

Budget Monitoring Sheets for December 2016

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BUDGET MONITORING - Strategic Commentary - As at 31st December 2016

Overall Financial Position

1. The year-end position is currently forecast to be an unfavourable variance of £10,000, subject to Council approval to a supplementary estimate of £210,000 that was recommended by Finance Advisory Committee on 15th November.

Key Issues for the year to date regarding Property Investment Strategy

2. Property Investment Strategy Income – this represents income derived from the acquisitions of commercial property in Sevenoaks and Swanley. The net income from acquisitions to date will be £110,000 less than originally budgeted for 2016/17 due to refurbishment works and a rent free period awarded at the start of a new ten year lease. This will result in additional income over the 10-year budget period. Investigations into further acquisitions are continuing in line with the strategy.
3. Car Park income is currently below budget and forecast to be £66,000 worse than budget for 16/17. Bradbourne Car Park closed in August and this has resulted in loss of income; however on street parking has delivered increased income.
4. Business Rates have been paid for two properties in Swanley that we are holding for future development and this has given rise to an unfavourable variance of £47,000.

Other issues for year to date

5. Pay costs – the actual expenditure to date on staff costs, (including agency cover and costs of advertising for professional posts, but excluding those who are externally funded) is £43,000 less than budget. There are variances in individual areas and the larger variances are explained in the Chief Officer commentaries.
6. Income – Land Charges income is £50,000 worse than the challenging income budget, but this is offset by some salary savings. Development Management income is currently £62,000 better than budget reflecting a small number of high fee applications.

Year End Forecast

7. The year end forecast is an unfavourable £10k. Against the original approved budget the year-end position is forecast be an unfavourable variance of £220,000, however, within that variance are several items where additional revenue expenditure will be incurred in this financial year as a consequence of longer term capital projects that will generate income in later years. Cabinet on 1 December resolved that a supplementary estimate of £210,000 should be approved to cover the short term revenue consequences of the Property Investment Strategy.
8. Corporate salaries will exceed original budget following the appointment of additional IT development staff, but these costs will be met from the Corporate Projects Reserve.
9. Building Control income is currently below profile and employee and agency costs will exceed budget.
10. Parks Rural – costs are likely to exceed budget this year by £60,000 because of the costs of coppicing work at Farningham Woods. These costs will be offset by additional income that will be received in 2017/18.
11. Refuse Collection – Income from sale of recycling, particularly glass, is expected to be £30,000 worse than budget.
12. The budgeted surplus for the Direct Services Trading account is forecast to be £111,000 better than budget. The budgeted surplus has increased from £82,000 to £92,000 as part of budget adjustments for the Management Review (SCIA 20). Expenditure for the year is forecast to exceed budget by £64,000, however income is forecast to be £175,000 better than original budget.
13. Planning salaries are forecast to be £90,000 under budget following multiple changes in post, some of which remain unfilled.

Future Issues and Risk areas

14. 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 property projects will incur revenue expenditure in advance before any expenditure is incurred;
- Additional developers have been employed within IT to achieve key projects; they will be funded from the Corporate Projects Reserve;
- Fluctuations in the price of diesel
- Planning fee income remains uncertain and is being closely monitored;
- There remains the risk that planning decisions will be challenged, either at appeal or through the Courts; the Council has received an indication of significant appeal costs for cases in Swanley and Edenbridge.
- Staff turnover is currently high in Planning and recruiting to vacant posts is increasingly difficult.

15. This Council is entitled to retain 50% of extra income arising from increases in the business rate tax base, however this figure is subject to great volatility as it is affected by the results of outstanding appeals and this area will be closely monitored. An initial forecast of £23,000 additional income has been included at this stage.

16. Planned savings for 2016/17 total £412,000, including savings from the senior management re-structure, from partnership working, and from additional income generation, and these will be risk areas for the current and for future years.

17. The impact on financial markets and externally funded projects following the results of the Referendum in June 2016 is being monitored and addressed as part of the Council's risk management process.

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Communities and Business –December 2016 Commentary

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Economic Development Property	19		This is for work on feasibility and other studies required in advance of development. It is likely to be in part balanced by staffing underspend at the year end and some of the costs will be capitalised according to the capital projects they support.
Health Improvements	10		Budget for salaries is offset by underspend on Housing Advice salaries (following merger of Housing and Health) Budget for services is slightly ahead of profile but will be within budget at year end.
Housing	(10)		Please see comment relating to Health Improvements above
Choosing Health WK PCT	(30)		This is external funding received in advance and will be zero at the year end
West Kent Partnership Business Support	(19)		This is external funding received in advance and will be zero at the year end
Salaries Externally funded	(43)		This in part relates to the underspend mentioned in the Economic Development Property section above, and the profiling on several projects.
Salaries – Housing Externally Funded	(11)		Following merger of Housing and Health this is due to several staff vacancies some of which are now being covered
Big Community Fund – Capital	11		These projects are charged to Capital throughout the year and drawn down from an earmarked reserve at the year end. Although the Big Community Fund is no longer making grant approvals, expenditure on some of the projects is yet to be drawn down by the successful applicants.
Capital - Property Investment Strategy	227		26-28 Pembroke This is expenditure within the £10m allocated sum for the Property Investment Strategy.

