

BUDGET MONITORING - Strategic Commentary - As at 31 January 2015

Overall Financial Position

1. Ten months into the year the results to date show an overall favourable variance of £964,000.
2. The year-end position is forecast to be £571,000 better than budget; this is 4.0% of the net budget for the year.
3. Both the results to date and forecasts include any significant accruals.
4. Officers have set a target favourable variance of between £400,000 and £500,000 in 2014/15 to enable:
 - funds to be put aside for development projects and asset maintenance;
 - funding of a Housing Stock Survey; and
 - in light of budget pressures expected in 2015/16, to apply any further favourable variance to the Budget Stabilisation Reserve.

Key Issues for the year to date

5. **Income** – investment income is performing just below target and is forecast to be slightly worse than budgeted at the year-end. This reflects the effect of continuing low interest rates. A small unfavourable forecast is shown to reflect this position.
6. **Income** from Planning, Land Charges and On-Street Parking are showing a combined favourable variance of £294,000 at the end of January. Income from legal work in connection with s.106 agreements is £10,000 ahead of profile. Income from car parking is currently £7,000 behind profile and the loss of income from Pembroke Road car park is now being offset by income from the additional surface car parking places adjacent to M&S. A grant of £97,000 has been received for the Transformation Challenge and is being used for efficiency work in Building Control.
7. **Asset Maintenance** - some expenditure on buildings is behind profile, whilst quotes are being obtained, giving a variance of £37,000.
8. **Pay costs** – the actual expenditure to date on salaried staff (excluding those who are externally funded) is £333,000 below budget, but £86,000 of that relates to Direct Services and may be offset by agency staff costs held within the trading account. There are currently favourable variances arising from vacant posts in Corporate Support, Direct Services and Planning. A small favourable variance would be expected at this time because the budget for 2014/15 includes provision for a 1% pay award but the award arrangements did not begin until December.

9. **Other Variances** include some savings on CCTV (transmission costs) £27,000; deferred expenditure on administrative supplies £14,000; re-negotiated arrangements with Dartford regarding the partnership agreement together with budgets for non-finance partnerships, where work is currently being contained within existing budgets, accounts for current variances of £130,000. Other variances arise from underspending against budget on external audit fees and discretionary rate relief are addressed as part of the 2015/16 budget process. Funding in 14/15 for the new Economic Development & Property Team shows an underspending of £63,000 and this is likely to be requested for carry forward to 2015/16.

10. **Direct Services** – Direct Services’ results show a positive variance of £116,000 compared to budget.

Year End Forecast

11. The year-end position is forecast to be £571,000 better than budget.

12. Expenditure on asset maintenance (premises) is expected to be £58,000 over budget in 2014/15 due to some urgent works. In addition some one-off building maintenance work for Argyle Road is expected to be £159,000

13. Expenditure on software maintenance will exceed budget and this is reflected in growth item for the 2015/16 budget (SCIA 4).

14. Income from car parking is forecast to be £50,000 worse than budget at the year end.

15. The re-negotiation of the partnership agreement with Dartford BC for Revenues, Benefits, Audit and Fraud. (SCIA 11 refers).

16. External Audit fees will be £30,000 below budget in 2014/15 and this is offered as a saving for 2015/16 (SCIA 10).

17. Direct Services expect to achieve a surplus that is £101,000 better than budget.

18. Budgets for Discretionary Rate Relief (£106,000) are no longer required and this is offered as a SCIA saving for 2015/16. (SCIA 9).

19. Corporate Savings arising from savings in vacant posts and market supplements are forecast to be £143,000.

20. Over achievement of planning income, arising mainly from a small number of high fee applications and increase in applications before the introduction of CIL is forecast to be £137,000 better than budget.

