

Budget Monitoring for September 2018

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BUDGET MONITORING - Strategic Commentary - As at 30th September 2018

Overall Financial Position

1. The year-end position is currently forecast to be an unfavourable variance of £99,000; this represents just over 0.67% 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 £351,000 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 September, income is ahead of profile in 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, Car Parks 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 £112,000 compared to a budget of £72,000. For noting, we are starting to see some amendments to available rates following the Bank of England base rate increase to 0.75% in August 2018.
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 Budget Stabilisation Reserve to be utilised as future needs arise.
6. Retained Business Rates – the Council is part of the 18/19 Kent 100% Business Rates Retention pilot. An income expectation of £2,700,000 forms part of the 18/19 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 £99,000. Following are details of the larger variances, both favourable and unfavourable.

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 £30,000 has been forecast in relation to this arrangement.
9. Various underspends across Environmental & Operational Services general admin support functions has resulted in a favourable variance of £32,000 being forecast; this is as a result of salary savings and savings on postage, phones, equipment and other minor expenditure areas.
10. The Council no longer belongs to the West Kent Equalities arrangement, with services being provided in-house; this has resulted in a favourable variance of £19,000.
11. From the savings the Council is able to derive from vacant posts, it is anticipated that the corporate savings target will be exceeded by the year end; this has resulted in a favourable variance of £20,000.
12. Salary savings within the Planning Service as a result of vacancies has resulted in favourable variances of £50,000 being forecast in Planning – Enforcement and £40,000 in Planning Policy.
13. A favourable variance of £24,000 has been forecast in the Audit Function owing to current vacancies within the service, partly offset by the secondment of an interim Audit Manager. As agreed by the Audit Committee members, the future direction of the Audit Service is currently under review.

Net Service Expenditure - Unfavourable variances

14. 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.
15. 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.

16. 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 £57,000 being forecast within the Local Tax service.
17. Contractor and consultant costs involved in the feasibility and legal work in the lead up to capital schemes has resulted in Economic Development Property forecasting of unfavourable variance of £45,000.
18. Unrealised income expectations with CCTV has resulted in an unfavourable variance of £22,000.
19. Planning – Appeals are forecasting an unfavourable variance of £29,000 following awards of costs.
20. Underachievement of planning income, partly off-set by salary savings from vacancies within the Planning – Development Management team, has resulted in an unfavourable variance of £48,000.
21. Environmental Protection has forecast a £10,000 underachievement of permitting income, owing to the number of Pollution Prevention and Control permits actually issued.
22. Rates paid for the temporary Morewood Close parking site, whilst Buckhurst 2 is being redeveloped, has contributed to an unfavourable variance of £15,000 being forecast in Car Parks.
23. The costs incurred in relation to Public Rights of Way and CON 29 have contributed to an unfavourable forecast of £40,000 in Land Charges.
24. A variance of £30,000 has been forecast by the Conservation service as a result of costs associated with Conservation Area Appraisal being undertaken by an expert consultant.

Other Variances

25. Retained Business Rates – following the qtr 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.

26. Interest Receipts – current levels of investment returns and possible rates available going forward has resulted in £70,000 additional income being forecast.
27. Investment Property Income – as agreed as part of the 18/19 budget setting process any surplus income received from Investment Properties will be transferred to a reserve to assist with any future maintenance or voids costs. It is anticipated that income will exceed budgeted levels this year and some of this will be transferred to a reserve, however some of the income will be utilised to off-set consultancy costs incurred within Economic Development in relation to Property Investment projects. As a result a £20,000 favourable variance has been forecast to reflect this.

Future Issues and Risk areas

28. 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:
 - Spend on property feasibility studies may be capitalised if the project is feasible and taken forward. This is monitored carefully during the year. A charge for £20,000 grant to Second Floor Studios has been allocated to the same budget and this will result in an overspend on this code. We are currently predicting an overspend of £45k at the year end with some feasibility work.
 - Land Charges income remains challenging versus the budgeted amount, currently under review.
 - Expenditure 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 is currently below budgeted profile. This is being closely monitored.
 - Staff turnover, in Planning, remains high and recruiting to vacant posts continues to be difficult.
 - Any surplus on the Investment Property budget will be transferred to a reserve as agreed at budget setting to assist with any future maintenance and voids.

29. 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.

