

*Budget Monitoring Sheets for July 2017*

**Contents**

- 1 Commentaries
- 2 Overall Summary
- 3 Overall Summary by Service
- 4 Cumulative Salary Monitoring
- 5 Direct Services Trading accounts
- 6 Investment Income
- 7 Staffing Statistics
- 8 Reserves
- 9 Capital
- 10 Income Graphs

## **BUDGET MONITORING - Strategic Commentary - As at 31<sup>st</sup> July 2017**

### **Overall Financial Position**

1. The year-end position is currently forecast to be a favourable variance of £148,000 which represents just over 1.0% of our net service expenditure.

### **Key Issues for the year to date regarding Property Investment Strategy**

2. Property Investment Strategy Income -The net income from acquisitions to date will be £14,000 greater than originally budgeted for 2017/18, due to additional income from two properties acquired earlier this calendar year, offset by refurbishment works including work to make void areas available for letting, and a rent free period awarded at the start of a new ten year lease for part of Suffolk House which will result in additional income over the 10-year budget period. 96 High Street Sevenoaks was funded from internal borrowing and the annual repayment of £150,000 is also included in the year end forecast.

3.

### **Other issues for year to date**

4. 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 £109,000 below budget. There are variances in individual areas including Facilities, Operational Services and Planning; the larger variances are explained in the Chief Officer commentaries.
5. Income - Income from both Off-Street and On-Street parking is ahead of profile at the end of July. Forecast additional income of £118,000 from the additional spaces at the Bradbourne Car Park is a one-off benefit for this year as the annual repayments for the internal borrowing for the car park will not commence until 2018/19. Income from Development Management is also ahead of profile at the end of July.

### **Year End Forecast**

6. The year end forecast is a favourable variance of £148,000.
7. Land Charges - An unfavourable forecast of £48,000 due to income expectations being below a challenging target.
8. Additional income of £118,000 is forecast from the additional spaces at the Bradbourne car park
9. Business Rates have been paid for property in Swanley that we are holding for future development and this has given rise to an unfavourable variance of £30,000.

10. Savings of £35,000 are expected in operating expenses for Argyle Road as a result of staff vacancies and electricity savings following the installation of LED lighting.
11. The Trading account is forecast to deliver an overall surplus of £154,000 which is £40,000 better than the original budget. Expenditure is currently £71,000 below profile.
12. Investment Property - Net additional income of £14,000 is forecast.

### **Future Issues and Risk areas**

13. 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 capital projects commence;
  - Additional developers have been employed within IT to achieve key projects; they will be part funded from the Corporate Projects Reserve and part from savings generated elsewhere in the budget;
  - Further costs are likely for obtaining external HR advice;
  - We are awaiting further guidance from HMRC in relation to a recent ruling which affects the VAT treatment of car park income overpayments, the new ruling deems them to be consideration for parking and liable for VAT;
  - Universal Credit started in the district in October 2015 but has had minimal impact to date; further rollout will continue in 2018;
  - The expected government decision to raise planning application fees from 1 July 2017 has not materialised; latest information suggests the rise may now come in the autumn;
  - There remains the risk that planning decisions will be challenged, either at appeal or through the Courts;
  - Pre-application fees will be revised in line with the Cabinet decision of March 2017, with new charges in the autumn;
  - Staff turnover is currently high in Planning and recruiting to vacant posts continues to be difficult.
14. 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. The budget of £1,999,000 represents the safety net level and the actual receipts can only exceed that figure.
15. Planned savings for 2017/18 total £344,000, including savings from partnership working, and from additional income generation, and these will be risk areas for the current and for future years.
16. The impact on financial markets, externally funded projects and rates of inflation following the results of the EU 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 –July 2017 Commentary**

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Homelessness	(13)		Underspend relating to fluctuations in call on bed and breakfast and temporary accommodation, and staffing..
Homelessness Funding	(151)		Funding received from the DCLG for the Flexible Homelessness Support Grant; plans being developed for using this.
Housing Energy Retraining Options (HERO)	(41)		This is external funding received in advance and will be zero at year end.
West Kent Partnership	(30)		This is external funding received in advance and will be zero at year end.
Dunton Green Projects - S106	15		Funding for this project is held in an earmarked reserve and transferred at the year end.
Troubled Families Project	(22)		This is external funding received in advance and will be zero at year end.
West Kent Partnership Business Support	(19)		This is external funding received in advance and will be zero at year end.
Capital - Property Investment Strategy	91		This is mainly the option to purchase 2 properties on Croft Road. This will be funded from the Council approved Property Investment Strategy.

Future Issues/Risk Areas

The ability to offset property related costs to capital is dependant on financial guidelines. These costs will be monitored therefore the prudent approach is to currently treat as revenue.

**Lesley Bowles**  
**Chief Officer Communities and Business**

**Communities and Business - Investment Property- July 2017 Commentary**

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Revenue - Property Investment Strategy	(61)	(14)	This favourably revised forecast takes into account additional income from Pembroke Road and Sevenoaks High Street properties. It also caters for some voids during the course of the year. The 17/18 annual repayment of the internally funded loan is included here.