Future Issues and Risk areas

21. Chief Officers have considered the future issues and risk areas for their services and the impacts these may have on the Council's finances as follows:

- the investment strategy is constantly under review and reports are made regularly to FRAC;
- set up costs for the new Economic Development budget may exceed the budget; the situation is being closely monitored;
- Benefits workload continues at a higher level and additional resources are being used to address this; Universal Credit will impact on this council in October 2015;
- tax collection rates, though currently in line with the previous year are vulnerable and we are being proactive in contacting Council Tax Support customers;
- Benefit Fraud will move to the DCLG in February 2016. It is the intention to have a corporate fraud function after that date;
- following the introduction of retained business rates, the responsibility for payment of backdated appeals rests with this Council. The impact of any successful appeals is being closely monitored.
- there remains the risk that planning decisions will be challenged, either at appeal or through the Courts;
- our ability to collect s.106 monitoring contributions may be adversely affected by a recent judgement and this is being carefully reviewed.
- it has proved difficult to recruit to some vacant posts especially in Planning and Communities and Business.

22. Planned savings for 2014/15 total £479,000, including the generation of income, particularly from new partnership working, and this remains a risk area for the current and for future years.

Contacts:

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Communities and Business – January 2015 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Broadband	63		There will be a request for a carry forward as this forms a major part of the funding for the new Economic Development & Property team going forward.
Leisure Contract	30	71	The forecast variable relates to Business Rates changes. The current underspend is due to late invoicing by Sencio.
Repair & Renew Flood Support Scheme (Ext Funded)	-14		Repair and Renew Flood grants must be paid and reclaimed from Government. The next claim is due at the end of February. This will be a zero budget at the year end.
Salaries	-6	-14	Staffing costs are likely to exceed budget because of the setting up of the new Economic Development & Property Team. However, this is offset by an equal underspend in other staff budgets. The ED & Property Team staffing budgets for 2015/16 will be in line with planned expenditure.
Salaries (Ext Funded)	7	12	Externally funded salaries do not affect Council budgets. This is currently showing an underspend.
Capital – Big community Fund	-23		Members' projects. All expenditure on this code will be drawn down from the earmarked reserve at the year end.
Capital – Parish Projects	51	61	No projects have been identified to come forward by the year end.
Capital – Property – Swanley WM Club	-125		To be drawn down from the Property Investment Fund.

Future Issues/Risk Areas

The Economic Development budget may overspend due to set up costs for the new Economic Development & Property Team. This is being monitored.
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Lesley Bowles, Chief Officer Communities and Business
February 2015

Corporate Support – January 2015 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Asset Maintenance Argyle Road	20	51	Forecast underspend offset by one-off asset maintenance requirements funded from the “Support – Central Offices” cost centre. The two areas should be considered together.
Asset Maintenance IT	-112		Spend matches asset maintenance plan, with current year over spend supported by agreed rolling reserve.
Asset Maintenance Leisure	-2	-40	Forecast overspend due to increased requirement for maintenance in 2014/15 on ageing Leisure assets.
Asset Maintenance Other Corporate Properties	-20	-22	Additional spend on condition surveys relating to ageing assets.
Asset Maintenance Sewage Treatment Plants	5	-40	Urgent expenditure required on Sewage Plant Treatments to replace the tanks in order to maintain this asset.
Support – Central Offices	73	-72	Current year reflects additional backdated income charges recovered and reduced energy costs. These will be more than offset by one-off asset maintenance requirements. This cost centre should be looked at along with the “Asset Maintenance, Argyle Road” cost centre for a complete picture.
Support – Contact Centre	22	29	Forecast EOY position reflects underspend on salaries due to vacant posts offset in part by initial costs of self-service kiosk.
Support – General Admin	-17	-52	EOY forecast reflects underspend on salaries due to in-year vacancies offset by underspend on internal print income from other areas and predicted overspend on corporate postage charges.
Support – Human Resources	23	42	Underspend due to vacancies and maternity leave during the year.
Support – IT	-76	-57	Overspend due to increased costs for software maintenance, some one-off. Those ongoing have received growth in 2015/16
Salaries	93	119	Current and forecast underspend on salaries due to staff turnover throughout the year in all areas.

