

FINANCIAL RESULTS 2018/19 - TO THE END OF JULY 2018

Cabinet - 13 September 2018

Report of Chief Finance Officer

Status: For consideration

Also considered by: Finance Advisory Committee - 4 September 2018

Key Decision: No

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

Portfolio Holder Cllr. 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 an unfavourable variance of £20,000; this represents just over 0.01% of our net service expenditure budget totalling £14,687,000.

Year to Date - Areas of Note

2. Pay costs – the expenditure to date on staff costs is £258,000 below budget. There are currently vacancies within the majority of service areas; the largest salary underspends are being reported within Planning Services and Environmental & Operational Services. The impact of the larger salary variances are included within the Chief Officer commentaries.
3. Income – the Council receives a number of different income streams to help balance the budget; section 8 of the monitoring pack provides details in relation to the main streams. At the end of July, income is ahead of profile in Car Parks,

On-street Parking and Building Control. The level of on-street parking income has seen a slight increase, as large scale works are carried out in the car parks. Land Charges and Planning Fee income is currently lower than anticipated; Chief Officers are aware of risks and have provided further details in their commentaries.

4. Investment Returns – the return to date on the investments held by the Council has resulted in a favourable position being reported, with interest received to date totalling £70,000 compared to a budget of £46,000. For noting, the Bank of England base rate was increased by 0.25% to 0.75% on 2nd August 2018; this may further impact on investment returns going forward.
5. New Homes Bonus – the Council is due to receive £1,320,000 New Homes Bonus during 2018/19; as per the 10 year financial plan, this income will not be applied to fund the provision of services, instead it will be transferred to the Financial Plan Reserve to support the 10-year budget including ‘invest to save’ initiatives and support for the Property Investment Strategy.
6. Retained Business Rates – the Council is part of the 2018/19 Kent 100% Business Rates Retention pilot. An income expectation of £2.7m forms part of the budget; any receipts over and above this amount will be transferred to the Budget Stabilisation Reserve. Regular monitoring takes place, with any outturn amendments feeding into the outturn forecasts.

Year End Forecast

7. The year-end forecast position is an unfavourable variance of £20,000.

Net Service Expenditure - Favourable variances

8. The Council is providing Parking Enforcement to Tandridge District Council, as part of a contractual agreement; additional income totalling £35,000 has been forecast in relation to this arrangement.
9. Various underspends across Environmental & Operational Services support functions has resulted in a favourable variance of £52,000 being forecast; this is as a result of salary savings and savings on postage, phones, equipment and other minor expenditure areas.

Net Service Expenditure - Unfavourable variances

10. Business Rates have been paid for properties in Swanley that are being held for future development and this has given rise to an unfavourable variance of £35,000.

11. Anticipated lower levels of income from sale of glass and paper has contributed to an adverse variance forecast within the Refuse Collection service, totalling £72,000.
12. Savings/income from moving to internal enforcement agents for local tax recovery has not fully been realised, as arrangements have not been in place for the full year; this has contributed to an adverse variance of £27,000 being forecast within the Local Tax service.

Other Variances

13. Retained Business Rates – following the quarter 1 business rates pilot monitoring position, the Council are anticipating additional business rates receipts totalling £250,000. A corresponding transfer to the Budget Stabilisation Reserve has been forecast, to enable funds to be utilised in future years.
14. Interest Receipts – current levels of investment returns has resulted in £24,000 additional income being forecast.

Future Issues and Risk areas

15. 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:
 - There is the possibility of spend on property feasibility studies which may be capitalised if the project is feasible and taken forward. This is monitored carefully during the year.
 - Land Charges income remains challenging versus the budgeted amount, currently under review.
 - Expenditure to be incurred in replacing a utility block at Hever Road Travellers Site following a fire; to be recovered from insurance (as confirmed by Loss Adjuster).
 - 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.
 - There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts, and we have received an indication of significant appeal costs in Swanley. Final costs therefore remain uncertain.
 - Planning application fee income is uncertain and will be monitored closely.
 - Staff turnover, in Planning, remains high and recruiting to vacant posts continue to be difficult.

16. 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 - July Budget Monitoring
(Commentaries)

Appendix 2 - July Budget Monitoring (Tables)

Background Papers:

None

Adrian Rowbotham

Chief Finance Officer