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Communities and Business – September 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Community Safety	18	6	Spend ahead of profile relating to beginning of year expenditure and costs including Lizzie Yarnold victory bus tour and other projects. Additional expenditure has been necessary to bring the Convent of Mercy in Swanley under control including legal costs, physical costs of closing the building and other expenses. The budget will be carefully monitored during the remainder of the year but there may be an overspend, currently predicted at £6k.
Economic Development Property	22	45	This is mainly due to contractor/consultants costs involved in feasibility and legal work in the lead up to capital schemes. These costs are allocated to projects and where possible will be capitalised. However, there is likely to be an overspend. This includes feasibility for Bevan Place, High Street Swanley, small sites in Swanley, the leisure centre and small sites in Edenbridge.
Homeless	35		Additional expenditure for nightly paid emergency accommodation for homeless customers, offset to an extent by Housing Benefit reclaim. This current overspend against profile is likely to grow due to the national increase in the use of Bed and Breakfast. This overspend will be 100% offset at the year end by income from the Flexible Homelessness Fund.
Homelessness Prevention	10		Additional expenditure to reduce homelessness. As with the Homeless budget, this may grow due to the national increase in homelessness but the overspend will be offset at the year end by the Government's Flexible Homelessness Fund.
Housing Energy Retraining Options (HERO)	25		All HERO Officers currently being charged to this code but some of the income is in the Flexible Homelessness Support Fund and will be drawn down. Some partner contributions to be invoiced before the year end.
Leisure Contract	(12)		Invoice awaited for leisure centre feasibility study.

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Leisure Development	(10)		Invoice from Sencio received after the end of the month.
One You – Your Home Project	(21)		External funding for housing & health initiatives received in advance. Will be zero at year end.
PCT Initiatives	(16)		This is external funding for health initiatives received in advance. Will be zero at year end.
West Kent Enterprise Advisor Network	(13)		External funding for the enterprise network received in advance. Will be zero at year end.
West Kent Kick Start	(10)		This is external funding received in advance for business support. Will be zero at year end.

For noting, figures in brackets represent a favourable variance

Future Issues/Risk Areas

Spend on property feasibility studies may be capitalised if the project is feasible and taken forward. This is monitored carefully during the year. A charge for £20,000 grant to Second Floor Studios has been allocated to the same budget and this will result in an overspend on this code. We are currently predicting an overspend of £45k at the year end with some feasibility work.

Lesley Bowles
Chief Officer - Communities and Business
October 2018

Corporate Services – September 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Land Charges	26	40	Current variance due to reallocation of income to external sources required as part of the Land Search process. Proposed to be addressed through current budget process.
Administrative Expenses – Human Resources	38		Current overspend due to external legal costs.
Support – Human Resources	41		Current overspend partially due to external legal costs. This figure also includes training costs which when taken with budgets currently allocated to service areas is in line with allocated budgets.

For noting, figures in brackets represent a favourable variance

Future Issues/Risk Areas

Land Charges – Income remains challenging versus the budgeted amount, currently under review.

Jim Carrington-West
Chief Officer – Corporate Services
October 2018

Environmental and Operational Services – September 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Asset Maintenance Argyle Road	(32)		Expenditure currently below profile. It is anticipated that full budget will be needed in this year.
Asset Maintenance Other Corporate Properties	(13)		Expenditure below profile. Budget includes £15,000 for asset maintenance surveys to be carried out in October.
Asset Maintenance Direct Services	(14)		Expenditure currently below profile. It is anticipated that full budget will be needed this year.
Asset Maintenance Hever Road	26		Replacement of utility block following fire to be recovered through insurance.
Asset Maintenance Leisure	15		Works carried out to all leisure facilities but particularly White Oak and Sevenoaks Leisure Centre.
Car Parks	84	15	Although income on profile, rent for new Bligh's car park paid up to December and rates paid for temporary site of Morewood Close for temporary parking whilst Buckhurst 2 being developed.
Car Parking – On Street	(22)		Income £84,000 above profile. Expenditure to support parking schemes.

