

## Budget Monitoring for November 2018

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## **BUDGET MONITORING - Strategic Commentary - As at 30<sup>th</sup> November 2018**

### **Overall Financial Position**

1. The year-end position is currently forecast to be an unfavourable variance of £140,000; this represents just over 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 £451,000 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 Car Parking, 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 £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 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 £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; a favourable variance totalling £30,000 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.
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, £30,000 in CIL Administration 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.
14. The fee received for administering the Community Infrastructure Levy is projected to exceed budget expectations; this has resulted in a favourable variance of £30,000 being forecast.
15. Street naming and numbering are forecasting a favourable outturn variance of £14,000; this is as a result of higher than anticipated income levels and also reduced expenditure.

### **Net Service Expenditure - Unfavourable variances**

16. 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.
17. 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.
18. 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 £53,000 being forecast within the Local Tax service.
19. 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 £35,000.
20. Unrealised income expectations with CCTV has resulted in an unfavourable variance of £22,000.
21. Planning – Appeals are forecasting an unfavourable variance of £29,000 following awards of costs.
22. 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 £76,000.
23. The underachievement of income and costs incurred in relation to Public Rights of Way and CON 29 have contributed to an unfavourable forecast of £60,000 in Land Charges.
24. Community Safety have forecast an adverse variance of £21,000 following legal fees and charges for regularising activity at the former Convent of Mercy building.
25. Office maintenance, recruitment costs and investment in new staff training has resulted in an unfavourable variance of £27,000 being forecast within Planning Services - Administrative Expenses.

26. Additional agency staff costs to cover maternity leave and other staff absence within the Support – Exchequer and Procurement service has resulted in an unfavourable variance of £34,000.
27. Although income is above profile, rent for Bligh’s car park and business rates paid, including for the temporary site of Morewood Close for temporary parking whilst Buckhurst 2 being developed, have contributed to an unfavourable variance of £71,000 being forecast within Car Parks.

#### **Other Variances**

28. 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.
29. Interest Receipts – current levels of investment returns and possible rates available going forward has resulted in £111,000 additional income being forecast.
30. 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**

31. 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.
  - All legal fees and charges for regularising activity at the former Convent of Mercy building in Swanley, including planning enforcement, will be charged to the Community Development budget which will result in an overspend. The amount of legal fees will not be known until later in the financial year.

- The full service of Universal Credit, seeing the transfer of new claims to Universal Credit, commenced from 21<sup>st</sup> 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. The risk is ongoing and associated costs 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.

Contacts:

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### Communities and Business – November 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Community Safety	21	21	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. There will be an attempt to recover some costs from the landowner early in the new year. Further court hearings may be required. The budget will be carefully monitored during the remainder of the year but there may be an overspend, currently predicted at £21k.
Economic Development Property	5	35	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. An adjustment has been estimated in November, however there is still likely to be an overspend. The overspend includes feasibility for Bevan Place, High Street Swanley, small sites in Swanley, leisure centre and small sites in Edenbridge. During October the next phase of the Leisure Centre feasibility work was commissioned.
Homeless	63	0	Additional expenditure for nightly paid emergency accommodation for homeless customers will be 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. However, any overspend on this cost centre will be 100% offset at the year-end by income from the Flexible Homelessness Fund.
Housing	15		Choice Based lettings annual subscription, private sector lettings post salary and laptops for new HERO Officers – all funded from the Government's Flexible Homelessness Grant aimed at helping to reduce homelessness. Funding held in earmarked reserve and to be transferred.
Housing Energy Retraining Options (HERO)	31	0	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 and the cost centre will be at zero at the year end.
West Kent Partnership	10		Spending on West Kent Partnership. Funding held in earmarked reserve to be transferred and some staff cost to be reallocated. Will be zero at year end.

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Choosing Health WK PCT	(14)	0	External funding for health initiatives received in advance. Will be zero at year end.
Dunton Green Projects - S106	13	0	External funding received in advance – to be transferred to this code to balance expenditure. Will be zero at year end.
One You – Your Home Project	(18)	0	External funding for housing & health initiatives received in advance. Will be zero at year end.
PCT Initiatives	(23)	0	This is external funding for health initiatives received in advance. Will be zero at year end.
West Kent Enterprise Advisor Network	(14)	0	External funding for the enterprise network received in advance. Will be zero at year end.
West Kent Kick Start	(10)	0	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**

All legal fees and charges for regularising activity at the former Convent of Mercy building in Swanley, including planning enforcement, will be charged to the Community Development budget which will result in an overspend. The amount of legal fees will not be known until later in the financial year. Spend on property feasibility studies may be capitalised if the project is feasible and taken forward. This is monitored carefully during the year. Feasibility studies on potential investments and development on Council owned land are charged to this budget as is feasibility work on Whiteoak Leisure Centre.

