

BUDGET MONITORING - Strategic Commentary - As at 31 July 2015

Overall Financial Position

1. Four months into the year the results to date show an overall unfavourable variance of £6,000.
2. The year-end position is forecast to be £202,000 worse than budget; just under 1.4% of the net budget for the year.
3. Both the results to date and forecasts include any significant accruals.

Key Issues for the year to date

4. **Property Investment Strategy Income** – this is a new income source and represents income derived from the recent acquisitions of commercial property. As at the end of July we had received £177,000 and this will be transferred to the Budget Stabilisation Reserve.
5. **Revenues and Benefits Partnership** Within Finance, additional resources have been used to help address the Benefits workload and to be proactive in contacting Council Tax Support customers. The funding of this additional cost will be shared with Dartford BC with the SDC element funded from the agreed carry forward and contributions from KCC, Fire and Police.
6. **Income** from On Street parking, Land Charges and Development Management are ahead of budget at the end of July. Other major income sources are currently below profiled budgets.
7. **Pay costs** – the actual expenditure to date on salaried staff (excluding those who are externally funded) is, in total, within £26,000 of budget. There are variances in individual areas and the larger variances are explained in the Chief Officer commentaries.
8. **Corporate Savings** – there is a budget of £100,000 from vacancy savings and these savings are currently £15,000 behind schedule.

Year End Forecast

9. The year-end position is forecast to be £202,000 worse than budget.
10. Forecast net income of £383,000 from commercial letting of the recent Property Investment Strategy acquisitions is excluded from the forecast as it will be transferred to the Budget Stabilisation Reserve.

ITEM 1
(2)

Unforeseen pressures on 2015-16 Budget

11. Costs have been incurred at Farningham Woods for coppicing woodland to try to contain the infestation of Oriental Chestnut Gall Wasp under instruction from DEFRA/Forestry Commission. There is a forecast of £40,000 for this work.
12. Work on the Individual Electoral Registration Canvass is forecast to exceed budget by £56,000; the cost of the additional work is forecast to be greater than the amount of central government funding that we have received.
13. Tandridge District Council have terminated the agreement whereby Sevenoaks staff managed asset maintenance work and this has resulted in lost income of £10,000.

Other forecasts for 2015-16

14. Budgeted income of £36,000 from a Building Control shared management arrangement with Tonbridge and Malling Council will not be received this year as full shared working commenced in October 2014.
15. Income from sale of recycled glass is forecast to be £15,000 below budget following adverse market fluctuations in the price of cullet.
16. Asset Maintenance work at Hever Road site is forecast to exceed budget by £23,000.
17. The budgeted surplus for the Direct Services Trading account has increased by £20,000 following a reallocation of savings required by SCIA21 (Back Office Savings).
18. Investment income from treasury activity is a small unfavourable variance.

Future Issues and Risk areas

19. 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:
 - Some posts are proving difficult to fill and there are some vacancies;
 - Asset Maintenance costs may increase, costs have already exceeded the original budget at the Hever Road site;
 - Universal Credit will impact on this council from October 2015;
 - Benefit Fraud will move to the DCLG in February 2016. It is the intention to have a corporate fraud function after that date;
 - Funding arrangements for the Housing HERO project are being reviewed;

- There remains the risk that planning decisions will be challenged, either at appeal or through the Courts.

20. Planned savings for 2015/16 total £533,000, including efficiency savings, particularly from partnership working, and from additional income generation and these will be risk areas for the current and for future years.

21. Grant funding to local government has been reducing and this is a non-protected area and must be considered vulnerable in the future. Further information about government plans for future funding is expected to be announced in the Comprehensive Spending Review in November.