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
CCTV	(5)	22	Budget contains income lines which will not be realised.
Env. Protection	4	10	LAPPC income will not be realised due to number of permits to be issued.
Estates Management Buildings	23	35	NNDR paid for meeting point building in Swanley. Rates will continue to be due on this empty building until it is demolished. Rental income received ahead of profile.
Markets	(28)	(5)	Rent not paid yet for Swanley Market site. Increased income, following re tendering for Sevenoaks' markets.
Parking Enforcement – Tandridge DC	(11)	(30)	Income received from contract for enforcement activity on Tandridge DC's car parks.
Private Sector Housing	(10)		Savings on salaries due to vacancy.
Refuse Collection	57	72	Income less than profile on recycled material, particularly glass. Transition grant from KCC for Sainsbury's recycling banks credits now ended.
Support - Central Offices	(10)	(10)	Expenditure below profile on Maintenance to Argyle Road building and utility costs. Rental income received ahead of profile.

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Support - Central Offices - Facilities	(10)	(12)	Savings on salaries and increased income from sale of garden sacks.
Support - General Admin	(27)	(32)	Savings on salaries due to vacancy and on postage, and scanning equipment.
Support - Direct Services	(14)	(10)	Savings on internal printing, mobile phones and training (to be delivered later in the year).
Direct Services – Trading Accounts	(32)		Income £67,000 above profile. Expenditure £35,000 above profile. Surplus £187,000 against a profiled surplus of £155,000.

For noting, figures in brackets represent a favourable variance

Future Issues/Risk Areas

Expenditure incurred in replacing a utility block at Hever Road Travellers Site following a fire. To be recovered from Insurance (confirmed by Loss Adjuster).

Richard Wilson
Chief Officer - Environmental & Operational Services
October 2018

Finance – September 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Corporate – Other	(16)	(20)	From the savings the Council is able to derive from vacant posts, it is anticipated that the corporate savings target will be exceeded by the year end.
Dartford Partnership Hub (SDC costs)	(83)		DWP grants received during the year; unspent grants will be carried forward to utilise in future years. Salary underspends due to a number of vacant posts within the Partnership.
Equalities Legislation	(19)	(19)	The Council no longer belongs to the West Kent Equalities arrangement, as services are provided in-house.
Local Tax	(12)	57	New enforcement arrangements have not been in place for the full year, impacting on income expectations.
Support - Audit Function	7	(24)	As agreed by Audit Committee members, the future direction of the Audit Service is currently under review; the forecast underspend relates to vacant posts (partly off-set by the secondment of an interim Audit Manager.)
Support - Exchequer and Procurement	16	13	Additional agency staff to cover maternity leave and other staff absence.

For noting, figures in brackets represent a favourable variance

Future Issues/Risk Areas

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
October 2018

Planning – September 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Administrative Expenses – Planning Services	16	8	This is the result of office maintenance, and recruitment costs.
Conservation	1	30	This is costs associated with five Conservation Area Appraisals being undertaken by an expert consultant.
Planning - Appeals	(16)	29	This is due to a costs award at Broom Hill, Swanley.
Planning – CIL Administration	25		This is an underspend on salary, which is offset by a timing difference on income. Any surplus will be reinvested in the agreed CIL reserve.
Planning - Development Management	17	(48)	The forecast predicts an underspend at year end resulting from vacancies, partly offset by underachievement of planning application fee income, which is kept under continuous review.
Planning - Enforcement	(11)	(50)	This is an underspend on Salaries as a result of the vacant team leader post.
Planning Policy	(40)	(40)	This relates to an underspend on Salaries due to vacancies, including the Strategic Planning Manager post. The new post holder started in September 18. Any underspend can form part of the Local Plan reserve.
Building Control	(10)	(2)	The net position of additional fees, offset by additional partnership costs.

For noting, figures in brackets represent a favourable variance

Future Issues/Risk Areas

There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts. A cost award at Broom Hill has been settled, incorporated above. The risk is ongoing and associated costs remain uncertain. Application fee income is also uncertain and is currently below budgeted profile. This is being closely monitored.

Staff turnover remains high and recruiting to vacant posts continues to be difficult.

Richard Morris
Chief Planning Officer
October 2018

Investment Property – September 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Investment Properties	(12)	(20)	Savings on budgeted rates at 96 High Street as it is now tenanted.

For noting, figures in brackets represent a favourable variance

Future Issues/Risk Areas

Any surplus on this budget will be transferred to a reserve as agreed at budget setting to assist with any future maintenance and voids.

Lesley Bowles
Chief Officer - Communities and Business
October 2018