

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

03 September 2024

Report of the Director of Finance and Transformation

Part 1- Public

Executive Non Key Decisions

1 JULY 2024 BUDGETARY CONTROL

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

1.1 2024/25 Budgetary Control to end May 2024

1.1.1 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.

1.1.2 Since this meeting a number of Cabinet and Committee decisions have been taken. These decisions have been detailed in full in **[Annex 1]** to this report and currently amount to £1,190,557. These movements have been split between Non-Salary and Salary adjustments. **However, after additional reserve contributions the net effect of all of the changes on the revenue budget is reduction of £3,192.**

1.2 Salary Monitoring to end July 2024

1.2.1 Appended for information at **[Annex 2]** is the budgetary control statement covering Salaries to the end of July 2024 against the proportion of the current estimate allowing for the staffing changes agreed in the decisions taken above.

1.2.2 The original estimate, set in February 2024, for salaries was £12,966,100. Adding agreed adjustments of £569,800 gives a total of running total of £13,535,900, although the majority of this increase will be funded from earmarked reserves.

1.2.3 Cabinet will note that this shows **an underspend of £69,750** against the current estimates proportioned to the end of July 2024.

1.3 Income Monitoring to end July 2024

1.3.1 Appended for information at **[Annex 3]** is the budgetary control statement covering income, fees, and charges from the major income streams to the end of July 2024 against the proportion of original estimate set in February 2024.

- 1.3.2 The original estimate set in February 2024 for these major income streams was £7,662,450. No agreed changes have been made to the budget at this time.
- 1.3.3 Cabinet will note the actual to the end of July 2024 is **£26,345 less than the apportioned estimate**. Under recovery on areas covering the Housing Market, such as fees for Planning Applications, Building Control and Land Charges being offset by additional income on the other major income streams.

1.4 Investment Income Monitoring to end July 2024

- 1.4.1 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 the information shared below for the end of June 2024.
- 1.4.2 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 £552,220 representing a return of 5.53%, generating a positive variance of £326,880 when compared to the original estimate to the end of July 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.
- 1.4.3 Cashflow funds currently stand at £20.92m, an increase of £7.01m on the sums invested at the 31 March 2024. Income generated on these investments amount to £439,420 representing a return of 5.41%, providing a negative variance of £38,240 when compared to the original estimate to the end of July 2024.
- 1.4.4 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.
- 1.4.5 Multi Asset Funds are showing a balance of £3.78 million to the end of July 2024 and we have received £58,980 in dividends representing a return of 4.16%. This is a negative variation of £2,180 against the proportion of the original estimate to the end of July 2024.
- 1.4.6 Property Fund's Net Asset Value (NAV), excluding Lothbury, are showing a balance of £2.62 million to the end of **June 2024**. Lothbury has continued to distribute income from the sale of assets and has currently paid back £883,850 from our capital investment with them. The Lothbury fund continues to be reported to the Audit Committee in detail. To the end of **June** we have received £40,320 in dividends representing a return of 3.21%. This is a negative variation of £5,930 against the proportion of the original estimate.

1.5 Other revenue budgetary control

1.5.1 As of the end of May the following areas have been identified as variations to the original estimate:-

1.5.2 Service fee to the Leisure Trust - the fee payable to the Trust is based upon an agreement covering the utility costs usage following the significant increases in energy prices occurring in 2022. Since this time energy prices have fallen and the installation of energy efficiency measures at the buildings operated by the Trust has resulted in a fall in the service fees payable, based upon current information on tariffs and usage it is predicted that the Service Fee for the 2024/25 financial year will be in the region of £330,000, some **£80,000 below** the original estimate set in February 2024. This figure could be subject to change depending on future changes in energy tariffs for the winter period.

1.5.3 At the last Cabinet meeting officers verbally updated members on the issues on Homelessness spend. Both Housing and Finance teams have subsequently examined the current and likely levels of need.

1.5.4 As at the end of July there were 141 clients in Temporary Accommodation (compared to an estimate based upon 100 clients in TA), the net expenditure incurred by the end of July was £260,000 compared to a profiled budget of £102,000 **an overspend of £158,000**. If the client levels, cost of TA and debt recovery were to continue at the current levels until the end of the financial year **without any mitigating intervention** the overspend against the agreed budget would be in the region of £665,000. Cabinet is of course aware that a number of strands of work are in progress to try to mitigate cost in this regard.

