

## Budget Monitoring Sheets for January 2018

### **Contents**

- 1 Commentaries
- 2 Overall Summary
- 3 Overall Summary by Service
- 4 Cumulative Salary Monitoring
- 5 Direct Services Trading accounts
- 6 Investment Income
- 7 Staffing Statistics
- 8 Reserves
- 9 Capital
- 10 Income Graphs

## **BUDGET MONITORING - Strategic Commentary - As at 31<sup>st</sup> January 2018**

### **Overall Financial Position**

1. The year-end position is currently forecast to be a favourable variance of £16,000.

### **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 £45,000 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 expenditure to date on staff costs, (including agency cover and costs of advertising for professional posts, but excluding those who are externally funded) is £358,000 below budget. There are variances across all service areas; 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 January. Income from Development Management and also Building Control is also ahead of profile at the end of January. Income from Land Charges is lower than profile and an adverse outturn is forecast.

### **Year End Forecast**

5. The year end forecast position is a favourable variance of £16,000; this has arisen from a number of different areas. Chief Officers have provided commentaries in relation to forecast movements; following are details of the larger forecast variances contributing to the outturn position.

### **Favourable variances**

6. 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 £75,000 has been forecast.
7. Savings on salaries arising from staff turnover are expected to exceed the vacancy savings budget by £66,000.
8. A number of large planning applications have been received during the year; this alongside salary savings has resulted in a favourable variance being forecast by Planning – Development Management totalling £104,000.
9. The Council no longer belongs to the West Kent Equalities arrangement, with the service being undertaken in-house, realising a favourable variance of £19,000.
10. 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 below profile, offset by some underperforming areas of income including cesspool emptying and pest control.
11. Investment Property – Net additional income of £45,000 is forecast.

### **Unfavourable variances**

12. Following capital works commencing on both the Sennocke and Buckhurst 2 sites during the year, car park users have been re-allocated to other car parks or on-street parking sites; this has impacted on income levels, however, this has been offset slightly by additional income from the decked Bradbourne car park, which opened in April 18. Expenditure forecasts are reflective of equipment purchases, business rate movements and rental payments; an adverse variance is forecast totalling £110,000.
13. Land Charges are reporting an unfavourable forecast of £78,000 due to income expectations being below a challenging target.
14. Savings expected from IT Development are not now expected to be achieved in 2017/18 and an adverse position of £51,000 is forecast.
15. 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.

16. Economic Development Property is forecast to incur expenditure in relation to feasibility studies and other preparation work related to the property investment projects; whilst it is anticipated that some of this expenditure may be off-set against capital receipts generated from disposals, current expenditure over budget levels is forecast to be £55,000.

#### **Future Issues and Risk areas**

17. 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.
  - Contribution towards IT development costs due to be met from savings elsewhere.
  - Further costs are likely for obtaining external HR advice.
  - Land Charges income continues below expected target; current charging scales to be reviewed.
  - 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 full service of Universal Credit will commence from November 2018. Migration for existing claims will be phased after this date; with pension cases being retained. Regular liaison meetings are taking place between DBC/SDC managers and DWP partnership managers.
  - The Government has announced that planning fees will rise from 17 January 2018.
  - New pre-application fees will take effect from 1 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.
18. 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.

19. 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.
20. 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.

Contacts:

|                  |                       |          |
|------------------|-----------------------|----------|
| Adrian Rowbotham | Chief Finance Officer | ext 7153 |
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### Communities and Business – January 2018 Commentary

| Service                                  | Variance to Date<br>£000 | Forecast Annual<br>Variance<br>£000 | Explanation of Variance and Action Planned (including changes from previous month)   |
|--|--------------------------|-------------------------------------|--|
| Community Safety                         | 14                       | 10                                  | Spend slightly ahead of forecast, adjustment relates to new starter and vacancy contribution. Salaries overspend will be compensated by salaries underspend elsewhere in the service.  |
| Economic Development Property            | (15)                     | 55                                  | This is due to a vacant Property graduate post, spending on feasibility studies and other preparation work for property investment projects. This has been highlighted as a risk throughout the year. Depending on the financial guidelines some of the expenditure may be capitalised. This is being monitored. |
| Homeless                                 | (21)                     | (21)                                | This underspend mainly relates to vacant posts, a recruitment process is being undertaken.   |
| Housing                                  | (13)                     | (25)                                | This underspend mainly relates to a vacant posts.  |
| Housing Energy Retraining Options (HERO) | 11                       |                                     | Additional HERO expenditure to be funded from Trailblazer - external funding.  |
| Leisure Contract                         | (12)                     |                                     | Leisure expenditure outstanding.   |
| Tourism                                  | (10)                     |                                     | Tourism subscription invoice now planned for second half of the financial year.  |
| Ext Funded: Dunton Green Projects – S106 | 16                       |                                     | Funding for this project is held in an earmarked reserve and transferred in at the year end.   |
| PCT Initiatives                          | (19)                     |                                     | Funding received ahead of planned spend – invoice has been chased.   |

