

## **BUDGET MONITORING - Strategic Commentary - As at 31 December 2011**

### **Overall Financial Position**

1. Nine months into the year the results to date show an overall favourable variance of £366,000, an improvement when compared with the previous month.
2. The year-end position is forecast to be £15,000 better than budget; slightly worse than the previous month.

### **Key Issues for the year to date**

3. **Income** – investment income is performing above target and is forecast to be better than budgeted at the year-end. This is due to higher than estimated balances and slightly higher rates being achieved during the year so far, and a favourable forecast is shown to reflect this improved position. However, looking forward the current rates being achieved are lower, with a consequent impact on returns.
4. Looking at the other main income sources, the position remains difficult. On-Street Parking, Building Control, Land Charges and Development Control income all continue to show adverse variances for the year to date.
5. Community Development external funding is ahead of profile, contributing to the favourable variance at present, but this will not have any impact on the year-end results.
6. **Pay costs** – the favourable trend has continued and the underspend for the year to date is now £302,000. Almost all services are showing a small underspend; in some cases these are offset by agency staff costs (particularly Direct Services), but there are a number of favourable variances forecast for year-end.
7. **Other** – Direct Services' results show an adverse variance of £100,000 compared to budget, due to increased fuel and waste disposal costs as well as a shortfall in income.

### **Year End Forecast**

8. The year-end position is forecast to be £15,000 better than budget, slightly worse than the previous month. Adverse variances have been forecast to reflect the adverse position for Direct Services to date, and the fact that some savings from partnership working will be achieved later than originally planned. Adverse forecasts are also shown for variable income sources such as Building Control and On-street parking. Favourable variances have been forecast for investment income and against some salary budgets.

9. In previous months, the risk of having a higher number of homeless people in bed and breakfast has been mentioned. This is now occurring but other savings are being made in Housing to largely offset this overspend.

### **Risk areas**

10. The current economic situation continues to have a real and potential impact on the Council's finances:

- The number of institutions meeting the Council's credit rating criteria of 'AA-' or better continues to be very few and the alternatives for placing funds will produce lower investment returns;
- property related income such as Development Control, Building Control, Land Charges and Capital Receipts remain vulnerable and parking income is also struggling;
- the Benefits workload is continuing at a higher level than before the recession, which is having an impact on processing times (though an action plan is in place to improve performance);
- Council Tax collection rates, though currently in line with the previous year, could be affected by increased unemployment and squeezed household incomes; and
- diesel prices continue at a high level and the financial impact seen in the last financial year is continuing.

11. Staff turnover remains relatively low. This has a positive impact on service delivery but puts at risk the achievement of the vacant post saving in future years. Conversely, in some specialist areas, experienced staff are proving difficult to recruit and so temporary staff are being used to cover vacancies. Where appropriate, apprenticeships are being considered to increase the pool of trained staff.

12. Planned savings through the generation of income, particularly from new partnership working, remain risk areas for the current and for future years. However, on a positive note, the Building Control Manager partnership with Tonbridge and Malling Borough Council is now in place and the Environmental Health partnership with Dartford Borough Council is now progressing to implementation.

### **Contacts:**

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## Community Development – December 2011 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)
Community Development Service Provisions	12	15	This is additional income to the Council from sale of Community Safety and health services to other Districts.
STAG Community Arts Centre	25		Invoice from the Stag received after the month end.
Partnership – Child (Ext Funded)	15		This is external funding received in advance and will be zero at the year end.
Partnership – Home Office (Ext Funded)	47		This is external funding received in advance and will be zero at the year end.
Choosing Health WK PCT (Ext Funded)	-21	-10	Additional expenditure (external funding) is offset by additional income shown in PCT initiatives below. In addition, project spend is slightly ahead of profile.
PCT Initiatives (Ext Funded)	18	10	Additional income (external funding) is offset by additional expenditure shown in Choosing Health above.
Cumulative Salaries – Ext Funded	-24	-20	Additional income offsets this additional expenditure on externally funded salaries.
Capital – Local Strategic Partnership	-12		This relates to externally funded capital projects bid for during the year. The cost to the Council is nil. The funds have already been received by the Council and are being held in a fund until the year end.
Capital – Parish Projects	50	51	West Kingsdown Village Hall project (already approved) could come forward this financial year but is more likely to start in 2012. Other projects are likely to come forward next financial year.

