

FINANCIAL RESULTS 2019/20 - TO THE END OF SEPTEMBER 2019

Cabinet - 5 December 2019

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| Report of | Chief Officer Finance & Trading |
| Status: | For consideration |
| Also considered by: | Finance & Investment Advisory Committee - 21 November 2019 (this report has been amended at paras. 1 and 5 since consideration here) |
| Key Decision: | No |

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

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| Portfolio Holder | Cllr. Matthew Dickins |
| Contact Officers | Alan Mitchell Ext. 7483 Adrian Rowbotham Ext. 7153 |

Recommendation to Finance and Investment Advisory Committee: That the report be noted, and any comments forwarded to Cabinet.

Recommendation to Cabinet: Cabinet considers any comments from Finance and Investment 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 £103,000; this represents just under 0.7% of our net service expenditure budget totalling £15,251,000*. This favourable variance includes £90,000 of interest from loans to Quercus 7 for property investments. If this was excluded there would be a favourable variance forecast of £13,000.

Year to Date - Areas of Note

- 2 Pay costs - the expenditure to date on staff costs is £126,000 below budget. There are currently vacancies within Corporate Services and Planning and Building Control. 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

*(Amended since considered at Finance Advisory Committee on 21 November 2019)

relation to the main streams. At the end of September, income is ahead of profile for On-Street Parking and Building Control and Development Management. The level of On-Street Parking income remained at an increased level as during large scale works customers park in different locations and are slowly moving back to carparks. We have seen an increase in the use of season tickets and proposed changes to implement short term parking options are anticipated to increase car park income. Land Charges and Planning Fee income is currently lower due to a reduced volume of search requests; 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 £128,000 compared to a budget of £101,000.
- 5 New Homes Bonus - the Council is due to receive £1,220,000 New Homes Bonus during 2019/20; as per the 10-year budget, this income will not be applied to fund the provision of services, instead it will be transferred to the Financial Plan* Reserve to be utilised as future needs arise.
- 6 Retained Business Rates - Income expectation of £2,132,000 forms part of the 2019/20 budget; any receipts over and above this amount, including those that result from being a beneficiary of the Kent Business Rates Pool, will be transferred to the Budget Stabilisation Reserve. At the end of August some £450,000 of additional income is being forecasted. Regular monitoring takes place, with any amendments feeding into the outturn forecasts.

Year End Forecast

- 7 The year-end forecast position is a favourable variance of £103,000. Following are details of the larger variances, both favourable and unfavourable.

Net Service Expenditure - Favourable variances

- 8 Various underspends across Cleaner and Greener support functions has resulted in a favourable variance of £25,000 being forecast; this is as a result of savings on repairs, postage, phones, equipment and other minor expenditure areas. In addition income from Swanley Markets is ahead of profile leading to a favourable variance of £30,000.
- 9 Within Corporate Management is the grant received from the Government to help local authorities with any necessary preparations for the UK exiting the EU. Until further information about the nature of the UK's exit is known the grant funding will not be committed. The annual forecast, currently £18,000 favourable will be continually reviewed and adjusted once any necessary spending commitments are known.

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Net Service Expenditure - Unfavourable variances

- 10 Land charges fees were revised for 2019/20 but the number of searches is down on previous years leading to a £30,000 unfavourable forecast.
- 11 Car Parks income is £52,000 below target, with day ticket income down although season ticket income is up. The Business Rates bills for 2019/20 are higher than budgeted leading to an overall unfavourable variance of £150,000.
- 12 A new enforcement service is being trialled for a year and is currently not expected to achieve the full £100,000 in the year. The future service provision will be reviewed during the year. £95,000 is due to be received from Kent County Council following SDC's decision at Council on 26/02/19 to amend the Council Tax Empty Property discounts. £43,000 has been spent with business rates valuation experts and is shown as a cost here. A corresponding amount of additional income is shown on the Business Rates line.
- 13 Income from refuse collection is lower compared to budget due to income from glass and paper credits leading to an unfavourable variance of £50,000.
- 14 Estate Management for Buildings are forecasting an unfavourable variance of £40,000 due to Business Rates bills being higher than budgeted and includes Meeting Point in Swanley which will continue to be incurred until the building is demolished.

Other Variances

- 15 Retained Business Rates - Additional income of £43,000 has been forecast to reflect an increase in Rateable Values following works undertaken by Analyse Local; the cost of these works is reflected in Local Tax.
- 16 Interest Receipts - current levels of investment returns and possible rates available going forward has resulted in £27,000 additional income being forecast.
- 17 Investment Property Income - The properties held within the Property Investment Strategy continue to achieve the income levels predicted. During this year the council has loaned funds to Quercus 7 to enable property purchases. This will result in the council receiving an additional £90,000 interest compared to what would have been earned via treasury management interest receipts.

Future Issues and Risk areas

- 18 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:
 - Feasibility costs for property investments and development of council owned assets.

- Recovery of Housing Benefits is lower than the cost of Nightly Paid Accommodation leading to an overspend in the Homelessness Budget. However, this will be offset using the Flexible Homelessness Grant. This is being carefully monitored with action taken to minimise the Nightly Paid Accommodation costs
- The full service of Universal Credit, seeing the transfer of new claims to Universal Credit, commenced in November 2018. Migration for existing claims is being phased after this date; however, pensioner cases will be retained. Regular liaison meetings are taking place between DBC/SDC managers and DWP partnership managers.
- NNDR bills higher than budget figures. NNDR bill not yet received for new Sevenoaks Town Car Park.
- Risk of higher diesel prices due to attacks on Saudi oil supplies resulting in increase in crude oil prices.
- There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts. The U+I Public Inquiry has now taken place and a cost award was successful. The effect of that will be reported in future months.
- Staff turnover remains high with planning and recruiting to vacant posts continues to be difficult.

19 The potential impact of Brexit 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 A - September Budget Monitoring
Commentary

Appendix B - September Financial Information

Background Papers

None

Adrian Rowbotham

Chief Officer Finance & Trading