

Budget Monitoring Sheets for August 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 31st August 2017

Overall Financial Position

1. The year-end position is currently forecast to be a favourable variance of £108,000 which represents just under 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 £19,000 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, maintenance costs incurred during void periods, 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 was funded from internal borrowing and the annual repayment of £150,000 is also included in the year end forecast.

Other issues for year to date

3. 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 £146,000 below budget. There are variances in individual areas including Facilities, Operational Services and Planning; the larger variances are explained in the Chief Officer commentaries.
4. Income – Income from both Off-Street and On-Street parking is ahead of profile at the end of August. 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 and also Building Control is also ahead of profile at the end of August. Income from Land Charges is worse than profile and an adverse outturn is forecast.

Year End Forecast

5. The year end forecast is a favourable variance of £108,000.
6. 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 £58,000 below profile.
7. Savings expected from IT Development are not now expected to be achieved in 2017/18 and an adverse position of £51,000 is forecast.

8. Car Park income has given rise to a favourable variance but this is offset by additional expenditure for Pay and Display machines at Bradbourne car park reducing the expected year end position to £77,000 favourable.
9. 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 £30,000.
10. Land Charges – An unfavourable forecast of £48,000 due to income expectations being below a challenging target.
11. Savings are expected in operating expenses for Argyle Road as a result of staff vacancies and electricity savings following the installation of LED lighting.
12. Savings on salaries arising from staff turnover are now expected to exceed the vacancy savings budget by £40,000.
13. Investment Property – Net additional income of £19,000 is forecast.

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 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 but the savings are not likely to be made in this financial year.
 - 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.
 - 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 but a date has yet to be communicated.
 - Planning Pre-application fees will be revised in line with the Cabinet decision of March 2017, with new charges in the winter.
 - There remains the risk that planning decisions will be challenged, either at appeal or through the Courts.
 - Planning application income is always uncertain and will be monitored closely.
 - Staff turnover is currently high in Planning and recruiting to vacant posts continues to be 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. The budget of £1,999,000 represents the safety net level and the actual receipts can only exceed that figure.
16. 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.
17. 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.

Contacts:

| | | |
|------------------|-----------------------|----------|
| Adrian Rowbotham | Chief Finance Officer | ext 7153 |
| Helen Martin | Head of Finance | ext 7483 |

Communities and Business – August 2017 Commentary

| Service | Variance to date £000 | Forecast Annual Variance £000 | Explanation of variance and action planned (including changes from previous month) |
|--|--------------------------|-------------------------------------|--|
| Community Safety | 17 | | Spend ahead of profile and adjustment for new starter and vacancy contribution. This position is likely to change in September following the necessary adjustments |
| Homeless | (11) | | Underspend relating to fluctuations in call on bed and breakfast and temporary accommodation and staffing. |
| West Kent Partnership | (47) | | This is external funding received in advance and will be zero at year end. |
| Ext Funded: Choosing Health WK PCT | (10) | | This is external funding received in advance and will be zero at year end. |
| Ext Funded: Dunton Green Projects – S106 | 16 | | Funding for this project is held in an earmarked reserve and transferred in at the year end. |
| Ext Funded: PCT Initiatives | 11 | | Spending is currently ahead of profiled budget and will be offset external funding. |
| Ext Funded: Troubled Families Project | (22) | | This is external funding received in advance and will be zero at year end. |
| Ext Funded: West Kent Partnership Business Support | (17) | | This is external funding received in advance and will be zero at year end. |

| Service | Variance to date £000 | Forecast Annual Variance £000 | Explanation of variance and action planned (including changes from previous month) |
|---------------------------------------|--------------------------|-------------------------------------|--|
| Community Safety | 17 | | Spend ahead of profile and adjustment for new starter and vacancy contribution. This position is likely to change in September following the necessary adjustments |
| Salaries | 12 | | Primarily due to staffing adjustments in Community Safety and the vacancy contribution adjustment. This position is likely to change in September following the necessary adjustments |
| Capital: Property Investment Strategy | 191 | | This is 2 nd Floor Suffolk House Refurbishment and the option to purchase 2 properties on Croft Road. This will be funded from the Council approved Property Investment Strategy. |

Future Issues/Risk Areas

Whilst the capital sums required for investment in property are covered through the Council approved Property Investment Strategy funding, not all of the costs associated with this, eg feasibility fees, can be capitalised. The ability to offset property related costs to capital is dependant on financial guidelines. These costs will be monitored and capitalised where possible. In the interim, the prudent approach is to treat all of the associated costs as revenue.

Lesley Bowles
Chief Officer Communities and Business

Communities and Business – August 2017 Commentary

| Service | Variance to date £'000 | Forecast Annual Variance £000 | Explanation of variance and action planned (including changes from previous month) |
|--------------------------------|---------------------------|-------------------------------------|---|
| Investment Strategy Properties | 24 | (19) | 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. |

Future Issues/Risk Areas

Lesley Bowles
Chief Officer Communities and Business
September 2017

Corporate Services- August 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 | (97) | | Spend as per 10 year asset maintenance plan – surplus to IT Asset Maintenance reserve at year end as agreed |
| Elections | 13 | | 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 | 37 | 48 | Challenging income target unlikely to be met. |
| Administrative Expenses Human Resources | 26 | | Current overspend due to external advice |
| Support - Contact Centre | (17) | | Underspend due to staff turnover, vacant posts in the process of being filled |
| Support – IT | 23 | 51 | Contribution towards IT Development costs due to be met from savings elsewhere. |
| Salaries | (16) | | 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

