

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

08 July 2024

Report of the Director of Finance and Transformation

Part 1- Public

Executive Non Key Decisions

1 2023/24 FINANCIAL OUTTURN AND MAY 2024 BUDGETARY CONTROL

In accordance with the Council's Financial Procedure Rules this report informs Members of the 2023/24 Financial Outturn and current financial position to the end of May 2024 for the 2024/25 Financial Year.

The report also gives details of the savings identified to date against the current year's savings target of £305,000; and asks Cabinet whether it would wish officers to prepare for a budget consultation in the lead up to the 2025/26 budget.

1.1 2023/24 Outturn

- 1.1.1 A detailed revenue and capital outturn position for the year 2023/24 is provided in the Revenue and Capital Outturn Booklet attached at **[Annex 1]** which has been compiled in liaison with Chief Officers, including, where appropriate, explanatory notes of variations between revised estimates and outturn. Variations between the original and revised estimates for 2023/24 were highlighted in the notes to the Annual Estimate papers presented to Members during the 2024/25 budget cycle.
- 1.1.2 In accordance with the Council's Constitution the Statement of Accounts which shows the outturn in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 will be presented to the **Audit Committee** for **approval**. The Director of Finance and Transformation is to present an unaudited copy of the Statement of Accounts to the Audit Committee on 22 July 2024.
- 1.1.3 The Council's revenue position for 2023/24 is a contribution to the Council's General Revenue Reserve of £1,304,159, some £63,000 more than anticipated at revised estimate. This is after having set aside additional reserve movements explained in paragraph 1.1.8.
- 1.1.4 The variance prior to these adjustments was a contribution of £2,454,159; some £1,213,000 above the contribution agreed at the revised estimate. The predominant reasons for this favourable variance arises from three main areas.

- 1.1.5 The first and largest was income from investments. When the revised estimates were formulated in October/November 2023, there was an expectation that the Bank of England base rate would start to fall from January 2024 to align with the reduction predicted in inflation. This was not the case and base rates have remained at the recent high of 5.25% and our investment returns have reflected this with short term investment rates being in excess of the base rate for the 2023/24 overall return. In total this amounted to an income of £3.625m; some £866,134 above the revised estimate. A detailed report on the outturn Treasury position will be provided to the Audit Committee at its next meeting.
- 1.1.6 The second and third areas come from the outturn positions on salaries and major income streams, which were underspent or achieved excess income over revised estimates of £127,450 and £119,824 respectively.
- 1.1.7 The remaining net underspend arose from various other under and overspends that have been detailed in notes within the **[Annex 1]** Outturn booklet.
- 1.1.8 The most significant of the overspends relates to the cost of Temporary Accommodation/Homelessness. Members are well aware of the pressures on all local authorities in this regard; it is a national issue and not one that is confined to TMBC. The overall net cost of providing temporary accommodation in 2023/24 was £220,000 above the revised estimate, and in agreement with the Director of Planning, Housing and Environmental Health the Homelessness Reserve has been utilised to fund this overspend.
- 1.1.9 Other areas of expenditure are identified in the table below:

Service Heading	£,000's
IT Back Scanning – Delay in project starting	(130)
IT Software	(65)
Housing Benefits – Net of subsidy	98
Kent Information Network – New NNDR property identification	52
Revenues - Summons Costs due to higher numbers.	(72)
Leisure Trust Management Fee – Lower Utilities Costs	(40)
Open Spaces – Health and Safety Works	31
Leybourne Lakes Country Park – residual and security costs	39
Car Parking - Cash Collection	(23)
Car Parking – Payments to Principals due to higher app usage	(40)
Other variations	69
Salaries	(127)
Major Income Streams	(119)
Investment Income	(886)
Total	(1,213)

- 1.1.10 As part of the closedown process, officers have reviewed specific reserves held by the Council. In liaison with Management Team and informal discussions with

Cabinet, the following reserve movements, set out below, have been made totalling £1,150,000.

- 1) Setting aside £500,000 within the Tonbridge Town Centre reserve, specifically for the funding of the redevelopment of the Angel Leisure Centre.
- 2) An additional £250,000 to Building Repairs to meet ongoing repairs to Council Buildings.
- 3) £400,000 be transferred to the Planning Reserve to top up the depleted Planning Appeals reserve.

[Annex 2] gives the details of the movements in reserve balances as at 31 March 2024.

Cabinet are asked to formally endorse the reserve movements and note the balances held at 31 March 2024.

- 1.1.11 Members will note a Capital Plan spend of £1,271,000 against a revised estimate of £2,316,000. The majority of the underspend of £1,045,000 comes from Capital Renewals (£926,000) where vehicles, plant and machinery covered in this heading are not replaced until necessary. Full details of the capital programme spend can be found in the Outturn Booklet at **[Annex 1]**.