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Capital - 16 & 18 High Street , Swanley WMC/CAB	129		Site demolition and clearance. To be funded from Property Investment Strategy PPAC 1/3/16. This is expenditure within the £10m allocated sum for the Property Investment Strategy.
Capital - 3 rd Floor, Suffolk House – Extension & Refurbishment	199		Work to improve rental. To be funded from capital at the end of the year. This is expenditure within the £10m allocated sum for the Property Investment Strategy.

Future Issues/Risk Areas

The Economic Development/Property budget funds feasibility and other work in the lead up to property investment or development and because of the significant amount of work currently being undertaken this is overspending. However, some of this will be offset by an underspend on staffing and some will be capitalised according to the projects it relates to. This is being closely monitored and is likely to be within budget at the year end.

Chief Officer Communities and Business
January 2017

Corporate – December 2016 Commentary

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Asset Maintenance IT	(82)		Spend as per 10 year asset maintenance plan – surplus to IT Asset Maintenance reserve at year end as agreed
Democratic Services	(14)	(13)	Underspend on salaries due to maternity leave
Elections	95		Current position shows as an overspend as not all expenditure for elections has been reclaimed yet
Administrative Expenses Human Resources	22	20	Current overspend due to cost incurred for external advice
Support- General Admin	(21)	(10)	Underspend due to savings on printer contracts, some invoices not yet received
Support – IT	29	19	Overspend due to contribution to corporate vacancy pot and some essential overtime
Support – Legal Function	(45)	(6)	Current underspend on salaries due to structural changes. Also additional court income.
Support – Human Resources	12	15	Overspend is due to over spend on the central training budget due to it currently not being allocated to specific areas, this is currently under review.
Salaries	42	59	Overspend on salaries for additional development resource offset by draw down from Corporate Project Reserve

Future Issues/Risk Areas

Additional Developers within IT currently funded from Corporate Projects Reserve to achieve key projects.

Chief Officer – Corporate Support
January 2017

Environmental and Operational Services – December 2016 Commentary

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Asset Maintenance Argyle Rd	10		Refurbishment of both lifts carried out.
Asset Maintenance CCTV	(12)		Works planned over next few weeks.
Asset Maintenance – Other Corporate Properties	15		Works carried out to Otford Palace to make safe and ensure security. Expenditure to be drawn down from HLF grant.
Asset Maintenance Direct Services	(19)		Replacement water tank required plus other maintenance works to be undertaken.
Building Control	74	40	Income £13,000 below profile. Overspend on salaries and on use of expensive agency staff to cover vacancy and sickness. Costs to be shared with T&MBC.
Car Parks	143	95	Income £84,000 below profile due to temporary closure of Bradbourne (Season tickets and P&D) Reflected in increased income for on-street parking.
Car Parking – On Street	(84)		Income currently £150,000 above profile, mainly on pay and display due to temporary closure of Bradbourne. Any surplus achieved above budgeted surplus is held in a ring fenced reserve, which can be used to support parking and traffic related expenditure.
CCTV	23	20	Budget contains challenging income targets which will not be realised.
Estates Mgt Buildings	39	47	Business rates paid for empty property in Swanley (Meeting Point building), no longer with tenant (tenant previously covered business rates). This relates to 2015/16 and 2016/17. Rates will continue to be due on these premises until demolished or re-occupied.

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Estates Management Grounds	20	20	Essential tree maintenance work not included in routine maintenance budgets.
Kent Resource Partnership	(84)		External income received ahead of expenditure.
Land Charges	39	40	Income currently £50,000 below challenging target, partly offset by underspend on salaries.
Licensing Regime	(11)	(10)	Income from fees £8,000 above profile.
Markets	(30)	(10)	Invoice for rent of private land for Swanley market not received yet. Rent free period agreed for April – June 2016, plus extra income from Christmas market.
Parks & Recs	(28)	(5)	Swanley Town Council not charging for maintenance of Swanley sites (April-July 2016). Work now undertaken by Direct Services. Tree works required.
Parks - Rural	35	60	Coppicing works continues in Farningham Woods. Some income will be received by sale of timber, but a time lapse will occur. If sold now price is £10/tonne, but if sale deferred likely to achieve £23/tonne.
Private Sector Housing	(12)		Salary savings.
Refuse Collection	27	30	Income from sale of recycling, particularly glass, below profile, due to reduction in price paid for materials.
Administrative Expenses - Health	(12)	(10)	Savings on a number of headings.
Street Naming	(10)	(10)	Income £9,000 above profile.
Support- Central Offices	(21)		Rents for Argyle Road received ahead of profile.
Support General Admin	(35)	(20)	Savings on salaries, post room equipment and scanning equipment.
Salaries - Licensing	11		Overspend due to increasing admin support following L.B. Bexley joining the Partnership. Offset by additional income.
Salaries Operational	(29)		Savings on salaries for Direct Services, partly offset by use of agency staff. Reflected in Direct Services Trading Accounts.

