

BUDGET MONITORING - Strategic Commentary - As at 30 June 2011

Overall Financial Position

1. Three months into the year the results to date show an overall favourable variance of £139,000, just under one percent of the net budget for the year.
2. The year-end position is forecast to be £182,000 worse than budget; is mainly due to savings from partnership working not expected to be achieved for the full year.

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. Looking at the other main income sources, only Car Park income shows a favourable variance for the first three months, Building Control, Land Charges, On-street Parking and Development Control all show adverse variances.
4. **Pay costs** - these are £22,000 favourable for the year to date.
5. **Other** – Direct Services are showing a small adverse variance for the first three months.

Year End Forecast

6. Three months into the year, the year-end position is forecast to be £182,000 worse than budget. Adverse variances have been forecast to reflect the fact that some savings from partnership working not expected to be achieved for the full year and a favourable variance has been forecast for investment income.
7. Heads of Service are looking into alternative ways of making the savings budgeted in their areas that are currently shown as adverse variations. If the same value of savings is not achievable within a Head of Service area, Management Team and Heads of Service will make other savings across the Council to ensure that the year-end position is within budget.

Risk areas

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

- property related income such as Development Control, Building Control, Land Charges and Capital Receipts remain vulnerable;
- 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 over the next two months);
- 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 are at the highest level seen and the financial impact seen in the last financial year is continuing.

9. 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.

10. Planned savings through the generation of income, particularly from partnership working, remain risk areas for the current and for future years.

Contacts:

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Community Development – June 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) |
|---------------------------------------|--|----------------------------------|--|
| West Kent Partnership | 17 | | This is partnership funding from Tonbridge & Malling and Tunbridge Wells received at the beginning of the year. The budget is to be re-profiled to reflect this. |
| Partnership – Child (Ext Funded) | 15 | | Partnership funding received in advance. |
| Capital – Local Strategic Partnership | -10 | | This relates to externally funded Capital projects bid for during the year. The cost to the council at the end of the year will be nil. |

Future Issues/Risk Areas

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**Head of Community Development
July 2011**

Development Services – June 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 | | This relates to annual grants paid to external bodies. We expect to receive payment requests this year. The variance is due to difference from profiled budget. |
| Cumulative Salaries | 11 | | There are currently several staff working reduced hours. Vacancy not filled at start of year and salary profiling to be updated. |

Future Issues/Risk Areas

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| <ul style="list-style-type: none"> (1) Planning Fee Income trends are relatively volatile. (2) Anticipate unexpected costs of public inquiry (Badgers Mount), and Judicial Review (Serpentine Road, Sevenoaks). |
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**Head of Development Services
July 2011**

Environmental & Operational Services – June 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 | -44 | -15 | <p>Income £41,000 below profile for Statutory work. A 3/12th profile would be a surplus of £31,800, so variance would be only £18,000.</p> <p>Budget includes income of £34,000 for shared working. Agreement to share Building Control Manager with Tonbridge and Malling Borough Council on a 50:50 basis, but this is not scheduled to commence until September 2011 (£15,000 shortfall).</p> <p>Meeting the annual budget income target of £480,463 must be considered to be a risk. (Achieved £422,339 in 2010/11).</p> |
| Clean Air | -18 | | Annual contract payment for air quality monitoring station paid in June (£23,000) - not profiled. |
| On-street Parking | -24 | -50 | Income £19,800 below profile on day ticket and PCN income. Budget includes income of £26,000 for shared working. Agreement to share Senior Traffic Engineer with Tonbridge and Malling Borough Council only commenced in June 2011 (£4,300 shortfall). |
| Parks and Recreation Grounds | -9 | -20 | Budget contains additional £20,000 income from Hollybush Bowls Club for rent to reflect actual cost of maintaining bowls green (or transfer of the green with full maintenance liability). Negotiations underway but must be considered a risk for 2011/12. |
| Public Health | -12 | -100 | <p>Budget contains £100,000 savings for implementation of shared working arrangement with Dartford Borough Council (£8,333/month). Full implementation unlikely to commence this financial year.</p> <p>No income received from Dartford for April – June 2011 for shared Manager arrangement (£9,607).</p> |
| Refuse Collection | 17 | 11 | £11,000 additional recycling credit income received in respect of fourth quarter in 2010/11 that was not booked back into old year. (Actual income received higher than estimated income to be booked back.) |
| Capital – Vehicle Purchases | 147 | | Vehicle replacement programme to be delivered within existing budget. |