1.6 Revenue Budget 2024/25 Summary

1.6.1 The table below brings together the areas highlighted above.

| Description | Budget to July £ | Actual to July £ | Variance £ |
|--|---------------------|---------------------|------------------|
| Salaries Monitoring Statement | 4,508,450 | 4,438,700 | (69,750) |
| Income Monitoring Statement | (2,816,450) | (2,790,105) | 26,345 |
| Treasury Management | (825,830) | (1,090,940) | (265,110) |
| Approved Variations to the Revenue Budget (not included in above) | | (60,420) | (60,420) |
| Revenue Budgetary Control (net) | | 78,000 | 78,000 |
| Net Variance | 866,170 | 575,235 | (290,935) |

Figures in brackets represent favourable variance.

1.7 Business Rates Monitoring to end July 2024

- 1.7.1 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.
- 1.7.2 At the end of July the current position shows an overall net income of £5,700,000, a variation below the original estimate of £484,000. It should be noted, however, that the Amazon property on Panattoni Park still remains unrated by the Valuation Office due to the complexity of the assessment. We are regularly chasing for this evaluation to be prioritised and will provide further information at the meeting if it is available. Nevertheless, this property has been occupied since October 2023 and the rates bill will be backdated to that date. The rates due on this particular building that will accrue to the Council are expected to exceed the negative variation of £484,000 mentioned above.

1.8 Capital Expenditure

- 1.8.1 In February 2024 the Council agreed a capital budget for 2024/25 of £7.283m, but following the outturn for 2023/24 and the slippage for projects being undertaken this has increased to £8.505m. In addition to this slippage **[Annex 1]** identifies an additional spend of £607,500 on agreed capital projects bringing the total to £9.113m.
- 1.8.2 Spend to the end of July 2024, shown in **[Annex 4]** was £763,000, but Members are reminded that the larger projects being undertaken this financial year are yet to start. Further updates will be shared with Members in due course.

1.9 Savings

- 1.9.1 As set out in the previous cabinet report on 8 July 2024, the NET savings identified to date (after allowing for approved growth) amount to £714,000.
- 1.9.2 In addition, approved reductions in voluntary grant levels adds a further £10,240 to this sum bringing the total net savings to a figure of circa £724,000. This will of course be reflected in the base budget for 2025/26 as the work on the budget preparations commence (see below).
- 1.9.3 Cabinet is aware that, although this exceeds the first tranche target (£305,000) to be achieved by April 2025, there is still some way to go with identifying options to close the overall funding gap of £1.7m which was acknowledged by Council in February 2024 when setting the Budget.
- 1.9.4 A review and refresh of the Medium Term Financial Strategy (MTFS) will of course be undertaken in preparation for the 2025/26 Budget taking on board achievements to date and any 'new' information/demands.

- 1.9.5 To assist with the identification of options to close the funding gap, it is suggested that Cabinet might wish to request the three Scrutiny Select Committees discuss and put forward options for proper evaluation in the forthcoming months.
- 1.9.6 Cabinet is therefore asked to consider this suggestion and, if agreed, **request** that Members of the three Scrutiny Select Committees consider and propose options for evaluation in the forthcoming months to assist in bridging the current funding gap.

1.10 2025/26 Budget preparations

- 1.10.1 Due to the External Audit of the Financial Statements now not taking place until October to December 2024, both the Accountancy Team and Services have commenced with the preparation of the Revised Estimate for 2024/25 and the Original Estimate for 2025/26. At the present time Services have been preparing these estimates to reflect current volumes for service delivery; but not to allow for inflation at this stage.
- 1.10.2 The MTFs prepared in February 24 reflected inflation for prices and fees and charges of 3% for the 2025/26 financial year, the latest information available when writing this report gives a CPI inflation rate of 2.2% as at July 2024, with Core and Service CPI inflation being assessed as 3.3% and 5.2% respectively. Therefore, some analysis of potential inflationary effects will be undertaken to adjust the MTFs to the most appropriate inflation prediction for 2025/26.

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** that, as at the end of July 2024, there is a net favourable variance of circa £291,000 when compared to the proportion of the 2024/25 budget as shown in paragraph 1.6.1.
- 2) **Note** the potential issues surrounding the impact of the current client levels, cost of TA and debt recovery within the revenue budget for Homelessness Accommodation.
- 3) **Note** the current business rate pool position as at the end of July 2024 as set out in paragraph 1.7.2.
- 4) **Note** the current spend on Capital projects for 2024/25.
- 5) **Note** the current position of the Savings Target.
- 6) **Consider** whether Members of the three Scrutiny Select Committees should be requested to propose options for evaluation in the forthcoming months to assist in bridging the current funding gap.

Background papers:

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Nil

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