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Building Control – Discretionary Work	7	9	Budget was based on income for providing code for sustainable homes assessments and checking Partner Authorities gantry applications. Both of these have ceased due to legislation (code) or unexpected loss of Contract (Gantry applications).
Public Conveniences	9	10	Budget contains income targets which will not be realised.
Capital -Vehicle Purchases	33		Vehicle replacement programme ahead of schedule. Will be contained within overall approved budget of £514,000 plus c/f from 2015/16.
Capital – Dunbrik Vehicle Workshop	28		There is a carry forward of £117,000 from 15/16 not showing in the budget. Total Contract outturn likely to be £128,000.
DFG – Capital Improvement Grants	(7)		Total budget £747,000. Spend to date £393,000. Variance (£167,000).
Bradbourne Car Park	(979)	127	Budget will be substantially spent this year as build programme ends in April 2017. Build budget still to £5.3m. Additional costs identified for items such as contaminated soil remediation
Capital- Buckhurst 2	(2,997)	(1,000)	Approved budget of £9.8m for revised scheme. Fee only expenditure estimated in 2016/17.
Capital – Sennocke Hotel	(1,096)		Hotel Scheme approved and budget approved of £9.3m. Planning application approved on 20.10.16. Build cannot commence until April 2017 at the earliest. Fee only expenditure in 2016/17.
Direct Services – Trading Accounts overall	(132)	(111)	Income £151,000 above profile. Expenditure £19,000 above profile. Surplus £261,000 against a profiled surplus of £128,000.

Future Issues/Risk Areas

Cost of Diesel.

**Chief Officer Environmental & Operational Services
January 2017**

Finance – December 2016 Commentary

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Corporate Savings	18		From the savings the Council is able to derive from vacant posts it is forecast that the corporate savings targets will be met at year end.
Dartford Partnership Hub (SDC costs)	(175)	11	Additional Fraud funding from KCC to address Single Person Discounts.
External Communications	37		The variance has been created as invoices have been received and paid that do not align with the budget profiles. This will be reviewed for the coming year. However it is anticipated that at year end expenditure will be in accordance with the budgets available.
Local Tax	57	19	Analyse Local service utilised to identify additional rateable properties; cost off-set by additional business rate income generated.
Members	(49)	(17)	Underspend on Members expenses.
Misc. Finance	10	31	External assistance obtained for annual accounts to be offset by underspend on external auditors as agreed by Cabinet. External VAT advice.
Administrative Expenses – Chief Executive	(10)	(13)	Various small underspends.
Support- Finance Function	19	22	Finance team restructure resulted in a hand over period when all staff were in post.
Treasury Management	16		Banking charges have been above budget for the year to date but the contract has recently been re-tendered which will result in lower charges going forward.
Salaries	(46)		Some Benefits posts filled by agency staff until August.
Investment Property Income	60	110	Net income will be less than originally budgeted for 16/17 due to refurbishment works and a rent free period awarded at the start of a new lease. Additional income over the 10-year budget period will more than compensate for this deficit.

Future Issues/Risk Areas

Universal Credit started in the district in October 2015 but has had minimal impact to date.

Chief Finance Officer
January 2017

Planning – December 2016 Commentary

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Administrative Expenses – Planning Services	15		This reflects the cost of training (university) as more recent planning officer recruits have been at the lower end of the career grade; and spending ahead of profiled budget. £3k still to be re-allocated re conservation and planning officer post adverts, and c£2k for the payment of professional fees.
Conservation	21	25	This is a result of additional resource to support Development Management and Local Plan work.
LDF Expenditure	58		To be drawn down from the Local Plan reserve.
Planning Appeals	17	4	This is the result of a small number of appeals where external Legal support has been required. Current spend is ahead of profiled budget and there are two more Public Inquiries scheduled before the end of the year.
Planning – Development Management	(87)	(105)	The year to date position reflects a relatively small number of high fee applications and an underspend on salaries due to staff turnover and resultant vacancies.
Planning Policy	(55)		This reflects the fact that grants are yet to be paid, staff turnover and profiling of the transfer to reserves.
Salaries	(32)	(90)	This is a result of vacancies from multiple changes in posts, some of which remain unfilled
Affordable Housing	269		This will be financed at the end of the financial year from S106 planning obligations receipts. Payments include; West Kent HA, West Kent Extra plus Landlord Incentives
CIL Parish Councils	132		This is monies transferred to Town and Parish Councils under the CIL arrangements. This will be fully funded at the end of the financial year

Future Issues/Risk Areas

There remains the risk that planning decisions will be challenged, either at appeal or through the Courts, and we have received an indication of significant appeal costs in Swanley and Edenbridge.
 Application fee income remains uncertain and will be monitored closely.
 Staff turnover is currently high, and recruiting to vacant posts is difficult.

Chief Planning Officer
January 2017