Environmental and Operational Services – August 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 | (29) | | Planned Maintenance Programme being prepared. |
| Asset Maintenance Hever Road | 15 | | Works recently completed to drainage. |
| Car Parks | 59 | (77) | Income £32,000 above profile offset by £54,000 spent on equipment purchased (P&D Machines) for new Bradbourne Car Park. Favourable income forecast reflects additional Income from new Bradbourne spaces. |
| Car Parking – On Street | (51) | | Income currently £89,000 above profile. Areas for expenditure identified to support parking plans. |
| Estates Mgt Buildings | 13 | 30 | Rates have been paid for Meeting Point building in Swanley. Rates will continue to be due until building demolished. |
| Kent Resource Partnership | (238) | | All partner Authorities now billed for their annual contribution to cover all expenditure in the year. |
| Licensing Partnership Hub Trading | (31) | | 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. Agreed at Licensing Partnership Board to be held for future requirements. |
| Licensing Regime | (19) | | Income received ahead of profile. |
| Parks Rural | 28 | | Coppicing works continue in Farningham Wood. Income to be recovered by sale of timber felled. Works carried out in Shoreham and Andrews Wood. |

| Service | Variance to date £'000 | Forecast Annual Variance £000 | Explanation of variance and action planned (including changes from previous month) |
|--|---------------------------|----------------------------------|--|
| Private Sector Housing | (11) | | Savings on salaries. |
| Private Sector Housing Maintenance Operatives | 14 | | Expenditure on salaries plus set up costs incurred. Income to be recovered for works carried out. |
| Street Cleansing | (11) | | Emptying of dog bins now charged direct by trading account reducing DSO recharge. Money held for purchase of new litter bins later in the year. |
| Support - General Admin | (31) | (40) | Savings on salaries due to vacancies |
| Support - Direct Services | (10) | | Essential Health and Safety training to be delivered later in the year. |
| Taxis | (16) | (10) | Income ahead of profile. Savings on salaries due to vacancy. Taxi testing payments outstanding for July and August. |
| Salaries: Emergency Planning & Property | (28) | | Savings due to vacancies in FM Team. See comment on Support general admin, above. |
| Salaries: Licensing | (25) | | Savings on salaries due to vacancy. Reflected in Licensing regime and taxi budgets. |
| Salaries: Operational Services | (40) | | Savings on salaries due to vacancies. Partly offset by use of agency staff. Reflected in Direct Services Trading Accounts. |
| Capital: Vehicle Purchases | (82) | | Expenditure below profile. Vehicle replacement programme to be delivered in the year. |
| Capital: Dunbrik Vehicle Workshop | (13) | | Retention payment to be made at end of defect liability period. Still defects outstanding. Budget now includes new Capital project for Vehicle Wash upgrade. |

| Service | Variance to date £'000 | Forecast Annual Variance £000 | Explanation of variance and action planned (including changes from previous month) |
|---|---------------------------|----------------------------------|---|
| Capital : RHPCG - Energy Conservation | 12 | | Energy grants issued to be financed from external funds. |
| Capital - DFG | (215) | | Increased budget for 2017/18. Expenditure below profile. Any underspend at year end carried forward (externally funded). |
| Capital - Bradbourne Car Park | (298) | | Project completed. Final payment made. |
| Capital - Buckhurst 2 Multi- Storey Car Park | (620) | | Fee costs only up to Planning permission stage. Works due to commence January 2018. |
| Capital -Sennocke Hotel | (262) | | On site, on target. |
| Direct Services - Overall Trading Accounts | (40) | (40) | Income £18,000 below profile. Expenditure £58,000 below profile. Surplus £156,000 against a profiled surplus of £116,000. |

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

Finance – August 2017 Commentary

| Service | Variance to date £'000 | Forecast Annual Variance £000 | Explanation of variance and action planned (including changes from previous month) |
|--|---------------------------|-------------------------------------|---|
| Corporate Other | (19) | (40) | 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) | (32) | | 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. |
| Salaries | 13 | | Impact of vacancy savings requirements, temporary staffing arrangements & costs of advertising posts, however, salary costs expected to equalise throughout the year. Some external funds available to support resource in Revenues & Benefits. |

Future Issues/Risk Areas

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

Adrian Rowbotham
Chief Finance Officer

Planning – August 2017 Commentary

| Service | Variance to date £'000 | Forecast Annual Variance £000 | Explanation of variance and action planned (including changes from previous month) |
|---------------------------------|---------------------------|-------------------------------------|--|
| Planning Appeals | 19 | | This is the result of costs being awarded against the Council for an Appeal at Packhorse Road, Sevenoaks. |
| Planning Development Management | (81) | (15) | The planning fee income has significantly contributed to this position and several vacant posts . 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 | (18) | | This is the result of an underspend on staff. Recruitment to the vacant team leader post has been unsuccessful up to now. |
| Planning Policy | (28) | (4) | This mainly relates to an underspend on salaries with smaller elements being for grants and internal printing. |
| Building Control | (22) | | Income is slightly above profile. In part due to increase in fees from 1st April 2017. The incoming BC Partnership Manager will review the position on his arrival in late Sept / early Oct. |
| Salaries: Planning | (50) | (20) | This is the result of several vacant posts which are in the process of being filled. Once recruited we will be in a better position to revise the current forecast. |
| Capital: Affordable Housing | 18 | | This will be financed at the end of the financial year from S106 planning obligations receipts. |
| Capital: S106 | 38 | | Monies collected from development through these legal agreements are paid out to infrastructure providers – primarily KCC |

| Service | Variance to date £'000 | Forecast Annual Variance £000 | Explanation of variance and action planned (including changes from previous month) |
|------------------------------|---------------------------|-------------------------------------|---|
| 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 twice yearly |

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 although a date has not been communicated.

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

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