Grant	1.4.6	-	-
Apprenticeships	1.4.6	-	-
TMLT Pension Fund Deficit	1.4.6	-	- *
Adelante Smartpay	1.4.6	-	-
Active Travel Capability Fund	1.4.6	-	-
Waste Collections & Street Cleaning	1.4.6	-	-
Housing Temporary Staffing	1.4.6	-	-
Business Change Project Management	1.4.6	-	-
Total		92,400	3,300

Those items marked with an asterisk* will need to be considered and reflected as appropriate in updating the Medium Term Financial Strategy beyond 2024/25.

1.5 Virements

- 1.5.1 There have been no virements made to the original revenue estimates for 2023/24 reported to Council on 21 February 2023.

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 latest triennial revaluation of the Tonbridge & Malling Leisure Trust has resulted in employer's contribution rate increasing from 18.4% to 22.4%. The Council is responsible for contributions in excess of 12% - the rate when the Trust was established - in respect of employees who were transferred to the Trust under TUPE legislation in November 2013. The increase represents budget growth of £31,350. See also paragraph 1.4.6.
- 1.6.3 As reported to Overview and Scrutiny Committee on [6 April 2023](#), the government is proposing to increase planning application fees by between 25% and 35%. An analysis by advisers LG Futures has suggested that the increase will generate approximately £440,000 additional income per annum which is £270,000 more than that currently reflected in the Council's Medium Term Financial Strategy. The current deficit on the development management budget is £973,000 (2023/24 budget) and any increase in fees should first and foremost contribute towards reducing the deficit. Planning application fees were last increased in January 2018 and it has been assumed that the proposed increase will come into effect from January 2024.
- 1.6.4 As reported to Housing and Planning Scrutiny Select Committee on [7 June 2023](#), the latest estimate of the costs of the local plan review over the next five years will necessitate a one-off injection of £330,000 into the Local Plan Reserve. This is in addition to the one-off injection of £750,000 made in 2021/22 following Council decision on [13 July 2021](#) to withdraw the current plan and review, refresh and resubmit the Local Plan. **This additional injection of funding has yet to be facilitated.**
- 1.6.5 Following the biennial structural inspection of Council managed bridges, the anticipated spend on bridge maintenance in the next two years will be £25,000 in 2023/24 and £41,600 in 2024/25. The current annual budget is £15,000.
- 1.6.6 A judicial review brought by a housing client has resulted in costs being awarded against the Council, the amount is currently being negotiated and will be reported once known.
- 1.6.7 The inflationary increase to be applied from 1 April 2023 in respect of the Internal Audit and Fraud service provided by Kent County Council was 2.5% less than estimated, equating to a budget saving of £4,600.
- 1.6.8 Inflationary increases in respect of the cleaning and security contracts in respect of Tonbridge Castle were £7,900 more than estimated.
- 1.6.9 Funding of £36,300 is being provided to Domestic Abuse Volunteer Support Services (DAVSS) for to employ a Housing Independent Domestic Violence Advisor in 2023/24 and 2024/25. This is to be funded from the Domestic Abuse Act New Burdens Grant.

1.6.10 Three specialist pieces of work are to be undertaken as part of the review of Tonbridge Castle: heritage assessment (£3,000), architectural designer work (£6,000) and commercial activity market viability (£4,500).

1.6.11 Current homelessness caseload is around 110 compared to the estimated 80 used to estimate the budget approved in February 2023. If caseload remains at current levels for the remainder of the year, this would amount to a potential budget growth of at least £175,000 for the full financial year.

1.6.12 Management Team have made the following establishment changes under delegated authority:

- A temporary Resettlement Worker and a Homelessness Support Officer are to be employed to support Ukrainian refugees in the borough. These posts are to be funded from the share of the 'Homes for Ukraine' funding received from Kent County Council.
- The fixed-term Domestic Abuse Co-ordinator post has been extended from end of December 2023 to end of March 2025. The additional cost will be £11,800 in 2023/24 and £48,700 in 2024/25. This post is funded from the Domestic Abuse Act New Burdens Grant.
- A three-month fixed-term Open Space Auditor post has been created to assist with the retender of the Grounds Maintenance Contract, at a cost of £7,800.
- A Building Control Technician post has been regraded and hours increased for a six-month period. A Building Control Surveyor post has been deleted and replaced by a senior post while a vacant part-time Building Control Surveyor post has been deleted. The changes will generate a saving of £20,600 in 2023/24 but the saving is to be ring-fenced pending a review of the temporary arrangements.
- A Principal Planning Officer (PPO) and a Senior Planning Officer post within Planning Policy have had their hours increased for a six-month period and an agency PPO has been taken on for a four-month period. The cost of these changes is £34,500 and is to be funded from a vacant two-year fixed-term PPO post.
- The temporary arrangements within the Street Scene Administration Team have been extended from end of December 2022 to end of March 2024. The additional cost in 2023/24 will be £7,100 (£1,200 reflected in salary monitoring above).