1.2 2024/25 Budgetary Control to end May 2024

- 1.2.1 In February 2024 the Council set a revenue budget of £11,671,480 with a contribution to the General Revenue Reserve of £1,064,824 giving a Council tax requirement of £12,736,304.
- 1.2.2 Since this meeting a number of Cabinet and Committee decisions have been taken. These decisions have been detailed in full in **[Annex 3]** to this report and currently amount to £1,183,028. However, after additional reserve contributions the net effect on the revenue budget is reduction of £49,569.

1.3 Salary Monitoring to end May 2024

- 1.3.1 Appended for information at **[Annex 4]** is the budgetary control statement covering Salaries to the end of May 2024 against the proportion of original estimate set in February 2024.
- 1.3.2 Cabinet will note that this shows an underspend of £34,000 against the original estimates. This amount includes the changes approved by General Purposes Committee in March on the staffing within Housing being funded from the Homelessness reserve.

1.4 Income Monitoring to end May 2024

- 1.4.1 Appended for information at **[Annex 5]** is the budgetary control statement covering income, fees, and charges from the major income streams to the end of May 2024 against the proportion of original estimate set in February 2024.
- 1.4.2 Cabinet will note the actual to the end of May 2024 is £84,000 less than the proportioned estimate. Officers consider that it is too early in the financial year to make any assumptions at this stage and will closely monitor the situation and report back to later meetings.

1.5 Investment Income Monitoring to end May 2024

- 1.5.1 Due to the reporting nature of Treasury Management, provided below is an update on core and cashflow funds. Long Term Property Funds are reported quarterly and Multi Asset Diversified Income Funds monthly but at the time of reporting, this information had yet to be received and will be provided in the Treasury Management report to July 2024 Audit Committee.
- 1.5.2 Core funds currently stand at £30m, a decrease of £2m on the sums invested at the 31 March 2024. Income generated on these investments amount to £284,800 representing a return of 5.59%, generating a positive variance of £172,100 when compared to the original estimate to the end of May 2024. The positive variance is due to the Council's ability to hold investment funds in core longer than anticipated when setting the original budget. It is expected that core investments will reduce as the need for cashflow in the current year increases to commence capital project works.
- 1.5.3 Cashflow funds currently stand at £18.38m, an increase of £4.46m on the sums invested at the 31 March 2024. Income generated on these investments amount to £209,530 representing a return of 5.24%, providing a negative variance of £29,300 when compared to the original estimate to the end of May 2024.
- 1.5.4 In the case of both Core and Cashflow funds the amounts shown above the proportion of the original estimate are because of continued high base rates (see comments in paragraph 1.1.5).

1.6 Other revenue budgetary control

- 1.6.1 As of the end of May the following areas have been identified as variations to the original estimate:-
- 1.6.2 *Inflation on the Street Cleansing, Refuse and Recycling Contract* was settled at 3.65% some 1.35% lower than budgeted. This gives rise to a £60,000 saving to the current year's budget. However, in preparation for the recommissioning of the contract in 2027 additional support on wider options is required and therefore, under the Constitutions Financial Procedure Rule 13.3, **the Director of Street Scene, Leisure and Technical Services is requesting that Cabinet approve a**

virement of the full £60,000 from this contract budget to pay for this support over the forthcoming years, with any underspend from 2024/25 being placed in an earmarked reserve for use in 2025/26 and 2026/27.

1.7 Revenue Budget 2024/25 Summary

1.7.1 The table below brings together the areas highlighted above.

Description	Budget to May £	Actual to May £	Variance £
Salaries Monitoring Statement	2,253,100	2,219,100	(34,000)
Income Monitoring Statement	(911,000)	(827,069)	83,931
Treasury Management	(351,130)	(493,930)	(142,800)
Approved Variations to the Revenue Budget		(49,569)	(49,569)
Revenue Budgetary Control			
Net Variance	990,970	848,532	(142,438)

Figures in brackets represent favourable variance.

1.8 Business Rates Monitoring to end May 2024

1.8.1 Members will remember that the Original Estimate set an overall net income expectation of £6,184,366. This allowed for the release of an unused appeals provision and the rating of properties in Panattoni Park being undertaken by the Valuation Office.

1.8.2 At the end of May the current position shows an overall net income of £5,542,000, a variation below the original estimate of £642,000. It should be noted, however, that the Amazon property on Panattoni Park has yet to be rated by the Valuation Office due to the complexity of the assessment. Nevertheless, this property has been occupied since October 2023 and the rates bill will be backdated to that date.

1.9 Savings Targets (MTFS and STS)

1.9.1 Members may recall that, as part of the Budget report to Cabinet in February 2024, the first tranche of the larger savings target (£1.7m) was to achieve savings of £305k before 1 April 2025.