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Communities and Business – July 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)
Economic Development Property	10		New Economic Development Property team is not yet fully staffed. This has been partly offset by additional costs associated with our properties, some of these cost have been addressed by a report to Cabinet 16 th July 2015.
West Kent Partnership	12		Annual contributions from partners have now been received in advance of expenditure.
West Kent Partnership Business Support	44		Annual contributions from partners have now been received in advance of expenditure.
Salaries	39		New Economic Development Property team not yet fully staffed. The new Economic Development Officer and Project/Programme Co-ordinator started on 10th August. The vacant Property Surveyor post is being reassessed against current business needs and a proposal will be presented to SMT and Cabinet briefing shortly.
Capital – Investment Properties	192		Balance of Property Investment Strategy budget associated with Acquisition of Suffolk House and Swanley Petrol Filling Station.

Future Issues/Risk Areas

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**Chief Officer Communities and Business
August 2015**

Corporate Support – July 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 Hever Road	-30	-23	Current forecast due to increased asset maintenance costs. This area is currently under review. Current additional overspend due to be recovered from insurance claim.
Asset Maintenance IT	65		Spend as per IT Asset Maintenance plan.
Estates Management – Buildings	-11	-10	£13k unrecoverable income forecast due to termination of Asset Maintenance agreement by Tandridge District Council.
Support – Contact Centre	19		Underspend due to currently vacant posts.
Support – General Admin	50		Current position reflects an overachievement in print income currently being monitored, plus £10k MFD invoices received late July not shown in these figures and MFD expenditure allocated to fleet replacement costs.
Salaries	45		Variance to date relates to vacancies/maternity leave which are in the process of being filled.

Future Issues/Risk Areas

Costs for the maintenance of Hever Road in relation to allocated budget are currently under review.

**Chief Officer Corporate Support
August 2015**

Environmental & Operational Services – July 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)
Building Control	-25	-36	Fee income £7,000 below budget target. Budget contains £36,000 income for previous shared management arrangement with T&MBC which will not be realised as full shared working commenced in October 2014.
Car Parks	-18		First half year's NDR bills higher than profile. First quarter rent for new area of Blighs car park paid. Overall income to budget target.
Car Parking – On-street	12		Income £46,000 above budget target, partly offset by increased salary costs (Parking Engineer now full time) and loss of income from sharing previous Parking Engineer with T&MBC. Contribution to be made for construction of overflow car park at Darent car park in Westerham.
EH Environmental Protection	5	10	Savings on air quality monitoring costs and income received for polluting premises registration ahead of profile.
Parks – Rural	-51	-40	Unbudgeted expenditure incurred at Farningham Woods for coppicing woodland to try to contain infestation of Oriental Chestnut Gall Wasp under instruction from DEFRA/Forestry Commission. Some income should be recovered by sale of felled timber. Further coppicing to be undertaken but costs covered by timber value.
Refuse Collection	-64	-15	Income from first quarter recycling credits profiled but not yet invoiced to KCC. Income from sale of recycled glass £15,000 lower than profile due to sharp fall in price paid for Cullet. Price subject to market fluctuations.
Salaries – Environmental Health	10		Vacancy in Environmental Protection team not filled yet. Being partly covered by work of external contractor.
Salaries – Parking Services	-16		Posts of Parking Manager and Parking Engineer now filled.
Capital – Vehicle Purchases	17		Full replacement programme will be completed within approved budget.
Direct Services – Refuse	29		Income £8,000 above profile, mainly on paid bulky items. Savings on salaries and transport costs.
Direct Services – Street Cleaning	11		Savings on salaries, supplies and services and transport costs.

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 – Green Waste	-33		Income £20,000 below profile due to changes in annual renewal of permits, so all renewals do not fall in same month. Income will still be received but later in the year than profiled.
Direct Services – Trading accounts overall	9		Income £19,000 below profile (mainly green waste permits) but expenditure £28,000 below profile. Current surplus is £114,500 against a profiled surplus of £105,000.