| Service                               | Variance to Date<br>£000 | Forecast Annual<br>Variance<br>£000 | Explanation of Variance and Action Planned (including changes from previous month)   |
|---------------------------------------|--------------------------|-------------------------------------|--|
| Salaries                              | (28)                     | (36)                                | This favourable position has been identified in various services above.  |
| Salaries – externally funded          | 13                       | 40                                  | Additional staff during year, fully funded from new bids (HERO/ West Kent Enterprise Advisor).   |
| Capital: Property Investment Strategy | 202                      |                                     | This is 2 <sup>nd</sup> Floor Suffolk House Refurbishment and the option to purchase 2 properties on Croft Road. This will be funded from the Council approved Property Investment Strategy. |

#### Future Issues/Risk Areas

Whilst the capital sums required for investment in property are covered through the Council approved Property Investment Strategy funding, not all of the costs associated with this, e.g. feasibility fees, can be capitalised. The ability to offset property related costs to capital is dependant on financial guidelines. These costs will be monitored and capitalised where possible. In the interim, the prudent approach is to treat all of the associated costs as revenue.

**Lesley Bowles**  
**Chief Officer Communities and Business**  
**February 2018**

**Communities and Business – January 2018 Commentary**

| Service                        | Variance to Date<br>£000 | Forecast Annual<br>Variance<br>£000 | Explanation of Variance and Action Planned (including changes from previous month)  |
|--------------------------------|--------------------------|-------------------------------------|---|
| Investment Strategy Properties | (97)                     | (45)                                | This favourably revised forecast takes into account additional income from Pembroke Road, Sevenoaks High Street and updated rent on Suffolk House. It also caters for some voids during the course of the year. |

Future Issues/Risk Areas

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**Lesley Bowles**  
**Chief Officer Communities and Business**  
**February 2018**

### Corporate Services- January 2018 Commentary

| Service                                    | Variance to Date<br>£000 | Forecast Annual<br>Variance<br>£000 | Explanation of Variance and Action Planned (including changes from previous month)   |
|--|--------------------------|-------------------------------------|--|
| Asset Maintenance IT                       | (57)                     |                                     | Spend as per 10-year asset maintenance plan – surplus to IT Asset Maintenance reserve at year end as agreed  |
| Elections                                  | 15                       |                                     | The final accounts have been submitted to the Electoral Claims Unit, however the balance for the costs of the Parliamentary General Election in June 2017 has not yet been received.                                       |
| Register of Electors                       | (39)                     |                                     | Additional resource sought for Electoral Registration in Q4 2017/18. Recruitment process currently active but expenditure unlikely until April 2018 due to delays incurred earlier in the year from unscheduled elections. |
| Land Charges                               | 72                       | 78                                  | Challenging income target unlikely to be met.  |
| Street Naming                              | (13)                     | (9)                                 | Overachievement on expected income offset by service cost within the GIS team  |
| Administrative Expenses<br>Human Resources | 42                       | 50                                  | Current overspend due to external advice.  |
| Support -<br>Contact Centre                | (22)                     | (25)                                | Underspend due to staff turnover, vacant posts in the process of being filled.   |
| Support- Human<br>Resources                | 21                       |                                     | Spend on Corporate Training initiatives offset by underspend on local training budgets.  |
| Salaries: Corporate<br>Services            | (39)                     | (61)                                | Underspend due to staff turnover, vacant posts in the process of being filled.   |

Future Issues/Risk Areas

Contribution towards IT Development costs due to be met from savings elsewhere.  
Further costs likely for external HR advice  
Land Charges income continues below expected target. Current charging scales to be reviewed.

