

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

Cabinet - 14 February 2019

Report of Chief Finance Officer

Status: For consideration

Also considered by: Finance Advisory Committee - 29 January 2019

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 an unfavourable variance of £140,000; this represents 0.95% 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 £377,000 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 November, income is ahead of profile in Carparks, 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 £164,000 compared to a budget of £100,000. 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 News 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 2018/19 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 £140,000. 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 £72,000 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 £35,000 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 £36,000.
- 18 Unrealised income within 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 £86,000.
- 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 £60,000 in Land Charges.

Other Variances

- 24 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.
- 25 Interest Receipts - current levels of investment returns and possible rates available going forward has resulted in £111,000 additional income being forecast.
- 26 Investment Property Income - as agreed as part of the 2018/19 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

- 27 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.
 - Land Charges income remains challenging versus the budgeted amount, currently under review.
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 - 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 with 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.

28 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 - November Budget Monitoring
(Commentaries)

Appendix 2 - November Budget Monitoring
(Tables)

Background Papers:

None

Adrian Rowbotham

Chief Finance Officer