

## FINANCIAL RESULTS 2016/17 – TO THE END OF DECEMBER 2016

### Finance Advisory Committee – 31 January 2017

Report of Chief Finance Officer

Status: For consideration

Also considered by: Cabinet – 9 February 2017

Key Decision: No

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

Portfolio Holder Cllr. Scholey

Contact Officer(s) Helen Martin Ext. 7483

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**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

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**Reason for recommendation:** Sound financial governance of the Council.

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### Overall Financial Position

1. The year-end position is currently forecast to be an unfavourable variance of £10,000, subject to Council approval to a supplementary estimate of £210,000 that was recommended by Finance Advisory Committee on 15<sup>th</sup> November.

### Key Issues for the year to date regarding Property Investment Strategy

2. Property Investment Strategy Income – this represents income derived from the acquisitions of commercial property in Sevenoaks and Swanley. The net income from acquisitions to date will be £110,000 less than originally budgeted for 2016/17 due to refurbishment works and a rent free period awarded at the start of a new ten year lease. This will result in additional income over the 10-year

budget period. Investigations into further acquisitions are continuing in line with the strategy.

3. Car Park income is currently below budget and forecast to be £66,000 worse than budget for 16/17. Bradbourne Car Park closed in August and this has resulted in loss of income; however on street parking has delivered increased income.
4. 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 £47,000.

#### **Other issues for year to date**

5. 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 £43,000 less than budget. There are variances in individual areas and the larger variances are explained in the Chief Officer commentaries.
6. Income – Land Charges income is £50,000 worse than the challenging income budget, but this is offset by some salary savings. Development Management income is currently £62,000 better than budget reflecting a small number of high fee applications.

#### **Year End Forecast**

7. The year end forecast is an unfavourable £10k. Against the original approved budget the year-end position is forecast to be an unfavourable variance of £220,000, however, within that variance are several items where additional revenue expenditure will be incurred in this financial year as a consequence of longer term capital projects that will generate income in later years. Cabinet on 1 December resolved that a supplementary estimate of £210,000 should be approved to cover the short term revenue consequences of the Property Investment Strategy.
8. Corporate salaries will exceed original budget following the appointment of additional IT development staff, but these costs will be met from the Corporate Projects Reserve.
9. Building Control income is currently below profile and employee and agency costs will exceed budget.
10. Parks Rural – costs are likely to exceed budget this year by £60,000 because of the costs of coppicing work at Farningham Woods. These costs will be offset by additional income that will be received in 2017/18.

11. Refuse Collection – Income from sale of recyclate, particularly glass, is expected to be £30,000 worse than budget.
12. The budgeted surplus for the Direct Services Trading account is forecast to be £111,000 better than budget. The budgeted surplus has increased from £82,000 to £92,000 as part of budget adjustments for the Management Review (SCIA 20). Expenditure for the year is forecast to exceed budget by £64,000, however income is forecast to be £175,000 better than original budget.
13. Planning salaries are forecast to be £90,000 under budget following multiple changes in post, some of which remain unfilled.

### **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 expenditure is incurred;
  - Additional developers have been employed within IT to achieve key projects; they will be funded from the Corporate Projects Reserve;
  - Fluctuations in the price of diesel
  - Planning fee income remains uncertain and is being closely monitored;
  - There remains the risk that planning decisions will be challenged, either at appeal or through the Courts; the Council has received an indication of significant appeal costs for cases in Swanley and Edenbridge.
  - Staff turnover is currently high in Planning and recruiting to vacant posts is increasingly 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. An initial forecast of £23,000 additional income has been included at this stage.
16. Planned savings for 2016/17 total £412,000, including savings from the senior management re-structure, 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 and externally funded projects 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 – December 2016 Budget Monitoring

Background Papers:

None

**Adrian Rowbotham**

**Chief Finance Officer**