Future Issues/Risk Areas

Any unspent funds at year end for Corporate Projects will be the subject of a request to roll over to the next financial year.
Asset Maintenance costs may increase. This is to be quantified further subject to condition surveys underway.

Chief Officer Corporate Support
February 2015

Environmental & Operational Services – January 2015 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Admin Expenses – Health	12	10	Savings on furniture, mobile phones and training.
Asset Maintenance CCTV	10		Budget to be fully utilised on upgrading CCTV equipment and feasibility study for shared control room.
Asset Maintenance Direct Services	-12	-20	Installation of lift completed. Improvements to be made to mess room, toilets, and MOT waiting room.
Asset Maintenance Playgrounds	11	9	Small budget retained for playground equipment repair and replacement.
Asset Maintenance Public Toilets	12	10	Small budget retained for maintenance.
Building Control Partnership Implementation & Project Costs	88		Transformation grant received from DCLG for IT integration of Building Control shared working with T&MBC. To be committed by March 2015.
Car Parks	-34	-50	Income now only £34,000 below profile, mainly on day ticket income. Loss of income from closure of Pembroke Road car park being offset by new car park in front of M&S (Blighs). On-street pay and display income has increased with motorists finding alternative on-street spaces.
Car Parks (VAT)	72	72	Refund of VAT, over several years.
Car Parking – On-street	37		Income currently £106,000 above profile, principally on day tickets income. Loss of income from closure of long stay car park (Pembroke Road) now offset by motorists finding alternative on-street provision. New pay and display machines ordered and extension to Darenth Car Park, Westerham, to be built. Cabinet agreed to carry forward into earmarked reserve, any surplus above budget.
CCTV	-27	-25	Savings on transmission costs against profile. Budget contains challenging income targets which will only partly offset any savings made during the year.

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
EH Animal Control	-3	-12	Over expenditure on kennel fees and reduced income due to owners not recovering dogs collected as strays.
EH Commercial	11	10	Savings on hub costs due to reduced working hours for one EHO. £5,000 grant received from KCC for Business Well Being Award. Use of contractors to catch up on volume inspections.
EH Environmental Protection	26	25	Savings on air quality consultancy costs.
Estates Management – Grounds	-18	-20	Essential tree maintenance work required.
Land Charges	23	35	Income £40,000 above profile. Additional part time assistant employed to bring performance levels back to target.
Licensing Partnership Hub (Trading)	12		Licensing hub account currently £12,000 in 'surplus'. Any surplus at year end invested in efficiency measures or shared between partner authorities.
Licensing Regime	-9	-15	Budget contains challenging income targets which will only be partly offset by savings elsewhere.
Parks & Recreation Grounds	-3	-20	Expenditure required at Bradbourne Lakes.
Parks – Rural	15	15	Annual grant received for Timberden Farm. Tree survey underway, will likely result in maintenance costs.
Public Conveniences	-11	-12	Budget contains challenging income targets following transfer of conveniences.
Refuse Collection	31	20	£19,600 grant received from Salvation Army to cover one additional day/work for Recycling Assistant which will be offset by salary costs. £31,200 grant received from KRP for recycling promotion. To be spent in 2014/15 <u>and</u> 2015/16. Income from glass recycling higher than profile.
Street Cleansing	10	1	New litter bins to be purchased.
Street Naming	9	10	Income above profile, expenditure below profile.
Support – Direct Services	16	5	Savings on internal printing and mobile phones. Training to be delivered on manual handling and driver CPD.
Taxi Licensing	7	10	Income above profile.