### Future Issues/Risk Areas

Required £3K in year savings have been made from the Community Safety budget (part of corporate in-year savings) and are identified above.

**Head of Community Development January 2012**

ITEM 1

(3)

## Development Services – December 2011 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)
Local Development Framework	17	13	There is a variation in the salaries budget due to delay in filling a vacant post. This includes £8k towards corporate 11/12 savings.
Planning – Appeals	4	-10	The anticipated variance is due to forthcoming public inquiries (see note 2 below). It is difficult to predict final expenditure for the year at this stage as there are a number of appeals outstanding but an estimate has been made based on current information. There is an increase in the number of public inquiries compared with recent years.
Planning – Dev. Control	7	-7	Several staff worked reduced hours. Vacancy not filled at start of year and part of the saving is due to the Planning Service manager trial. S106 and pre-application income is below expectation at present. Planning application fee income is consistent with the profiled budget but based on the last three months trend, we expect an overall under-achieved income of about £10,000.
Cumulative Salaries	55	58	Several staff worked reduced hours. Vacancy not filled at start of year. Variance is also due to the trial arrangement for the Planning Services Manager post.

### Future Issues/Risk Areas

1. Planning fee income trends are relatively volatile.
2. Anticipate extra costs from public inquiries at Badgers Mount, Four Winds – Westerham, Scollops Farm, Ide Hill and a Judicial Review (Serpentine Road, Sevenoaks). Additional public inquiry at Edenbridge now planned for 2012 – costs uncertain at present.
3. National announcement of increased Planning Application Fees following Government consultation has been delayed.

**Jim Kehoe**  
**Head of Development Services**  
**January 2012**

## Environmental & Operational Services – December 2011 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	-67	-66	Income £73,000 below budget profile for statutory work. Forecast total income for year £420,000 against an income budget of £480,000. Estimated £30,000 savings on structural checking budget. Budget includes £34,000 income for sharing Building Control Manager with Tonbridge and Malling Borough Council on a 50:50 basis. This arrangement commenced on 3 <sup>rd</sup> October 2011, (£21,000 shortfall).
Car Parks	23	-10	NNDR charge for full year £130,000 over budget.
CCTV	-27	-44	Budget contains £48,000 unidentified income, including contribution from Kent Police which will not be received. Some saving on transmission costs.
Clean Air	20	19	Income budget will not be realised for LAPC registration, based purely on number of premises. Forecast savings on consultants as detailed assessment will not be undertaken until 2012/13.
On-Street Parking	-41	-25	Income below profile due mainly to pay tickets and penalty charge notice income. Expenditure incurred with implementing the Knockholt Station pay and display scheme which will be offset by income from the scheme from the remainder of the financial year.
Licensing Partnership Hub (Trading)	25		Savings on hub costs for full year estimated at £32,000, of which SDC's 'share' approximately £10,000. <i>(This saving is reflected within the budget heading "Licensing Regime" on the statement – Finance).</i>
Licensing Regime	-22	-43	£14,000 forecast overspend on licensing hub contribution, partly offset by predicted savings on other hub costs. New partnership income and further unidentified income will not be realised. Income from fees above budget. <i>(Includes £10k as SDC share of hub costs – Finance).</i>
Minibus	6	8	Budget not required. Service ended.
Parks & Recreation Grounds	-26	-33	Budget contains additional income of £20,000 for Hollybush Bowls Club for rent to reflect actual cost of maintaining bowls green, (or the transfer of the green with full maintenance liability). Negotiations underway and transfer agreed, in principle, but not to take effect until April 2012. Maintenance costs above budget on Bradbourne Lakes, closed churchyards, Sevenoaks Environmental Park and Swanley sites.
Parks – Rural	25	30	Small savings over a number of budget headings.
Public Health	-59	-70	Budget contains £100,000 savings for implementation of shared working agreement with Dartford Borough Council, (£8,333/month). Implementation will not be until April 2012. Some savings achieved on this budget by not filling posts pending shared working agreement.