**Jim Carrington-West**  
**Chief Officer - Corporate Services**  
**February 2018**

### Environmental and Operational Services – January 2018 Commentary

| Service                        | Variance to Date<br>£000 | Forecast Annual<br>Variance<br>£000 | Explanation of Variance and Action Planned (including changes from previous month)   |
|--------------------------------|--------------------------|-------------------------------------|--|
| Asset Maintenance<br>Argyle Rd | (13)                     |                                     | Planned Maintenance Programme prepared; works now prioritised by SMT.  |
| Car Parks                      | 113                      | 110                                 | Income above profile offset by spend on equipment purchased (P&D Machines) for new Bradbourne Car Park. Favourable income forecast reflects additional Income from new Bradbourne spaces. New Blighs Car Park rental paid to Dec 2017. NNDR bill for Sennocke now refunded. NNDR bill for Bradbourne paid in December. |
| Car Parking – On<br>Street     | (43)                     |                                     | Income currently £110,000 above profile. Areas for expenditure identified to support parking plans.  |
| CCTV                           | 18                       | 23                                  | Challenging income targets (£33K) will not be met. Partly offset by expenditure savings.   |
| EH Commercial                  | 15                       |                                     | Use of Contractors for Food Hygiene inspections to cover for vacancies. Barrister fees to be recovered.  |
| EH Environmental<br>Protection | 11                       | 10                                  | All LAPPC Inspections completed and fees paid. There will be a £10,000 shortfall in income due to number of premises registered.   |
| Estate Mgt –<br>Buildings      | 18                       | 30                                  | Rates paid for Meeting Point Building in Swanley. Rates will continue to be due until building demolished.   |
| Estates Mgt –<br>Grounds       | 13                       | 15                                  | Essential tree work not included for in maintenance budget.  |
| Kent Resource<br>Partnership   | (110)                    |                                     | All partner Authorities now billed for their annual contribution to cover all expenditure in the year.   |

| Service                                       | Variance to Date £000 | Forecast Annual Variance £000 | Explanation of Variance and Action Planned (including changes from previous month)   |
|---|-----------------------|-------------------------------|--|
| Licensing Partnership Hub (Trading)           | (56)                  |                               | Surplus on hub costs due mainly to vacancies in hub team. Surplus in Partnership hub is either shared by Partners or used to enhance Partnership activity (Training, new IT etc)                                 |
| Parks Rural                                   | 32                    | 20                            | Coppicing works continue in Farningham Wood; income to be recovered by sale of timber felled. Works carried out in Shoreham and Andrews Wood. Some income from felled timber may not be recovered until 2018/19. |
| Private Sector Housing                        | 46                    |                               | Works in default carried out to private property; to be recovered through a charge on the property.  |
| Private Sector Housing Maintenance Operatives | 29                    | 25                            | Expenditure on salaries plus set up costs incurred. Income to be recovered for works carried out.  |
| Refuse Collection                             | 95                    | 40                            | Income below profile for glass recyclate due to current low prices paid for cullet. Third quarter recycling credits profiled to be received but only just invoiced to KCC.                                       |
| Street Cleansing                              | (17)                  | (5)                           | New litter bins to be purchased later in the year.   |
| Support – Central Offices                     | (35)                  | (20)                          | Savings on energy. Rents for Argyle Road above profile.  |
| Support - General Admin                       | (63)                  | (50)                          | Savings on salaries due to vacancies   |
| Support - Direct Services                     | (14)                  | (10)                          | Savings on printing; mobile phones and training. Manual Handling Training to be delivered in the New Year.   |
| Taxis   | (26)                  | (15)                          | Income ahead of profile. Savings on salaries due to vacancy. Taxi testing payments outstanding for December.   |

| Service                                      | Variance to Date<br>£000 | Forecast Annual<br>Variance<br>£000 | Explanation of Variance and Action Planned (including changes from previous month)   |
|--|--------------------------|-------------------------------------|--|
| Salaries: Emergency Planning & Property      | (38)                     | (50)                                | Savings due to vacancies in FM Team. See comment on Support general admin, above.  |
| Salaries: Licensing                          | (61)                     |                                     | Savings on salaries due to vacancy. Reflected in Licensing regime and taxi budgets.  |
| Salaries: Operational Services               | (76)                     |                                     | Savings on salaries due to vacancies. Partly offset by use of agency staff. Reflected in Direct Services Trading Accounts.   |
| Capital: Vehicle Purchases                   | (173)                    |                                     | Expenditure below profile. Vehicle replacement programme to be delivered in the year. Any underspend is carried forward into vehicle replacement fund.   |
| Capital: Dunbrik Vehicle Workshop            | (23)                     |                                     | Retention payment to be made at end of defect liability period. Still defects outstanding. Budget now includes new Capital project for Vehicle Wash upgrade.                                     |
| Capital: RHPCG - Energy Conservation         | 12                       |                                     | Energy grants issued to be financed from external funds.   |
| Capital - DFG                                | (359)                    |                                     | Increased budget for 2017/18. Expenditure below profile. Any underspend at year end carried forward (externally funded). Additional £104,000 awarded for DFG's from DCLG to be spent by 31/3/18. |
| Capital - Bradbourne Car Park                | (631)                    |                                     | Project completed. Final payment made.   |
| Capital - Buckhurst 2 Multi- Storey Car Park | 293                      |                                     | Fee costs only up to Planning permission stage. Works commenced January 2018.  |
| Capital -Sennocke Hotel                      | 1,255                    |                                     | On site, on target.  |

| Service                                    | Variance to Date<br>£000 | Forecast Annual<br>Variance<br>£000 | Explanation of Variance and Action Planned (including changes from previous month)   |
|--|--------------------------|-------------------------------------|--|
| Direct Services – Overall Trading Accounts | (71)                     | (40)                                | Income on target. Expenditure £70,000 below profile. Surplus £187,000 against a profiled surplus of £116,000. Income below target on: cesspool emptying; pest control and construction team. Expenditure over target on green waste service. Expenditure required for new staffing and to cover Christmas/New Year refuse collection arrangements. |