1.9.2 I can advise that the following decisions have been taken by Members which assist in contributing to this target (figures are the full year effect):

- 1) Bring Bank sites – at the meeting of Cabinet in February it was agreed (D240020CAB) to cease the remaining 10 bring recycling sites with an annual saving of £100,000.
 - 2) Parking income – at the Cabinet meeting in April it was agreed (D240034(1)CAB) to implement various car parking charges throughout the borough. The increase revenue from these charges is still being fully assessed and implemented but is likely to exceed £500,000 in a full year.
 - 3) Grounds Maintenance – As part of the MTFS it was estimated that the new contract sum, from January 2025, would increase by some £186,000 above the current contract price. At its meeting in June Cabinet agreed the award of the contract (D240066CAB). The tenders received now shows a saving against the expected increase of £150,000.
 - 4) Refuse, Recycling and Street Cleansing Contract - As mentioned above inflation was overestimated for 2024/25, and whilst the overestimation for 2024/25 is the subject of a request for virement (see paragraph 1.6.2), the base contract value will reduce both in current and future years within the MTFS generating a £60,000 reduction against the projected budget.
- 1.9.3 This means the target of £305,000 to be achieved for April 2025 has been exceeded by some £505,000 (based on full year effect).
- 1.9.4 Members will however be aware that, at the meeting of the General Purposes Committee on 12 June 2024, recommendations were made to Council regarding growth in the staffing establishment to support current business needs. The net growth recommended by the Committee that will impact upon the MTFS is £96,000 in a full year. **The ‘net’ position is therefore an ‘excess’ over the target of some £409,000** (£505,000 less £96,000).
- 1.9.5 The remaining tranches of the savings target (previously stated to be £700,000 by April 2026 and £700,000 by April 2028) will therefore need to be adjusted to take into account the additional savings and growth identified above, as well as any increased budgetary pressures above those identified in the 2024/25 Medium Term Financial Strategy.
- 1.9.6 This will be considered over the forthcoming months and be reported to Cabinet later in the calendar year.
- 1.10 2025/26 Budget preparations**
- 1.10.1 As we begin to commence preparations for the 2025/26 budget, Cabinet is reminded that the Council has not undertaken a dedicated budget consultation with the public for some time. (Although in the last couple of years or so a public consultation was undertaken in order to assist in the formulation of the Council’s latest Corporate Strategy).

- 1.10.2 In its last Annual Audit Report (presented to the Audit Committee on 25 September 2023), the External Auditors, Grant Thornton, noted that the Council does not routinely undertake a Budget Consultation and therefore, within a Key Recommendation, recommended that the Council improves its performance management arrangements by: “ ***engaging key stakeholders, where appropriate, to determine local priorities for resources or opportunities for savings.***”
- 1.10.3 In October 2023, Cabinet carefully considered this recommendation but felt that their existing approach to decision making was rigorous and therefore did not wish to undertake a specific consultation leading up to the 2024/25 Budget. However, it was noted they the recommendation from Grant Thornton would be kept in mind.
- 1.10.4 Cabinet’s instructions on whether they would wish officers to plan for a consultation in the lead up to the 2025/26 budget are **REQUESTED**.

1.11 Legal Implications

- 1.11.1 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.

1.12 Financial and Value for Money Considerations

- 1.12.1 As set out above.

1.13 Risk Assessment

- 1.13.1 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.
- 1.13.2 Achievement of the target set within the Savings and Transformation Strategy remains a red risk on the Strategic Risk Register until such time as options for full delivery of the ‘gap’ have been identified.

1.14 Equality Impact Assessment

- 1.14.1 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.

1.15 Policy Considerations

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

1.16 Recommendations

1.16.1 Cabinet is **RECOMMENDED** to:

- 1) **Note** the year end position for 2023/24 and **Endorse** the reserve movements as shown in paragraph 1.1.10.
- 2) **Approve** the virement of £60,000 proposed by the Director of Street Scene Leisure and Technical Services in respect of support for the recommissioning of the Waste contract in 2027 as set out at paragraph 1.6.2.
- 3) **Note** that, as at the end of May 2024, there is a net favourable variance of circa £142k when compared to the proportion of the 2024/25 budget as shown in paragraph 1.7.1.
- 4) **Note** the current business rate pool position as at the end of May 2024 as set out in paragraph 1.8.2.
- 5) **Note** the current progress on the current savings target of £1.7m as set out in paragraph 1.9.4.
- 6) **Give instructions** as to whether or not Cabinet wish officers to plan for a budget consultation in the lead up to the preparation of the 2025/26 budget (see paragraph 1.10).

Background papers:

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Nil

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