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Refuse Collection	41	50	Income £10,000 above profile for recycling credits and recycled material with 3 <sup>rd</sup> quarter claim now due. Some income in 2011/12 not booked back into old year, (actual income received higher than estimated income to be booked back). Additional expenditure incurred to maintain weekly collections over Christmas/New Year period. (Worked three Bank Holidays).
Street Naming	7	7	Income higher than budget and small savings on installation.
Support – Direct Services	20	10	Savings on internal printing and mobile phones. Savings currently on training, but courses need to be delivered on driver CPD and Health and Safety.
Taxis	16		Income higher than profile due to driver licence income to be spread over three years.
Cumulative Salaries – Operational Services	94		Savings in Direct Services Salaries reflected in trading account position, offset by expenditure on agency staff to maintain services.
Cumulative Salaries – Environmental Health	26	30	Savings on salaries reflected in Environmental Health service budgets.
Cumulative Salaries – Building Control	-1	-8	Savings on direct salaries reflected in Building Control budget are offset by expenditure on surveyor on loan from Tonbridge and Malling Borough Council, (charged as agency costs).
Cumulative Salaries – Parking & Amenity Services	26	25	One civil enforcement officer post and not filled and deleted from the establishment. Reflected in service budgets for car parks and on-street parking.
Capital – Playground Improvements	-42	15	Work completed on Edenbridge playground. Contribution of £39,000 to be received from a external funding.
Capital – Vehicle Purchases	513		Delays on new vehicle deliveries. Vehicle replacement programme will be achieved. Any in year underspends are carried forward into the vehicle replacement fund.
Estate Management – Grounds	6	8	Savings on maintenance costs.

ITEM 1

(6)

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 Trading Account	-100	-96	Surplus at end of December is £4,000 against a profiled surplus of £104,000. Diesel costs £28,700 over budget. Total expenditure on disposal charges, (cesspool and trade waste), £24,000 over budget. Total income down £211,000 on profile.

Future Issues/Risk Areas

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**Richard Wilson**  
**Head of Environmental & Operational Services**  
**January 2012**

## Finance & Human Resources – December 2011 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)
AMF Argyle Road	10		Timing difference only, no impact expected on year end.
AMF Support & Salaries	13		Outstanding payments for IT – under review.
Benefits Admin	-13		Expenditure to be moved to Dartford Partnership Hub (see comment below).
Dartford Partnership Hub (SDC Costs)	-30		All costs for Revenues, Benefits, Audit and Fraud partnership with Dartford BC now shown together. Expenditure across both authorities on these services being combined and balance due from DBC calculated.
Estates Management – Buildings	-16	-10	Rental income below budget, year-end variance forecast.
Markets	85	85	Additional income obtained, reflected in forecast.
Members	11	10	Slightly below budget on Members' allowances. Forecast amended accordingly but makes allowance for additional spend on IT allowance this year.
Misc Finance	8	-7	Rates £7k higher than budgeted, forecast amended accordingly.
Revenues & Benefits Partnership	-228		These are the implementation costs for the project that are to be shared 50:50 with DBC and funded from reserves.
Admin Expenses – Finance	13		Small underspends on printing and training, to keep under review.
Support – Central Offices	19	18	Underspend forecast due to expected reduced electricity costs and income from Moat Housing
Support – Contact Centre	22	10	Underspending on staff costs but two apprentices now recruited plus expecting spending on casual staff over Christmas. Forecast amended to reflect underspend.
Support – Finance Function	33	20	Forecast reflects current underspend on pay costs. Forecast variance does not reflect full underspend due to possible need to buy in extra resources to deliver on key projects required to deliver programmed savings for 2012-13.
Support – Personnel	-32	-32	Reflects the use of agency staff to cover the HR Manager vacant post, which is essential to maintain an adequate HR service.



Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Support – Property Function	26	27	Reflects underspend on pay costs in current year (part of saving already planned for future years).
Cumulative Salaries	41	25	Underspends across a number of headings, reflected in comments above. However, agency costs charged elsewhere, which reduces this underspend
Capital – Sevenoaks Town Centre	116	160	This capital scheme will continue into next year.
Capital – Horton Kirby Village Hall	-82		To be funded from S106 monies, no net cost to SDC.

#### Future Issues/Risk Areas

Investment income - all usual counterparties have ratings below AA-; the remaining options for placing the Council's investments are few and the interest rate likely to be achieved reduced.  
Benefits Admin – still experiencing a very high level of activity, with an impact on performance and potentially costs.

