

BUDGET MONITORING - Strategic Commentary - As at 28 February 2015

Overall Financial Position

1. Eleven months into the year the results to date show an overall favourable variance of £800,000.
2. The year-end position is forecast to be £809,000 better than budget; this is 5.6% of the net budget for the year.
3. Both the results to date and forecasts include any significant accruals.
4. Previously, the Chief Executive had set officers a target favourable variance of £500,000 in 2014/15 to enable:
 - funds to be put aside for development projects and asset maintenance;
 - funding of a Housing Stock Survey; and
 - in light of budget pressures expected in 2015/16, to apply any further favourable variance to the Budget Stabilisation Reserve.

In the light of increasing pressures on future years budgets this was reviewed to a target of £600,000. This is a challenging target but officers have made a concerted effort and their hard work is likely to result in a positive outcome which will help support the Council's budget going forward.

Key Issues for the year to date

5. **Income** from Planning, Land Charges and On Street Parking are showing a combined favourable variance of £319,000 at the end of February; income from car parking is currently £19,000 behind profile and the loss of income from Pembroke Road car park is now being offset by income from the additional surface car parking places adjacent to M&S. A grant of £97,000 has been received for the Transformation Challenge and is being used for efficiency work in Building Control.
6. **Pay costs** – the actual expenditure to date on salaried staff (excluding those who are externally funded) is £318,000 below budget, but £82,000 of that relates to Direct Services and may be offset by agency staff costs held within the trading account. There are currently favourable variances arising from vacant posts in Corporate Support, Direct Services and Planning. A small favourable variance would be expected at this time because the budget for 2014/15 includes provision for a 1% pay award but the award arrangements did not begin until December 2014.
7. **Other Variances** include some savings on CCTV (transmission costs) £27,000; deferred expenditure on administrative supplies £19,000; re-negotiated arrangements with Dartford regarding the partnership agreement, together with budgets for non-finance partnerships, where

work is currently being contained within existing budgets, accounts for current variances of £139,000. Other variances arise from underspending against budget on external audit fees and discretionary rate relief as addressed in the 2015/16 budget process. Funding in 14/15 for the new Economic Development & Property Team (originally entitled 'Broadband') shows an underspending of £70,000 arising as the project did not begin in April and this is likely to be requested for carry forward to 2015/16.

8. **Direct Services** – Direct Services' results show a positive variance of £116,000 compared to budget.

Year End Forecast

9. In summary, the year-end position is forecast to be a favourable variance of £809,000 and this arises for two reasons:

- net savings made during the year due to efficiencies, or where income receipts that have been greater than expected. (Where budget variances are expected to be ongoing, they were included as SCIA items for the 2015/16 budget).
- project activity, commonly time limited, originally scheduled to take place during 2014/15 which has been delayed or where the project start was deferred and the budget is still required to complete the project.

Favourable variances due to deferred project activity will be the subject of formal requests to FRAC to carry forward the budgets so that the projects can be commenced or continued in 2015/16.

Main reasons for the expected year end variance are given in the following paragraphs:

Significant variances forecast for 2014/15

10. Expenditure on software maintenance will exceed budget and this is reflected in growth item for the 2015/16 budget (SCIA 4).

11. The re-negotiation of the partnership agreement with Dartford BC for Revenues, Benefits, Audit and Fraud. (SCIA 11 refers).

12. External Audit fees will be £30,000 below budget in 2014/15 and this is offered as a saving for 2015/16 (SCIA 10).

13. Budgets for Discretionary Rate Relief (£106,000) are no longer required and this is offered as a SCIA saving for 2015/16. (SCIA 9).

14. Net expenditure on car parking is forecast to be £55,000 worse than budget at the year end.

15. Expenditure on asset maintenance (premises) is expected to be £58,000 over budget in 2014/15 due to some urgent works. In addition some one-off building maintenance work for Argyle Road is expected to be £159,000.
16. Direct Services expect to achieve a surplus that is £124,000 better than budget; savings on fuel purchases account for £30,000 of this.
17. Corporate savings arising from savings in vacant posts and market supplements are forecast to be £162,000.
18. £98,000 refunds of VAT in respect of car parking and trade waste were received from HMRC.
19. Over achievement of Planning income, arising mainly from a small number of high fee applications and increase in applications before the introduction of CIL gives rise to a year end favourable forecast for Development Management of £219,000.
20. Work on Corporate projects has been contained within overall budgets.

