

**STRATEGIC PLANNING,  
SUSTAINABILITY AND  
TRANSPORTATION COMMITTEE**

**7 November 2017**

**Second Quarter Budget Monitoring 2017/18**

<b>Final Decision-Maker</b>	Strategic Planning, Sustainability & Transportation Committee
<b>Lead Director</b>	Director of Finance & Business Improvement
<b>Lead Officer and Report Author</b>	Mark Green – Director of Finance & Business Improvement (Lead Officer) Paul Holland – Senior Finance Manager Client Accountancy (Report Author)
<b>Classification</b>	Public
<b>Wards affected</b>	All

**Executive Summary**

This report provides the committee with an overview of the revenue and capital budgets and outturn for the second quarter of 2017/18, and highlights financial matters which may have a material impact on the Medium Term Financial Strategy or the Balance Sheet. It also now includes an update on the capital programme for this committee.

As at the 30 September 2017, this Committee was showing an overall positive variance of £342,054, although it is expected that this will reduce during the second half of the year due to anticipated future costs relating to development control appeals.

Individual variances for each service area are detailed within **Appendix 1**.

The position for the Council as a whole at the end of the second quarter shows that actual net expenditure is broadly in line with the budget forecast but there are still a number of underlying pressures across all the Committees that need to be addressed to ensure that this position continues throughout the year.

**This report makes the following recommendations to this Committee:**

1. That the revenue position at the end of the second quarter and the actions being taken or proposed to improve the position where significant variances have been identified be noted.
2. That the position with the capital programme be noted.
3. That the risk of future costs arising from development control appeals be noted.

**Timetable**

<b>Meeting</b>	<b>Date</b>
Strategic Planning, Sustainability & Transport Committee	7 November 2017
Policy and Resources Committee	22 November 2017

# Second Quarter Budget Monitoring 2017/18

## 1. INTRODUCTION AND BACKGROUND

- 1.1 The Director of Finance & Business Improvement is the Responsible Financial Officer, and has overall responsibility for budgetary control and financial management. However in practice, day to day budgetary control is delegated to service managers, with assistance and advice from their director and the finance section.
  - 1.2 The Medium Term Financial Strategy for 2017/18 onwards was agreed by full Council on 1 March 2017. This report advises and updates the Committee on the current position with regards to revenue and capital expenditure against the approved budgets within its remit.
  - 1.3 Policy and Resources Committee is responsible for co-ordinating financial management and performance across the Council. After a projected overspend on planning appeal costs was reported to Policy and Resources Committee at its meeting on 20th September, the Committee has asked that the Strategic Planning, Sustainability and Transport Committee and the Planning Committee to consider how they can manage these costs. This report sets out the key issues for members' consideration.
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## 2. REVENUE BUDGET

- 2.1 Attached at **Appendix 1** is a table detailing the current budget and expenditure position for this Committee's services in relation to the second quarter of 2017/18, to September 2017. The appendix details the net budget per cost centre for this Committee. Actual expenditure is shown to the end of September 2017 and includes accruals for goods and services received but not yet paid for.
- 2.2 The columns of the table in the Appendix show the following detail:
  - a) The cost centre description;
  - b) The value of the total budget for the year;
  - c) The amount of the budget expected to be spent by the end of September 2017;
  - d) The actual spend to that date;
  - e) The variance between expected and actual spend;
  - f) The forecast spend to year end; and
  - g) The expected significant variances at 31 March 2018.
- 2.3 **Appendix 1** shows that of a net annual expenditure budget of -£1,151,450 it was expected that -£465,388 would be spent up until the end of September. At this point in time the budget is reporting an under spend of £342,053, and the current forecast indicates that the outturn position for this committee will decrease to an under spend of £103,000.

- 2.4 Explanations for variances within individual cost centres which exceed or are expected to exceed £30,000 have been provided in accordance with the Council's constitution.

<b>Strategic Planning, Sustainability and Transportation Committee</b>	<b>Positive Variance Q2 £000</b>	<b>Adverse Variance Q2 £000</b>	<b>Year End Forecast Variance £000</b>
<p><b>Development Control Applications –</b> The current positive variance reflects fees that have been received earlier than anticipated, which is considered to be a consequence of the forthcoming rise in planning fees and the introduction of the Community Infrastructure Levy.</p> <p>The budget assumes an increase in planning fees which has not yet taken place, which means that the positive variance is smaller than would otherwise be the case. Nevertheless, the timing differences described above are expected to give rise to a reduction in the variance over the remainder of the year.</p>	68		0
<p><b>Development Control Appeals -</b> There are several inquiries that are expected to take place this year which will lead to the authority incurring significant costs. At this stage unbudgeted costs of £200,000 are projected for this financial year in relation to these inquiries and the necessary preparatory work, with substantial further costs if decisions are made to award costs against the council.</p>	28		-200
<p><b>Parking Services –</b> Pay &amp; Display car parks continue to perform overall above budgeted income. There is however an adverse variance against the parking enforcement budget caused by a reduction in Penalty Charge Notice income. This has arisen in part because there is a backlog in dealing with appeals against PCNs.</p>	132		241
<p><b>Mid-Kent Planning Support Service –</b> This variance is due to vacant posts, which the manager is intending to delete to contribute to the savings requirement identified within the medium term financial strategy.</p>	42		62