**Lesley Bowles**  
**Chief Officer - Communities and Business**  
**December 2018**



### Corporate Services – November 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Asset Maintenance IT	(39)		Spend as per 10-year asset maintenance plan – surplus to IT Asset Maintenance reserve at year end as agreed
Register of Electors	(15)		Spend expected to be as per budget allocation by year end.
Land Charges	40	60	Current variance due to difference in cost vs income for the provision of the Land Charges Service. Proposed to be addressed through a review of Land Charges Fees
Street Naming	(12)	(14)	Income to be offset by related staff costs which are reported elsewhere.
Administrative Expenses – Human Resources	40		Current overspend due to external legal costs.
Support – Human Resources	46		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*

**Jim Carrington-West**  
**Chief Officer – Corporate Services**  
**December 2018**

### Environmental and Operational Services – November 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Asset Maintenance Argyle Road	(12)		Expenditure currently below profile. It is anticipated that full budget will be needed in this year. Includes £35,000 for Planned Preventative Maintenance Surveys carried out in October.
Asset Maintenance CCTV	(11)		Capital works underway in Control Room. Asset Maintenance budget will be utilised to support these works.
Asset Maintenance Hever Road	35		Replacement of utility block following fire to be recovered through insurance.
Car Parks	104	71	Although income £15,000 above 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. NNDR bills over budget.
Car Parking – On Street	(33)		Income £116,000 above profile. Expenditure to support parking schemes, including temporary shuttle bus service from Morewood Close.
Estates Management Buildings	20	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.
Disabled Facilities Grant Administration	(12)	(10)	Income generated above profile due to high level of DFG grants awarded.
Markets	(33)	(5)	Rent not paid yet for Swanley Market site. Increased income, following re tendering for Sevenoaks' markets.
Parking Enforcement – Tandridge DC	(17)	(30)	Income received from contract for enforcement activity on Tandridge DC's car parks.

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Private Sector Housing	(13)	(10)	Savings on salaries due to vacancy.
Refuse Collection	50	72	Income less than profile on recycled material, particularly glass. Transition grant from KCC for Sainsbury's recycling banks credits now ended. Recycling credits profiled for 2 <sup>nd</sup> quarter. Not yet invoiced.
Support - Central Offices - Facilities	(16)	(20)	Savings on salaries and increased income from sale of garden sacks.
Support - General Admin	(36)	(32)	Savings on salaries due to vacancy and on postage, and scanning equipment.
Support - Direct Services	(17)	(10)	Savings on internal printing, mobile phones and training (to be delivered later in the year).
Direct Services - Trading Accounts	5		Income £92,000 above profile. Expenditure £97,000 above profile. Surplus £177,000 against a profiled surplus of £182,000.

*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). Diesel prices increasing.

**Richard Wilson**  
**Chief Officer - Environmental & Operational Services**  
**December 2018**

### Finance – November 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Corporate Management	23		External advice and support costs incurred in relation to a number of projects.
Corporate – Other	(68)	(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)	(68)		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	56	53	New enforcement arrangements have not been in place for the full year, impacting on income expectations.
Misc. Finance	(15)		Underspends across various cost codes.
Support - Exchequer and Procurement	28	34	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 with DWP partnership managers.

**Adrian Rowbotham**  
**Chief Finance Officer**  
**December 2018**

### Planning – November 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Administrative Expenses – Planning Services	47	27	This is the result of office maintenance, recruitment costs and investment in new staff training.
Community Housing Fund	10		This will be funded from reserve.
Conservation	9	10	This is the cost of expert consultants preparing conservation area appraisals, in the main offset by salary underspend.
Enforcement	(9)	(35)	This is an underspend on salary which in part is likely to cover legal costs arising from more active planning enforcement work in the Courts.
Planning Policy	(41)	(40)	This relates to an underspend on Salaries due to vacancies, including the Strategic Planning Manager post. The new post holder started in September and any underspend can form part of the Local Plan reserve.
Planning - Development Management	51	86	The forecast is mainly due to underachievement of planning application fee income partly offset by staffing vacancies, the fee income is kept under continuous review
Building Control	(25)	(2)	This is 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**  
**December 2018**

### Investment Property – November 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Investment Properties	(12)	(20)	Mainly due to the expected savings on rates for 96 High Street & Suffolk House as 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
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**Lesley Bowles**  
**Chief Officer - Communities and Business**  
**December 2018**