Likely Carry Forward Requests

21. Expenditure against project work funded from the Transformation Challenge award is currently £86,000 behind profile. Work is now committed but will take place after April 2015 and the budget will be needed in 2015/16.
22. There will be a favourable variance on budgets associated with the Economic Development and Property initiative as the project did not begin in April. These unspent budgets will be required to be carried forward to fund this time-limited project.
23. A Housing Stock survey is required but cannot now be completed before April 2015; the expected cost of this is £40,000.
24. The remaining Council Tax Support funding is needed to support the scheme going forward as ongoing funding is expected to reduce.

Future Issues and Risk areas

25. 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:
 - the investment strategy is constantly under review and reports are made regularly to FRAC;
 - asset maintenance costs may increase;
 - benefits workload continues at a higher level and additional resources are being used to address this; Universal Credit will impact on this council in October 2015;

- tax collection rates, though currently in line with the previous year are vulnerable and we are being proactive in contacting Council Tax Support customers;
- benefit fraud will move to the DCLG in February 2016. It is the intention to have a corporate fraud function after that date;
- following the introduction of retained business rates, the responsibility for payment of backdated appeals rests with this Council. The impact of any successful appeals is being closely monitored;
- there remains the risk that planning decisions will be challenged, either at appeal or through the Courts;
- our ability to collect s.106 monitoring contributions may be adversely affected by a recent judgement and this is being carefully reviewed;
- it has proved difficult to recruit to some vacant posts especially in Planning and Communities and Business;
- planning income from fees and pre-apps continues to overachieve, but application numbers are kept under close review.

26.Planned savings for 2014/15 total £479,000, including the generation of income, particularly from new partnership working, and this remains a risk area for future years.

Contacts:

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Communities and Business – February 2015 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)
Broadband	70		There will be a request for a carry forward as this forms a part of the funding for the new Economic Development & Property team going forward.
Leisure Contract	34	94	Rates - Discretionary Relief & Insurance underspend.
Falls Prevention (Ext Funded)	-10		Income for this project has been received and held in CDXFALLS – transfer to be made.
Repair & Renew Flood Support Scheme (Ext Funded)	-10		A claim was made from Government for this funding at the end of February. Payment awaited.
Salaries	-8	-14	Staffing costs are likely to exceed budget because of the setting up of the new Economic Development & Property team. However, this is offset by an equal underspend in other staff budgets. The ED & Property team staffing budgets for 2015/16 will be in line with planned expenditure.
Salaries (Ext Funded)	7	12	Externally funded salaries do not affect Council budgets. This is currently showing an underspend.
Capital – Big community Fund	-25		Members' projects. All expenditure on this code will be drawn down from the earmarked reserve at the year end.
Capital – Parish Projects	56	61	No projects have been identified to come forward by the year end. This will need to be rolled forward.
Capital – Property – Swanley WM Club	-1,302		To be drawn down from the Property Investment Fund at year end.

Future Issues/Risk Areas

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Lesley Bowles, Chief Officer Communities and Business
March 2015