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Trade Waste (VAT)	26	26	Past years VAT refund received for Trade Waste Collection.
Salaries – Building Control	14	-5	Previous vacancies in team covered by agency surveyors. Joint working with T&MBC commenced 1 st October 2014. All posts now filled with permanent surveyors.
Salaries – Environmental Health	11		Reduced working hours by one EHO. Contractors employed to undertake volume food inspections.
Salaries – Licensing	10		Vacancies filled, or covered by temporary contracts.
Salaries – Operational Services	86	89	Vacancies in Direct Services partly offset by agency staff to maintain services. Net effect shown in Direct Services Trading Accounts.
Salaries – Parking & Amenity Services	-44		CEO vacancy – now filled. Net effect shown in on-street parking account.
Capital – Vehicle Purchases	262		Vehicle replacement programme now fully committed. Any underspend is carried forward into the vehicle replacement fund.
Direct Services – Refuse	50	43	Fuel costs £23,000 below profile. Savings on fixed transport costs. Paid bulky collection income £11,000 above profile.
Direct Services – Street Cleaning	28	29	Savings due to vacancies now filled. Savings on fuel costs.
Direct Services – Trade	-27	-29	Over expenditure of £28,000 on previous disposal charges (£130/tonne). Now delivery direct to Allington, waste to energy plant at £100/tonne.
Direct Services – Workshop	37	41	Income £66,000 above profile, on vehicle repairs.
Direct Services – Green Waste	15	8	Income £57,000 above profile through sale of permits and sacks. Expenditure above profile on purchase of bins and sacks and vehicle repairs.
Direct Services – Fleet	-10		Over expenditure on fixed transport costs. To be recovered by recharges.
Direct Services – Depot	14	13	Income £12,000 above profile due to gritting operations.

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Direct Services - Overall Trading Position	116	101	Income £118,000 above profile. Expenditure £2,644 above profile. Current surplus £213,000 (£116,000 above profile).

Future Issues/Risk Areas

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**Chief Officer Environmental & Operational Services
February 2015**

Financial Services – January 2015 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Admin Expenses – Chief Executive	14	16	Efficiencies due to the merger of several admin accounts.
Admin Expenses – Financial Services	8	15	Reduced spending on printing and publications.
Benefits Admin	37	45	Increased income following the re-negotiation of the partnership agreement with Dartford BC.
Corporate Management	134	171	The Council has been able to make a financial contribution to the targeted under spend for this year by committing to reducing spend on consultants and other services and through the quality of its work in producing the Statement of Accounts ensured no additional external audit charges are levied and the fees for the year are as programmed by the Audit Commission.
Corporate Savings	157	143	The savings created from the Council's vacant posts are in excess of the budget profile and expected spend on market supplements is beneath budget for the year.
Dartford Partnership Hub (SDC Costs)	-191	-188	Additional resources to help address the Benefits increased workload and to be proactive in contacting Council Tax Support customers. The funding of this additional cost will be shared with Dartford BC.
Dartford Partnership Implementation & Project Costs	172	188	External funding received that will fund SDC's share of the Benefits increased workload above.
Local Tax	157	120	Increased income following the re-negotiation of the partnership agreement with Dartford BC.
Members	28	32	Some Members do not claim their full allowance and the rules state that Members cannot claim more than one Special Responsibility Allowance.
Misc. Finance	-328	-273	Budget for Discretionary Rate Relief not required. Costs associated with development projects are included here.
Performance Improvement	14	16	The variance is as a result of New Burdens Grant to assist the Council in managing applications under the Community Rights legislation. The work required to administer the scheme has been absorbed in to the work of the Transformation & Strategy service at no additional cost.
Support – Audit Function	-18	-23	Two vacancies contributing to the vacancy pot. The impact of this is shown here as they are Sevenoaks specific, but the salary budgets are included in the partnership hub.

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Support – Finance Function	42	32	Work on non finance partnerships is currently being contained within original resources.
Treasury Management	-12	-5	Increased bank charges.
Salaries	-72	-122	Agency staff are being used to help address the Benefits increased workload and to be proactive in contacting Council Tax Support customers.
Capital – LGA Municipal Bonds Agency	-20	-20	Contribution to set up costs of the Agency agreed after the budget was set.