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| Direct Services Trading Accounts | -32 | | Concerns with trade waste account (disposals costs) and cesspool emptying (disposal charges). Fuel costs £8,500 above budget. |
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Future Issues/Risk Areas

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Richard Wilson
Head of Environmental & Operational Services
July 2011

Finance & Human Resources – June 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 | 13 | | Fire alarm scheme is due to start in the Autumn. |
| AMF Leisure | -35 | | Timing differences. Will have no impact on year end. |
| Estates Management – Buildings | -20 | | Rates have been paid for the whole year. |
| Markets | 25 | 85 | Additional income due to the expansion of Swanley Market. |
| Support – Central Offices | 24 | | The large project due to come from this budget has not yet started. |
| Support – Contact Centre | 13 | | Currently underspending on salaries but expect this to reduce as we bring in temps over the Summer. |
| Support – Finance Function | 10 | 10 | Underspend on staff costs. |
| Support – General Admin | -14 | | Membership subscriptions paid for the full year |
| Capital – Sevenoaks Town Centre | 18 | | No expenditure to date in 2011/12. Future expenditure will depend on third party proposals for the site. |

Future Issues/Risk Areas

Investment income is currently ahead of budget due to higher than projected balances. Workload increases and inability to recruit benefits assessors is having a negative impact on turnaround times. Temporary staff have been brought in to improve performance but these are more expensive than permanent staff. It is expected that expenditure on Benefits will be contained within the existing budgets but this is being kept under review.

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

Housing & Communications – June 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) |
|---|--|----------------------------------|--|
| Energy Efficiency | 11 | | Currently there is a vacant post (Energy/Efficiency Officer 50% FTE). This is being looked at with a resolution in August 2011. |
| Housing | 12 | | There are outstanding invoices for two CAB's. These are being chased up. |
| Capital – Improvement Grants | 46 | | It is difficult to predict when works will be completed but it is expected to be within budget for the year. |
| Capital – WKHA Adaps for Disabled | -11 | | It is difficult to predict when works will be completed but it is expected to be within budget for the year. |
| Capital – RHPCG 10-11 SDC | -15 | | External funding has been received to fund this scheme resulting in no cost to the council. |
| Capital – Hever Road Gypsy Site Development | -100 | | A significant amount of work has been completed in the first three months of the year but will be within budget when the scheme is completed. |
| Capital - Hever Road Gypsy Site – Bomb Disposal | -32 | | A bid has been made from the Government to fund this exceptional work. If this bid is not successful the council will have to fund this expenditure. |

Future Issues/Risk Areas

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**Head of Housing & Communications
July 2011**

IT & Facilities Management – June 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 IT | 71 | | Profiling to be completed following adjustments to this area included in the agreed budget process from December 2010. |
| Support – Central Offices – Facilities | 10 | | Change in cleaning contracts has led to a discrepancy against the original profile due to timings of invoices. No annual variance to be forecast. |
| Support – IT | -55 | -60 | Forecast £60k overspend in GIS Maintenance code. This amount is to come from reserves as per the budget agreed in December 2010 regarding IDOX maintenance contracts. |

Future Issues/Risk Areas

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**Head of IT & Facilities Management
July 2011**

Legal & Democratic Services – June 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) |
|--------------------------|--|----------------------------------|---|
| Corporate Management | 34 | | Budget profiled to pay £34k for external audit fees by the end of June, but Invoices not yet received. |
| Corporate Savings | -3 | -100 | There is high risk that the vacancy saving of £100k will not be achieved. (Forecast shortfall £33k). Corporate level savings budget of £67k; Heads of Service have been asked to propose initiatives to meet this saving; high risk area. |
| Elections | -33 | | Cash will be drawn down from the reserve earmarked for district elections when the exact costs are known. |
| Register of Electors | 10 | | Some variances against profile, especially postages. Expected to be within budget at year end. |
| Support – Legal Function | -15 | | Adverse variance on income. Potential for generating income from S106 work is high risk area as market conditions are currently weak. |
| Cumulative Salaries | 18 | +40 | Vacancies in Democratic Services and Legal support. Forecast underspend on salaries to offset underachievement of partnership working income. |

Future Issues/Risk Areas

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| Income from land charges searches (budget of £185k) remains a very high risk area. |
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**Head of Legal & Democratic Services
July 2011**