Corporate Support – February 2015 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)
Asset Maintenance Argyle Road	32	51	Forecast underspend offset by one-off asset maintenance requirements funded from the "Support – Central Offices" cost centre. The two areas should be considered together.
Asset Maintenance Hever Road	-15	-14	Higher than anticipated maintenance costs incurred relating to buildings on the site.
Asset Maintenance IT	-151		Spend matches asset maintenance plan, with current year overspend supported by agreed rolling reserve.
Asset Maintenance Leisure	-15	-40	Forecast overspend due to increased requirement for maintenance in 2014/15 on ageing leisure assets.
Asset Maintenance Other Corporate Properties	-29	-22	Additional spend on condition surveys relating to ageing assets.
Estates Management – Buildings	10	12	Forecast underspend due to additional income achieved this year and reduction in maintenance expenditure on assets in this area.
Support – Central Offices	21	-38	Current year reflects additional backdated income charges recovered and reduced energy costs. These will be more than offset by one-off asset maintenance requirements. This cost centre should be looked at along with the "Asset Maintenance, Argyle Road" cost centre for a complete picture.
Support – Contact Centre	24	29	Underspend due to staff turnover and vacant posts.
Support – General Admin	-14	-24	EOY forecast reflects underspend on salaries due to in-year vacancies offset by underspend on internal print income from other areas.
Support – Human Resources	26	42	Underspend due to vacancies and maternity leave during the year.
Support – IT	-59	-55	Overspend due to increased costs for software maintenance, some one-off. Those ongoing have received growth in 2015/16.

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Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Salaries	100	119	Current and forecast underspend on salaries due to staff turnover throughout the year in all areas.
Capital – Horton Kirby Village Hall	-12		Overspend will be funded from Section 106 monies.
Capital – Back-up Generator	140		Carry forward to be requested as work likely to take place in early 2015/16.

Future Issues/Risk Areas

Any unspent funds at year end for Corporate Projects will be the subject of a request to roll over to the next financial year.
Asset Maintenance costs may increase. This is to be quantified further subject to condition surveys underway.

Chief Officer Corporate Support
March 2015

Environmental & Operational Services – February 2015 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)
Admin Expenses – Health	14	14	Savings on furniture, mobile phones and training.
Asset Maintenance CCTV	11		Budget to be fully utilised on upgrading CCTV equipment and feasibility study for shared control room.
Asset Maintenance Direct Services	-10	-20	Installation of lift complete. Improvements made to mess room, toilets and MOT waiting room.
Asset Maintenance Playgrounds	12	12	Small budget retained for any playground equipment replacement or repairs.
Asset Maintenance Public Toilets	13	12	Small budget retained for maintenance.
Building Control	-22	-30	Income only slightly below budget. Savings on structural checking fees. Budget contains income connected with former shared management arrangements with T&MBC.
Building Control Partnership Implementation & Project Costs	86		Transformation grant received from DCLG for IT integration of Building Control shared working with T&MBC. Budget fully committed and will be spent in 2015/16 (carry forward request).
Car Parks	-46	-55	Income £18,000 below profile on pay and display. First quarter rent paid for new Bligh's area in front of M&S. Energy and external printing costs over budget. On-street pay and display income has increased with motorists finding alternative on-street spaces.
Car Parks (VAT)	72	72	Refund of VAT over several years.
CCTV	-34	-35	Savings on transmission costs against profile. Budget contains challenging income targets which will only be partly offset by savings made during the year.
EH Animal Control	-20	-20	Over expenditure on kennel fees and vet fees, and reduced income due to owners not recovering dogs collected as strays.

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
EH Commercial	12	10	Savings on hub costs due to reduced working hours of one EHO. £5000 grant received from KCC for Business Well Being Award. Use of contractors for catch up on volume food inspections.
EH Environmental Protection	29	30	Savings on air quality consultancy costs.
Estates Management – Grounds	-23	-25	Essential tree maintenance work required.
Land Charges	23	25	Income £40,000 above profile. Additional part time assistant employed to bring performance levels back to target.
Licensing Partnership Hub (Trading)	14		Licensing hub account currently £14,000 in 'surplus'. Any surplus at end of year invested in efficiency measures or shared between partner Authorities.
Licensing Regime	-12	-15	Budgets contain challenging income targets which will only be partly met by savings elsewhere. Actual income, from fees, slightly above target.
Parks & Recreation Grounds	-8	-20	Expenditure required at Bradbourne Lakes.
Parks – Rural	16	15	Annual grant received for Timberden Farm. Tree survey completed likely to result in maintenance costs.
Public Conveniences	-12	-12	Budget contains challenging income following transfer of conveniences.
Refuse Collection	33	30	Grant received from KRP for recycling promotion. Income for glass recycling higher than profile.
Street Naming	9	10	Income above profile. Expenditure below profile.
Support – Direct Services	13	7	Savings on internal printing and mobile phones. Training delivered in manual handling and driver CPD.
Taxis	10	10	Income from fee charges above profile.
Trade Waste (VAT)	26	26	Past years VAT refund received for Trade Waste Collection.
Salaries – Building Control	14	-5	Previous vacancies in team covered by agency surveyors. Joint working with T&MBC commenced 1 st October 2014. All posts now filled with permanent surveyors.