Future Issues/Risk Areas

Costs are likely to be incurred in preparing properties for future rentals.
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**Lesley Bowles**  
**Chief Officer Communities and Business**

**Corporate Services- July 2017 Commentary**

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Asset Maintenance IT	(75)		Spend as per 10 year asset maintenance plan – surplus to IT Asset Maintenance reserve at year end as agreed
Elections	10		The final accounts have not been submitted to the Electoral Claims Unit yet and so the balance for the costs of the Parliamentary General Election in June 2017 has not been received.
Land Charges	26	48	Challenging income target unlikely to be met.
Administrative Expenses Human Resources	25		Current overspend due to external advice
Support - Contact Centre	(17)		Underspend due to staff turnover, vacant posts in the process of being filled
Salaries	(13)		Underspend due to staff turnover, vacant posts in the process of being filled

Future Issues/Risk Areas

Contribution towards IT Development costs due to be met from savings elsewhere.  
Further costs likely for external HR advice

**Jim Carrington-West**  
**Chief Officer – Corporate Services**  
**August 2017**

### Environmental and Operational Services – July 2017 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	(23)		Planned Maintenance Programme being prepared.
Car Parks	42	(118)	Income £41,000 above profile offset by £54,000 spent on equipment purchased (P&D Machines) for new Bradbourne Car Park.
Car Parking – On Street	(37)		Income currently £62,000 above profile. Areas for expenditure identified to support parking plans.
Estates Mgt Buildings	15	30	Rates been paid for Meeting Point building in Swanley. Rates will continue to be due until building demolished.
Kent Resource Partnership	(259)		All partner Authorities now billed for their annual contribution to cover all expenditure in the year.
Licensing Partnership Hub Trading	(21)		Surplus on account mainly due to Manager and other vacancies in Licensing Team. Any surplus at year end shared between Partners or held in reserve for future expenditure requirements.
Parks Rural	12		Coppicing works continue in Farningham Wood. Income to be recovered by sale of timber felled. Works carried out in Shoreham and Andrews Wood.
Support – Central Offices	(5)	(10)	Savings in electricity costs following installation of LED lighting.
Support - General Admin	(33)	(25)	Savings on salaries due to vacancies
Taxis	(14)		Income ahead of profile. Savings on salaries due to vacancy.
Salaries – Emergency Planning & Property	(35)	(25)	Savings due to vacancies in FM Team. See comment on Support general admin, above.



Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Salaries – Environmental Health	(15)		Savings on salaries due to vacancies. Will be reflected in hub recharges for Commercial and Environmental Protection.
Salaries – Licensing	(22)		Savings on salaries due to vacancy. Reflected in Licensing regime and taxi budgets.
Salaries – Operational Services	(28)		Savings on salaries due to vacancies. Partly offset by use of agency staff. Reflected in Direct Services Trading Accounts.
Capital Vehicle Purchases	(65)		Expenditure below profile. Vehicle replacement programme to be delivered in the year.
Capital -Dunbrik Vehicle Workshop	(10)		Retention payment to be made at end of defect liability period.
Capital – DFG	(178)		Increased budget for 2017/18. Expenditure below profile. Any underspend at year end carried forward (externally funded).
Direct Services – Overall Trading Accounts	(62)	(40)	Income £9,000 below profile. Expenditure £71,000 below profile. Surplus £152,000 against a profiled surplus of £90,000.

#### Future Issues/Risk Areas

VAT on Car Park Overpayments (HMRC ruling) – we are awaiting further guidance from HMRC in relation to a recent Upper Tribunal Judgment which affects the VAT treatment of car park overpayments. The recent ruling amends previous guidance which considered overpayments to be outside the scope of VAT; the new ruling has deemed them to be consideration for parking and therefore liable for VAT.

**Richard Wilson**  
**Chief Officer Environmental & Operational Services**  
**August 2017**

### Finance - July 2017 Commentary

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Corporate Other	47		From the savings the Council is able to derive from vacant posts, it is forecast that the corporate savings target will be met by the year end.
Dartford Partnership Hub (SDC Costs)	(19)		Additional DWP grant funding received, some of which will be utilised to fund one-off IT costs.
Equalities Legislation	(19)	(19)	The Council no longer belongs to the West Kent Equalities arrangement.

#### Future Issues/Risk Areas

Universal Credit started in the district in October 2015 but has had minimal impact to date. Further roll-out will continue in 2018.

**Adrian Rowbotham**  
Chief Finance Officer

### Planning – July 2017 Commentary

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Planning Development Management	(97)		The planning fee income has significantly contributed to this position. However it should be noted that there are peaks and troughs in the submission of planning fees throughout the year with often a slow down in the submission of applications in the autumn.
Planning Enforcement	(16)		This is the result of an underspend on staff. Recruitment to the vacant team leader post has been unsuccessful up to now.
Planning Policy	(20)		This mainly relates to underspend on salaries with smaller elements being for grants to other bodies and internal printing.
Building Control	(25)		BC income slightly above expected profile. In part due to increase in fees from 1st April 2017
Salaries – Planning	(42)		This is the result of vacant posts which are in the process of being filled. Once recruited we will be in a better position to forecast
Capital - Affordable Housing	16		This relates predominantly to housing grants.
Capital - S106	38		Monies collected from development through these legal agreements are paid out to relevant schemes on a regular basis.
Capital - CIL Parish Councils	187		We continue to collect CIL from relevant development in line with our charging schedule and deliver monies to Parish and Town Councils in accordance with the schedule.

#### Future Issues/Risk Areas

The Government's commitment to raise planning application fees from 1 July 2017 has not materialised. Latest information suggests the rise may now come in the Autumn.

Pre-application fees will be revised in line with the Cabinet decision of March 2017, with new charges in the Autumn

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

Application fee income is always uncertain and will be monitored closely.

Staff turnover has been high in the past year, and recruiting to vacant planning posts continues to be difficult.

**Richard Morris**  
Chief Planning Officer