

FINANCIAL RESULTS 2017/18 - TO THE END OF JANUARY 2018

Cabinet - 19 April 2018

Report of Chief Finance Officer

Status: For consideration

Also considered by: Finance Advisory Committee - 27 March 2018

Key Decision: No

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

Portfolio Holder Cllr John Scholey

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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

Reason for recommendation: Sound financial governance of the Council.

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 in 2017, 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 rise in planning fees took effect from 17 January 2018, following the Government announcement.
- New pre-application fees took 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.

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 1 - January Budget Monitoring (Commentaries)
	Appendix 2 - January Budget Monitoring (Tables)
Background Papers	None

Adrian Rowbotham
Chief Finance Officer