Future Issues/Risk Areas

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

Financial Services – July 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)
Corporate Management	13		The variance in the Corporate Management budget relates to the Council's Audit Fees. The invoice for the first quarter will be payable in the next month which will reduce the variance.
Corporate Savings	-15		The negative variance relates to the Council's vacancy savings. The Council has a budget to achieve £100,000 from vacant posts and this is currently behind profile.
Dartford Partnership Hub (SDC Costs)	-124		Additional resources to help address the Benefits workload and to be proactive in contacting Council Tax Support customers. The funding of this additional cost will be shared with Dartford BC with the SDC element funded from the agreed carry forward.
Equalities Legislation	18		The Council has a secondment agreement in place for the West Kent Equalities officer with Tunbridge Wells Borough Council. The invoice for the services provided was expected to be paid in June but was not received in time. The payment will be made in July, reducing the budget variance.
External Communications	10		Due to the timing of the In Shape publications for this year a variance of £7,000 for the printing of the magazine by the Council's suppliers has been received in accordance with the budget profile. The budget allocated to the production of In Shape will be spent in full this year.
Misc. Finance	-26	-9	Costs associated with development projects are included here.
Support – Finance Function	25	18	Work on non finance partnerships is currently being contained within original resources.
Salaries	-66	-274	Agency staff are being used to help address the Benefits workload and to be proactive in contacting Council Tax Support customers.

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. Universal Credit will impact this Council from October 2015.

**Chief Finance Officer
August 2015**

Housing – July 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 Option – Trailblazer	-13		External funding and should not affect Council budgets.
Salaries	-12		Part time officer for West Kent leader project is being paid via Housing budgets at the moment until contract sorted with DEFRA (hopefully next month). Although we can claim salary costs retrospectively it wasn't budgeted to be paid for via Housing. We may have to employ a temp for Housing Standards for a couple of months as there are 3 large projects underway for filthy and verminous properties. Funding for this should be met from existing budgets. In addition, the DFG work is taking off and there is a vacant post in that team.
Capital - Improvement Grants	50		It is hard to predict when works will be completed but bottom line is correct.
Capital – WKHA Adaps for Disabled	71		It is hard to predict when works will be completed but bottom line is correct.
Capital - SDC / RHPCG	-19		External funding does not affect Council budgets.

Future Issues/Risk Areas

The highly successful HERO scheme (see Trailblazer above) has previously been funded by income and external funding. However the number of surgeries has reduced due to KCC being unable to fund the children's centres (although their Ofsted report encouraged the use of HERO as excellent practice). SDC is having ongoing discussions with KCC about the way forward and it is looking more hopeful.

There are also negotiations underway to provide two surgeries for Dartford BC, which, if successful, will generate income and a surgery for their children's centre. No confirmation yet and I will update. In addition we are now tendering for a surgery for Probation.

If any of these options do not happen we need to look at possibly a small growth item to support this scheme which is highly successful and is known by Government departments. This will be reviewed again in a couple of months and you will be updated.

**Chief Housing Officer
August 2015**

Legal & Governance – July 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)
Register of Electors	-3	-56	2015 sees the first ever Individual Electoral Registration Canvass. 100% of residential properties are to be targeted with a Household Enquiry Form. If there is a change within the household they must also complete an Invitation to Register Form. Additionally legislation requires a reminder form and a personal canvass for both types of forms if not returned. The grant received from Government does not cover such eventualities.
Salaries	-44		Additional resources to cover the increased workload as a result of the Individual Electoral Registration and the triple election process. We are applying for some Government funding and if we are successful this could help with some of the additional expenditure in relation to Individual Electoral Registration. In the Legal Department we have had to appoint a locum for an interim period.

Future Issues/Risk Areas

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**Chief Officer Legal & Governance
August 2015**

Planning Services – July 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)
Planning – Appeals	11		The underspend is due to the fact that appeals to date this year have not required specialist input. This is likely to change in the coming months
Planning – Development Management	67		This is principally the result of a small number of high fee applications, including for the proposal at Fort Halstead.
Planning – Enforcement	13		This is a result of a vacant administrative post.
Salaries	21		The underspend is a result of maternity leave and recruitment to vacant posts.
Capital – Affordable Housing	-91		This will be financed at the end of the year from S106 planning obligations receipts. Payments include Contribution to Rural Housing Enabler, Housing Discretionary, Sevenoaks Almshouses, Edenbridge Housing Needs Survey.
Capital – S106 Capital	-59		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.

**Chief Planning Officer
August 2015**