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Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Salaries – Environmental Health	10		Revised working hours by one EHO. Contractors employed to undertake volume food inspections.
Salaries – Licensing	11		Vacancies filled or covered by temporary contracts.
Salaries – Operational Services	82	89	Vacancies in Direct Services staff partly offset by use of agency staff to maintain services. Net effect shown on Direct Services trading accounts.
Salaries – Parking & Amenity Services	-45	-45	CEO vacancy now filled. Net effect shown on-street parking account.
Capital – Vehicle Purchases	303		Vehicle replacement programme fully committed. Any underspend due to delay in vehicle delivery and carried forward into the vehicle replacement fund.
Direct Services – Refuse	58	60	Fuel costs £30,000 below profile. Savings on fixed transport costs. Paid bulky income above profile.
Direct Services – Street Cleaning	31	30	Savings due to vacancies now filled. Savings in fuel costs.
Direct Services – Trade	-20	-19	Over expenditure of £25,000 on previous disposal charges (£130/tonne). Now delivery direct to Allington, Waste and Energy Plant, at £100/tonne.
Direct Services – Workshop	50	54	Income £79,000 above profile on vehicle repairs.
Direct Services – Green Waste	-8	-11	Income £57,000 above profile, through sale of bin permits and permits. Expenditure above profile on salaries, agency staff, transport repairs and purchase of new bins and sacks.
Direct Services – Overall Trading Position	116	124	Income £120,000 above profile. Expenditure £4000 above profile. Current surplus £205,000 (£116,000 above profile).

Future Issues/Risk Areas

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**Chief Officer Environmental & Operational Services
March 2015**

Financial Services – February 2015 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)
Admin Expenses – Chief Executive	16	16	Efficiencies due to the merger of several admin accounts.
Admin Expenses – Financial Services	10	15	Reduced spending on printing and publications.
Benefits Admin	35	45	Increased income following the re-negotiation of the partnership agreement with Dartford BC.
Corporate Management	148	166	The Council has been able to make a financial contribution to the targeted underspend for this year by committing to reducing spend on consultants and other services and through the quality of its work in producing the Statement of Accounts ensuring no additional external audit charges are levied and the fees for the year are as programmed by the Audit Commission.
Corporate Savings	172	162	The savings created from the Council's vacant posts are in excess of the budget profile and expected spend on market supplements is beneath budget for the year.
Dartford Partnership Hub (SDC Costs)	-211	-188	Additional resources to help address the Benefits increased workload and to be proactive in contacting Council Tax Support customers. The funding of this additional cost will be shared with Dartford BC.
Dartford Partnership Implementation & Project Costs	174	188	External funding received that will fund SDC's share of the Benefits increased workload as above.
Local Tax	94	152	Increased income following the re-negotiation of the partnership agreement with Dartford BC.
Members	32	34	Some Members do not claim their full allowance and the rules state that Members cannot claim more than one Special Responsibility Allowance.
Misc. Finance	-333	-277	Budget for Discretionary Rate Relief not required. Costs associated with development projects are included here.
Performance Improvement	14	16	The variance is as a result of New Burdens Grant to assist the Council in managing applications under the Community Rights legislation. The work required to administer the scheme has been absorbed in to the work of the Transformation & Strategy service at no additional cost.
Support – Audit Function	-18	-23	Two vacancies contributing to the vacancy pot. The impact of this is shown here as they are Sevenoaks specific, but the salary budgets are included in the partnership hub.