Future Issues/Risk Areas

VAT on Car Park Overpayments (HMRC ruling) – we are awaiting further guidance from HMRC in relation to a recent Upper Tribunal Judgment which affects the VAT treatment of car park overpayments. The recent ruling amends previous guidance which considered overpayments to be outside the scope of VAT; the new ruling has deemed them to be consideration for parking and therefore liable for VAT.

**Richard Wilson**  
**Chief Officer Environmental & Operational Services**  
**February 2018**

### Finance – January 2018 Commentary

| Service   | Variance to Date<br>£000 | Forecast Annual<br>Variance<br>£000 | Explanation of Variance and Action Planned (including changes from previous month)   |
|---|--------------------------|-------------------------------------|--|
| Corporate<br>Other                              | (50)                     | (66)                                | From the savings the Council is able to derive from vacant posts, it is forecast that the corporate savings target will be exceeded by the year end. |
| Equalities Legislation                          | (19)                     | (19)                                | The Council no longer belongs to the West Kent Equalities arrangement, as services are provided in-house.  |
| Administrative<br>Expenses – Chief<br>Executive | (13)                     | (1)                                 | Various underspends across the cost centre.  |
| Support- Finance<br>Function                    | 21                       |                                     | Impact of vacancy savings – budgets reduced, although limited savings made due to interim cover arrangements to ensure continuity of service.        |

#### Future Issues/Risk Areas

Universal Credit started in the district in October 2015 but has had minimal impact to date. The full service of Universal Credit, seeing the transfer of new claims to Universal Credit, will commence from November 2018. Migration for existing claims will be phased after this date; however, pensioner cases will be retained. Regular liaison meetings are taking place between DBC/SDC managers and DWP partnership managers.

**Adrian Rowbotham**  
**Chief Finance Officer**  
**February 2018**

### Planning – January 2018 Commentary

| Service                                      | Variance to Date<br>£000 | Forecast Annual<br>Variance<br>£000 | Explanation of Variance and Action Planned (including changes from previous month)   |
|--|--------------------------|-------------------------------------|--|
| Administrative Expenses<br>Planning Services | 36                       | 36                                  | This is training costs and the payment of professional fees.   |
| Planning – CIL<br>Administration             | (47)                     |                                     | Receipts ahead of profile. Note the monies can only be spent on the administration of the CIL process and any surplus would be re-invested into a CIL admin reserve.   |
| Planning -<br>Development<br>Management      | (152)                    | (104)                               | The planning fee income and several vacant posts have significantly contributed to this position. It should be noted that there are peaks and troughs in the submission of planning fees throughout the year and the increase in planning fees have just taken affect. |
| Planning<br>Enforcement                      | (34)                     | (33)                                | This is the result of an underspend on staff. Recruitment to the vacant team leader position has been unsuccessful up to now after three separate attempts.  |
| Planning Policy                              | (43)                     | (16)                                | This mainly relates to an underspend on salaries, with smaller elements being for grants and printing.   |
| Building Control                             | (26)                     | (30)                                | Income is slightly above profile, in part due to increase in fees from 1st April 2017.   |
| Salaries: Planning                           | (84)                     | (108)                               | This is the result of several vacant posts. Once recruitment has concluded we will be in a better position to revise the current forecast.   |
| Capital: Affordable<br>Housing               | 79                       |                                     | This will be financed at the end of the financial year from S106 planning obligations receipts.  |
| Capital: S106                                | 38                       |                                     | Monies collected from development through these legal agreements are paid out to infrastructure providers – primarily KCC.   |

| Service                      | Variance to Date<br>£000 | Forecast Annual<br>Variance<br>£000 | Explanation of Variance and Action Planned (including changes from previous month)   |
|------------------------------|--------------------------|-------------------------------------|--|
| Capital: CIL Parish Councils | 542                      |                                     | We continue to collect CIL from relevant development in line with our charging schedule and deliver monies to Parish and Town Councils in accordance with the schedule twice yearly. |

#### Future Issues/Risk Areas

The Government has announced that planning fees will rise from 17 January 2018.  
 New pre-application fees will take effect from 1 January 2018.  
 There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts.  
 Application fee income is always uncertain and will be monitored closely.  
 Staff turnover has been high in the past year, and recruiting to vacant planning posts continues to be difficult.

**Richard Morris**  
**Chief Planning Officer**  
**February 2018**