- 2.5 Policy and Resources Committee has asked this Committee and the Planning Committee to consider how they can manage the cost of planning appeals. Both Committees have a role here.
  - 2.6 As planning appeals typically arise from refusal of planning permission, the Planning Committee needs to consider the potential costs of refusal, particularly if an application has been refused contrary to officer advice.
  - 2.7 A significant element of the overspend that is being projected for the current financial year arises from refusal decisions that have been made contrary to officer advice. Furthermore, the actual overspend may be greater still if the Council is held to have been unreasonable in refusing a decision, in that it will have to bear not only its own costs but also the appellant's.
  - 2.8 The Strategic Planning Sustainability and Transportation Committee also has a role in management of the cost of planning appeals. First, by setting a coherent and robust framework for planning decisions, the Committee can reduce the risk of appeals. In this respect, the work of the Committee in progressing the Local Plan is helpful, as an adopted Local Plan creates a greater degree of certainty.
  - 2.9 Second, by overseeing development management and enforcement, the Strategic Planning Sustainability and Transportation Committee can ensure that the process of dealing with appeals is carried out in a cost-effective way. There are always likely to be a certain number of appeals, however sound the decisions of Planning Committee. There is a budget of £119,000 per annum for dealing with these. It is the responsibility of the relevant officers, overseen by the Committee, to manage costs within the available budget.
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### **3. CAPITAL PROGRAMME**

- 3.1 Service committees will now receive an update on their capital programme schemes. Policy and Resources Committee will continue to receive an overarching report for the whole programme.
- 3.2 The capital programme was approved by Council on 1 March 2017. Funding for the programme remains consistent with previous decisions of Council in that the majority of resources come from New Homes Bonus along with a small grants budget. Previous decisions of Council, Cabinet and this committee have focused the use of New Homes Bonus on infrastructure projects where these are required by the infrastructure delivery plan that forms part of the Local Plan.
- 3.3 The current programme for this Committee is set out in Appendix 2 and shows the current budget and actual expenditure to the end of September. The only capital budget for this Committee is for the Bridges Gyrotory Scheme, where there remains £200,000 unspent from the original budget. These funds are to be used to address flood risks arising from the new road layout, as follows:

- construction of a barrier by the Medway Street subway, with the objective of protecting the lower end of Earl Street and Medway Street;
  - purchase of temporary barriers for deployment along the A229 in the event of a flood alert.
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#### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 In considering the current position on the revenue budget and the capital programme at the end of September 2017 the Committee can choose to note those actions or it could choose to take further action.
- 4.2 The Committee is requested to note the content of the report and agree on any necessary action to be taken in relation to the budget position.
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#### **5. RISK**

- 5.1 The Council has produced a balanced budget for both capital and revenue expenditure and income for 2017/18. This budget is set against a backdrop of limited resources and a difficult economic climate. Regular and comprehensive monitoring of the type included in this report ensures early warning of significant issues that may place the Council at financial risk. This gives this Committee the best opportunity to take actions to mitigate such risks. A budget risk assessment is also reported to the Audit, Governance and Standards Committee on a regular basis.
- 5.2 This report highlights a risk in relation to costs arising from appeals made against planning decisions. The impact of these decisions is that the Council risks incurring estimated costs of £319,000 in the current financial year and potentially in excess of £600,000 during 2018/19. Consequently this has been assessed as a 'red' risk in line with the Council's risk management framework and risk appetite. We will continue to monitor this risk closely over the coming months.
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#### **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 This report is not expected to lead to any consultation.
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#### **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 The second quarter budget monitoring reports will be considered by the relevant Service Committees in November 2017, culminating in a full report to Policy and Resources committee on 22 November.

7.2 Details of the actions taken by service committees to manage the pressures in their budgets will be reported to Policy and Resources committee if appropriate.

## 8. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	This report monitors actual activity against the revenue budget and other financial matters set by Council for the financial year. The budget is set in accordance with the Council's Medium Term Financial Strategy which is linked to the strategic plan and corporate priorities.	Director of Finance & Business Improvement
<b>Risk Management</b>	This has been addressed in section 6 of the report.	Director of Finance & Business Improvement
<b>Financial</b>	Financial implications are the focus of this report through high level budget monitoring. The process of budget monitoring ensures that services can react quickly to potential resource problems. The process ensures that the Council is not faced by corporate financial problems that may prejudice the delivery of strategic priorities.	Director of Finance & Business Improvement
<b>Staffing</b>	The budget for staffing represents approximately 50% of the direct spend of the council and is carefully monitored. Any issues in relation to employee costs will be raised in this and future monitoring reports.	Director of Finance & Business Improvement
<b>Legal</b>	The Council has a statutory obligation to maintain a balanced budget this monitoring	Interim Deputy Head of Legal

	process enables the committee to remain aware of issues and the process to be taken to maintain a balanced budget for the year.	Partnership
<b>Privacy and Data Protection</b>	No specific issues arise.	Director of Finance & Business Improvement
<b>Equalities</b>	The budget ensures the focus of resources into areas of need as identified in the Council's strategic priorities. This monitoring report ensures that the budget is delivering services to meet those needs.	Director of Finance & Business Improvement
<b>Crime and Disorder</b>	No specific issues arise.	Director of Finance & Business Improvement
<b>Procurement</b>	No specific issues arise.	Director of Finance & Business Improvement

## 9. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix 1: Second Quarter 2017/18 Revenue Monitoring – Strategic Planning, Sustainability and Transportation
- Appendix 2: Second Quarter 2017/18 Capital Programme – Strategic Planning, Sustainability and Transportation

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## 10. BACKGROUND PAPERS

None.