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 – Finance Function	45	45	Work on non finance partnerships is currently being contained within original resources.
Support – General Admin	-11	-7	Unexpected increase in insurance premiums.
Salaries	-108	-122	Agency staff are being used to help address the Benefits increased workload and to be proactive in contacting Council Tax Support customers.
Capital – LGA Municipal Bonds Agency	-50	-50	Contribution to set up costs of the Agency agreed after the budget was set.

Future Issues/Risk Areas

Benefit Fraud will move to the DCLG in February 2016. It is the intention to have a corporate fraud function after this date.
Universal Credit will impact this Council from October 2015.

Chief Finance Officer
March 2015

Housing – February 2015 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)
Gypsy Site	-1	-12	Additional work on the site, to bring several pitches up to standard due to damage discovered after several long standing tenants left. This is mainly offset by a waste water refund and balance of grant used.
Homelessness Funding	10		External funding which does not affect Council budgets.
Housing	9	11	This is due to staff vacancies.
Housing Option – Trailblazer	24		External funding does not affect Council budgets.
Private Sector Housing	12	4	Saving on staff has already been forecast and expenditure not in line with profiling. End of year forecast correct.
Salaries	14	12	Staffing vacancies as identified above. End of year forecast correct.
Salaries (Ext Funded)	11	10	This is external funding and does not affect Council budgets.
Capital - Improvement Grants	132		Invoices received will be paid once checked. Approvals have been made and in place therefore work has been committed and in some cases in progress but will not be completed by the end of March15. With Members approval this grant can be rolled forward.
Capital – WKHA Adaps for Disabled	87		There are several invoices outstanding which should be paid before year end.
Capital - SDC / RHPCG	-25		External funding which does not affect Council Budgets.

Future Issues/Risk Areas

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**Chief Housing Officer
March 2015**

Legal & Governance – February 2015 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)
Admin Expenses – Legal & Governance	8	10	Due to the continued reduction in Committee reports and the reduction in paper copies distribution we anticipate an underspend on internal printing.
Support – Legal Function	31	28	Income generated from s.106 agreements and miscellaneous sources exceeded expectations for the first quarter. However, the new CIL arrangements came into place 4th August 2014 which has already resulted in a reduction in income. There is currently a part time vacancy, the savings of which are being used to cover additional workload requirements within the Election Team.
Salaries	-37	-35	Additional resources to cover the increased workload as a result of the Individual Electoral Registration (IER) and research in relation to the procedures for the new election processes. This will be met from the IER grant and savings in salaries in other Legal and Governance areas.

Future Issues/Risk Areas

**Chief Officer Legal & Governance
March 2015**

Planning Services – February 2015 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)
Fort Halstead	15	15	This is income from the planning performance agreement relating to the application at Fort Halstead.
LDF Expenditure	-42	-41	Rather than funding policy work from the LDF reserve we will make use of the in-year overachievement in fee income.
Planning – Appeals	22	11	This variance is a result of underspending on consultants and legal costs. However this is partially offset by costs awarded against the Council, and expenditure on the public inquiry for Singles Cross.
Planning – Development Management	227	219	The overachievement on fee income is the result of a relatively small number of high fee applications and an increase in application numbers throughout the year.
Planning – Enforcement	21	21	This is a result of a vacant administrative post.
Planning Policy	31	-49	Rather than funding policy work from the LDF reserve we will make use of the in-year overachievement in fee income.
Salaries	113	130	The underspend is due to an element of part time working, posts being vacant as we go through the recruitment process, unsuccessful recruitment attempts and a vacancy arising from maternity leave.
Capital – Affordable Housing	-252		This will be financed at the end of the year from S106 planning obligations receipts. Payments include; Moat Homes Limited; Sevenoaks Almshouses
Capital – S106 Capital	-701		This will be financed at the end of the year from S106 planning obligations receipts. Current spend includes the agreement arising from the West Kent Cold Store development.

Future Issues/Risk Areas

There remains the risk that planning decisions will be challenged, either at appeal or through the Courts.
 Fee income on applications and pre-apps continues to overachieve. Application numbers & income are kept under close review.
 Our ability to collect S106 monitoring contributions may be adversely effected by a recent judgement – this will be carefully reviewed.

**Chief Planning Officer
 March 2015**