1.6.13 The Council has been awarded the following grants from central government which will be used to fund as yet unbudgeted expenditure:

- Council Tax Support New Burdens Grant £12,578

- Electoral Integrity Programme New Burdens Funding £7,169 (in addition to budgeted £32,150)
- Homelessness Prevention Grant – Ukrainian Refugees £189,657
- Housing Benefit Award Accuracy Initiative Grant £15,688
- Local Authority Data Sharing Programme Grant £11,596
- Verify Earnings and Pension Alerts Grant £15,431
- Welfare Reform Grant £25,841

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

Description	Paragraph Reference	2023/24 £	2024/25 £
TMLT Pension Contributions	1.6.2	31,350	31,350 *
Planning Application Fees (<i>assumed w.e.f Jan 24</i>)	1.6.3	(110,000)	(270,000) *
Local Plan (<i>funding yet to be agreed</i>)	1.6.4	330,000	
Bridge Maintenance	1.6.5	10,000	26,600
Internal Audit and Fraud Service	1.6.7	(4,600)	(4,600) *
Tonbridge Castle Cleaning and Security	1.6.8	7,900	7,900 *
Independent Domestic Violence Advisor	1.6.9	-	-
Tonbridge Castle Review	1.6.10	13,500	-
Homelessness Caseload	1.6.11	175,000	-
Ukrainian Refugees Workers	1.6.12	-	-
Domestic Abuse Co-ordinator	1.6.12	-	-
Open Space Auditor	1.6.12	7,800	-
Building Control	1.6.12	-	-
Planning Policy	1.6.12	-	-
Street Scene Administration	1.6.12	5,900	-
Central Government Grants	1.6.13	-	-
Total		466,850	(208,750)

Those items marked with an asterisk* will need to be considered and reflected as appropriate in updating the Medium Term Financial Strategy beyond 2024/25.

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	2,009,200	2,055,850	46,650
Income Monitoring Statement	(1,282,200)	(1,140,650)	141,550
Treasury Management	(213,000)	(403,300)	(190,300)
Approved Variations to the Revenue Budget			92,400
Revenue Budgetary Control			466,850
Net Adverse Variance			557,150

- 1.7.2 This would suggest if nothing else changed, the contribution to the General Revenue Reserve would be £799,650 compared to £1,356,800 anticipated when the budget was set in February 2023, if the Local Plan is to be met from the General Revenue Reserve, or £1,129,650 if it is met from other reserves.

1.8 Medium Term Financial Strategy / Savings and Transformation Strategy

- 1.8.1 The current economic climate will have an ongoing impact on the Council's financial position. Officers are currently in the process of assessing the impact on both the current and future financial years of the Council's Medium Term Financial Strategy.

In respect of the Savings and Transformation Strategy, at Cabinet on 6 June 2023 it was agreed (Minute CB 23/53 refers) that;

“a timetable for the programme of savings and transformation contributions be progressed, in consultation with Officers, as soon as possible to meet the demands of the budget setting process to ensure the target of £500,000 was achieved by the start of the financial year 2024/25.”

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 2023 to 31 May 2023 with the 2023/24 Capital Plan. The Capital Plan for 2023/24 is based on the 2023/24 budgets that were approved by Council on 21 February 2023, amended for slippage from 2022/23.

1.9.2 Prior year's expenditure is only shown for finite schemes for which there is a budget in 2023/24. 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 2024/25 and beyond have not been shown. The budget profile for these schemes can be found in the [2023/24 Revenue and Capital Budgets Book](#).

1.9.4 Cabinet will note a Capital Plan spend (net) at the end of May 2023 of income of £5,000 against a budget for the year of £7,851,000.

1.9.5 The largest project, the refurbishment of the Gibson East Building, has yet to commence due to ongoing legal discussions.

1.10 Approved Variations to the Capital Plan

1.10.1 Cabinet 7 March 2023

- Approved the Funding of Grants through the UK Shared Prosperity Fund. This amounts to £10,000 in 2023/24 and £50,000 in 2024/25.

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 Business Rates Pooling

1.12.1 For 2023/24, Tonbridge and Malling Borough Council was accepted back into the Kent Business Rates Pool.

1.12.2 The pool offers advantages of retaining further income where the Council's Business Rates are above the Baseline set as part of the Government Grant Settlement.

1.12.3 When setting the budget for the council and the pool for 2023/24, it was predicted that the borough would be £707,000 above the nationally set baseline and retain £566,000 income, including £106,000 for joint economic development with the County Council. The compares to £353,000 if we were outside of the pooling arrangements.

1.12.4 Monitoring as at the end of May 2023 puts the Council at £701,000 above the nationally set baseline with a retained income of £561,000, including £105,000 for

joint economic development activities, a variation of £5,000 against the 2023/24 estimate.

- 1.12.5 As at the end of May, 4 of the 6 properties at Panattoni Park on the former Aylesford Newsprint site, have been occupied but have yet to be valued by the Valuation Office. The resulting valuations will increase the income reported above and will be backdated to the date of occupation.
- 1.12.6 The remaining two properties are expected to ready for occupation between the end of this calendar year and sometime in 2024/25.

1.13 Legal Implications

- 1.13.1 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.

1.14 Financial and Value for Money Considerations

- 1.14.1 As set out above.

1.15 Risk Assessment

- 1.15.1 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.
- 1.15.2 The Council's financial sustainability at increased risk following the Ukraine conflict and its adverse impact on global economic conditions.

1.16 Equality Impact Assessment

- 1.16.1 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.

1.17 Policy Considerations

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

1.18 Recommendations

1.18.1 Cabinet are asked to:

- 1) Note that as at the end of May 2023 the projected overall outturn position for the year 2023/24 is a net adverse variance of circa £557,000 when compared to the budget set in February 2023.
- 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 £500,000.
- 3) Note the current business rate pool position as at the end of May 2023.

Background papers:

contact: Paul Worden

Nil

Sharon Shelton
Director of Finance and Transformation