**Head of Finance & Human Resources  
December 2011**

## Housing & Communications – December 2011 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)
Consultation & Surveys	12	17	There will be savings in 12/13 but for the current year this will offset an overspend on other budgets in Housing and Communications.
External Communications	10	7	There will be savings in 12/13 but for the current year this will offset an overspend on other budgets in Housing and Communications.
Homeless	-47	-70	The recession in the last few months has now impacted on Housing at SDC and there is increased homelessness (across the county and nationally). Therefore, there has been an increase in the use of B&B. There have also been capacity issues in the team (being resolved) and West Kent HA has had several properties to decant due to schemes being developed which reduces the number of properties available to homeless. There are various short and long term solutions being put in place to minimise the issue and there have been discussions with WKHA to increase the number of properties available. It is anticipated to reduce the total overspend identified as around £70,000 year end by using some external funding and making savings in other areas, shown on commentary and delaying projects.
Housing	-10	8	This is mainly due to employing agency staff and the cost will be met fully from external grant and additional saving will contribute to offsetting the B&B overspend.
Private Sector Housing	19	14	There is a saving created by sharing a Housing Standard Officer post with the Energy Conservation Officer post. This financial year it will help to offset the overspend of the B&B budget.
Support – General Admin	10	6	This is a saving in the Communications budget and next year this will be a saving. This year it is helping to meet the cost of the B&B overspend.
Cumulative Salaries	-18	-21	As in private sector housing above.
Cumulative Salaries – Ext. Funded	-0	4	External funding and nil cost to SDC.
Capital – Improvement Grants	299		It is difficult to predict when works will be completed but the year end forecast is correct.

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Capital – WKHA Adaps for Disabled	-104		As above.
Capital – RHPCG 10-11 SDC	-30		External funding and nil cost to SDC.
Capital – Hever Road Gypsy Site	-168		External funding used to modernise the site and nil cost to SDC.
Capital – Hever Road Gypsy Site – Bomb Disposal	-19		SDC has only just found out the bid has not been successful however there may be further opportunities for funding which is being investigated, otherwise this will have to be met from existing budgets.

#### Future Issues/Risk Areas

Nationally, there has been an increase in homelessness and this has impacted on B&B use and has for SDC created an over spend. Various other issues as stated above have contributed to the overspend as well but all these are being addressed and the total overspend of B&B predicted at £70,000 year end will be greatly reduced to around £20,000 due to initiatives and savings made in other budgets.

**Head of Housing & Communications**  
**January 2012**

## IT & Facilities Management – December 2011 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)
Support – Central Offices – Facilities	16	10	Savings related primarily to corporate stationery (approximately £7k) but also minor underspends across a number of other codes.
Support – General Admin	34	-10	Underachievement in internal print income (including £10k forecast by Legal and Democratic Services and £5k forecast by Direct Services) coupled with underspend in corporate telephony. Current underspend due to a pending invoice from BT.
Support – IT	79		Year-end position expected to be on target. Current variance due to timings on project spends changing according to available resource.

Future Issues/Risk Areas

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**Head of IT & Facilities Management**  
**January 2012**

## Legal & Democratic Services – December 2011 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)
Action & Development	-19	0	Adverse variance is related to a 50% contribution to the Consultants engaged for the Environmental Health shared service work with Dartford BC and other legal fees and costs. An Action & Development Reserve is in place from which monies will be drawn down at year end, resulting in a nil variance.
Corporate Management	38	55	The positive variance is due to a current underspend against profile on Audit Fees with some invoices not yet received. It is forecast that Audit Fees will be lower than first anticipated and this is reflected in a revised forecast for that budget line.
Corporate Savings	36	-42	Vacant Posts savings target for 2011/12 has been met for the year. However adverse variance of £42k remains across the Corporate Savings budget with one-off savings targets currently a high risk.
Committee Admin	3	10	Savings on salaries.
Register of Electors	15	18	Annual canvass was completed using fewer canvasser hours this year.
Admin Expenses – Legal & Democratic	4	10	Unlikely to spend full budget on internal printing.
Support – Legal Function	-35	-44	Unlikely to receive full amount against income budget for S106 work of £30k. Now expecting similar income levels to 2010/11 of £5k. Market conditions not conducive to raising income from S106 agreements. Unlikely to achieve income budgets – see note on salaries below.
Cumulative Salaries	51	75	Underspend on salaries, offsetting non receipt of income from sharing staff with Tonbridge and Malling (Legal) and Maidstone (Democratic Services). Recruitment delays in filling some posts has helped to offset difficulty in achieving income budget within Legal services.
Capital – Modern Govt Document Management System	11		Scheme now likely to start in Feb 2012; re-scheduled to coincide with recruitment of new staff and volume of work on data migration.

Future Issues/Risk Areas

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Head of Legal & Democratic Services January 2012