

FINANCIAL RESULTS 2017/18 - TO THE END OF SEPTEMBER 2017

Finance Advisory Committee - 14 November 2017

Report of Chief Finance Officer

Status: For consideration

Also considered by: Cabinet - 7 December 2017

Key Decision: No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Scholey

Contact Officer Veronica Wilson, Ext. 7436

Recommendation to Finance Advisory Committee: That the report be noted, and any comments forwarded to Cabinet.

Recommendation to Cabinet: Cabinet considers any comments from Finance Advisory Committee and notes the report.

Reason for recommendation: Sound financial governance of the Council.

Overall Financial Position

- 1 The year-end position is currently forecast to be a favourable variance of £103,000 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 are forecast to 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 £197,000 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 September. 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 September. 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 £103,000.
- 6 Land Charges are reporting an unfavourable forecast of £48,000 due to income expectations being below a challenging target.
- 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 equipment in relation to the Bradbourne car park reducing the expected year end position to £63,000 favourable.
- 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 are expected in relation to support and operating expenses for Argyle Road as a result of staff vacancies and electricity savings following the installation of LED lighting; a favourable variance totalling £55,000 has been forecast.
- 11 Savings on salaries arising from staff turnover are now expected to exceed the vacancy savings budget by £40,000.
- 12 The Council no longer belongs to the West Kent Equalities arrangement, realising a favourable variance of £19,000.

- 13 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 £99,000 below profile, offset by some underperforming areas of income including cesspool emptying and pest control.
- 14 Investment Property - Net additional income of £19,000 is forecast.
- 15 Interest receipts are currently forecasting an adverse variance of £6,000; this is as a result of low interest rates being offered for investments and also as a result of reducing balances following property acquisitions earlier this calendar year.

Future Issues and Risk areas

- 16 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 of the commencement of capital projects.
 - 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 come at the end of the calendar year.
 - Planning Pre-application fees will be revised in line with the Cabinet decision of March 2017, with new charges likely to come into force in January 2018.
 - There remains the risk that planning decisions and enforcement action 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.
- 17 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 £1,990,000 represents the safety net level and the actual receipts can only exceed that figure.

18 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.

19 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.

Key Implications

Financial

The financial implications are set out elsewhere in this report.

Legal Implications and Risk Assessment Statement.

Under section 151 of the Local Government Act 1972, the Section 151 officer has statutory duties in relation to the financial administration and stewardship of the authority.

Detailed budget monitoring is completed on a monthly basis where all variances are explained. Future risk items are also identified.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Appendices

Appendix - September Budget Monitoring

Background Papers:

None

Adrian Rowbotham
Chief Finance Officer