Future Issues/Risk Areas

Benefit Fraud will move to the DCLG in February 2016. It is the intention to have a corporate fraud function after this date. It remains uncertain when Universal Credit will impact on this Council.

**Chief Finance Officer
February 2015**

Housing – January 2015 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Housing	10	11	This includes some underspend for staff and some for legal services. Any underspend will pay towards any housing overspends.
Housing Option – Trailblazer	13		This scheme is externally funded and does not affect Council budgets.
Needs and Stock Survey	1	-40	The cost of the survey will be around £40,000 (last time around £60,000). There has been liaison with Building Control and desk work to significantly reduce the overall cost. A while ago there was consideration to take the cost of this survey out of Section 106 funding. However Government policy has changed minimising the future pot from Section 106 funding.
Private Sector Housing	14	4	A temp was away ill for while (we did not have to pay) creating some savings. Any underspend will pay towards any Housing overspends.
Salaries	18	12	Staffing vacancies and see above.
Salaries (Ext Funded)	11	10	External funding does not affect Council budgets.
Capital - Improvement Grants	117		Many invoices have been checked and paid and there will be some approvals in place year end which will be committed and work in progress and with Members approval can be rolled forward.
Capital – WKHA Adaps for Disabled	87		Bottom line year end will be correct.
Capital - SDC / RHPCG	-20		External funding and does not affect Council budgets.

Future Issues/Risk Areas

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Chief Housing Officer
February 2015

Legal & Governance – January 2015 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Admin Expenses – Legal & Governance	7	13	Due to the continued reduction in Committee reports and the reduction in paper copies distribution we anticipate an under spend on internal printing.
Support – Legal Function	32	28	Income generated from s.106 agreements and miscellaneous sources exceeded expectations for the first quarter. However, the new CIL arrangements came into place 4th August 2014 which has already resulted in a reduction in income. There is currently a part time vacancy the savings of which are being used to cover additional workload requirements within the Election Team.
Salaries	-33	-35	Additional resources to cover the increased workload as a result of the Individual Electoral Registration and research in relation to the procedures for the new election processes. This will be met from the IER grant and savings in salaries in other Legal and Governance areas.

Future Issues/Risk Areas

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**Chief Officer Legal & Governance
February 2015**

Planning Services – January 2015 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Fort Halstead	15	15	This is a secured contribution towards backfilling a post, however we have been unsuccessful in our attempts to recruit.
LDF Expenditure	-35	-41	Rather than funding policy work from the LDF reserve we will make use of the in-year overachievement in fee income.
Planning – Appeals	20	13	This variance is a result of underspending on consultants and legal costs. However this is partially offset by costs awarded against the Council, and expenditure on the public inquiry for Singles Cross
Planning – Development Management	203	174	The overachievement on fee income is the result of a small number of high fee applications and an increase in application numbers throughout the year.
Planning – Enforcement	19	21	This is a result of a vacant administrative post.
Planning – Policy	26	-49	Rather than funding policy work from the LDF reserve we will make use of the in year overachievement in fee income.
Salaries	100	130	The underspend is due to an element of part time working, posts being vacant as we go through the recruitment process, unsuccessful recruitment attempts and a vacancy arising from maternity leave.
Capital – Affordable Housing	-252		This will be financed at the end of the year from S106 planning obligations receipts. Payments include; Moat Homes Limited; Sevenoaks Almshouses
Capital – S106 Capital	-701		This will be financed at the end of the year from S106 planning obligations receipts. Current spend includes the agreement arising from the West Kent Cold Store development.

Future Issues/Risk Areas

There remains the risk that planning decisions will be challenged, either at appeal or through the Courts.
 Fee income on applications and pre-apps continues to overachieve. Application numbers & income are kept under close review.
 Our ability to collect S106 monitoring contributions may be adversely affected by a recent judgement – this will be carefully reviewed.

Chief Planning Officer
February 2015