

Quarter 2 2023/24 Budget Monitoring - Strategy & Resources Committee

Strategy & Resources Committee Thursday, 30 November 2023

Report of: Chief Finance Officer (Section 151)

Purpose: To note the 2023/24 Quarter 2 / Month 6 (September) financial position of the Committee and the Council overall, and take associated decisions.

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report presents the 2023/24 Quarter 2 / Month 6 (September) financial position for both revenue and capital budgets for the Committee and the Council overall.

This report supports the Council's priority of: Building a better Council/ Creating the homes, infrastructure and environment we need / supporting economic recovery in Tandridge/ Becoming a greener, more sustainable District.

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Recommendation to Committee:

That the Committee notes the forecast revenue and capital budgets positions as at Quarter 2 /M6 (September) 2023.

Reason for recommendation:

The Council has a duty to ensure that its expenditure does not exceed resources available. The medium-term financial outlook remains uncertain and so the Council must continue to take steps towards growing its financial resilience, including building reserves to a sustainable level.

It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, Members must satisfy themselves that sufficient mechanisms are in place to ensure both that the revenue budget is delivered, and that any new expenditure is contained within the available resources.

Finance have committed to bringing quarterly financial monitoring updates to each Committee to ensure that all Members are aware of the financial position of the services within their remit, as context for decisions needed to mitigate any variance to budget and in terms of the effect on the emerging budget for 2024/25.

Updates to the other three Policy Committees were submitted during November 2023.

This report, along with Appendix A, presents the detail for Strategy & Resources and the consolidated position.

Introduction and background

1. The 2023/24 Strategy & Resources Committee Revenue budget was approved at £6,080k by Full Council on 9th February 2023, excluding the distribution of a budget for the approved pay award.
2. When the overall budget was set, a £230k budget was held in Corporate Items pending the approved pay award. Following the approved pay award and associated approved virement (budget transfer) for 2023/24 the budget for the Strategy & Resources Committee increased by £108k to £6,187k (after rounding).
3. The Council's overall budget stands at £11,935k, unchanged from the budget approved by Council on the 9th February 2023.
4. The 2023/24 Strategy & Resources Committee Capital Budget was approved at £1,822k by Council on 9th February 2023 having been considered by S&R Committee on the 31st January 2023.
5. This was adjusted to £917k by:
 - £295k of Digital Transformation Budget approved by Strategy & Resources on 30th March 2023.
 - £1,217k of carry-forwards from 22/23 approved by Strategy & Resources on 29th June 2023.
 - (£2,417k) rephasing of schemes to future financial years approved by Strategy & Resources on the 28th September.

6. The overall Capital Programme was set at £19,212k by Council on 9th February 2023. The budget adjusted to £19,793k as follows:
 - £295k of Digital Transformation Budget approved by Strategy & Resources on 30th March 2023.
 - £9,149k of carry-forwards from 2022/23 approved by Strategy & Resources on 29th June 2023.
 - Revisions to the phasing of schemes of (£8,864k) approved by Committee on the 29th September.

This report sets out the current forecast against the £19,793k revised budget.

Revenue Headlines

7. The key headline at M6 / September is a forecast revenue overspend of £361k for the Council overall before corporate contingencies of £921k. Section 18, below and Page 4 of Appendix A sets out the available contingencies. In light of the contingencies, a balanced outturn is expected, i.e. with no need to call on general reserves.
8. Irrespective of contingencies, further work is needed to mitigate the position. Finance are working with Heads of Service on specific mitigations, including:
 - A review of inflation allocations in the 2023/24 budget. Because a prudent approach was taken to inflation, opportunities to renew contracts and licences at a lower rate than expected may result in improvements as the year progresses. This includes the electricity and gas contract which could generate further underspends, depending on the severity of weather and fuel costs over the winter.
 - Commercial discussions and negotiations with suppliers to identify savings where possible.
 - Close monitoring of expected income across the Council to ensure it is performing in line with expectations.
 - Reviewing whether there are opportunities to reduce discretionary spend where to do so would not impact on residents or the future sustainability of the Council.

Whilst more wide-reaching mitigations could be explored, the contingency does give confidence to continue with discretionary spend knowing that the overall budget position will not (based on current forecasts) require a reduction in General Fund reserves.

9. Despite this, significant risk remains around inflation, temporary accommodation costs and planning appeals that need to be managed. Further details of the variance are included in Appendix A and below.

10. Savings delivery remains on-track with £1,196k of the £1,654k savings target rated achieved or green for delivery. £272k of the savings target is currently rated as amber and this is expected to be achieved over the course of the year. A further £186k is rated either red or unachievable. Full information on the delivery of the savings programme is provided in the Future Tandridge Programme report to this Committee meeting.
11. The following sections set out the £361k forecast overspend by Committee. Further detail is included in Appendix A.

Community Services - £59k underspend

12. At Month 6 a full-year revenue underspend of £59k is forecast. The change from Month 3 is an improvement of £59k. The main reasons for the changes are set out below:
 - (£48k) Salaries – underspend due to £12k vacancies in Waste Services and £38k underspend in Handyman Services. The Handyman Service is being realigned with the Housing contract for Disabled Facility Grant and Aids and Adaption. The contract is currently being re-tendered and will include the Handyman Service in the new contract from April 2024. In the current financial year the existing contract has been extended to include the Handyman Service. It should be noted that in outsourcing the Handyman Service there is a net saving to Community Services Committee of £16k. This consists of £38k salary saving, offset by £22k of contract costs.
 - (£19k) Leisure & Community Services Grants - due to a contingency budget no longer needed.
 - (£31k) Environmental Services - £26k saving for 1FTE post being vacant. The team expect that this post will be filled shortly. £5k for additional premises licences income.
 - (£17k) Waste Services - £27k additional savings from Bring Banks service ceasing. Additional £7k revenue from sale of wheelie bins. Offset by £11k additional garden waste administration charges, £4k additional costs of collection of medical waste and £2k other small variances.
 - £15k Cesspool Services – £27k less income forecasted offset by £12k savings in disposal costs.
 - £27k All Operational Services – £7k less income from sales of scrap metal. Additional £22k increase in Handyman Service costs from changing delivery model from in-house to outsource (offset by salary savings above).

Housing General Fund - £24k overspend

13. At Month 6 a full-year revenue overspend of £24k is forecast. The change from Month 3 is a deterioration of £9k. The main reasons for the changes are set out below:
- **£15k Meadowside Mobile Homes** – No change from M3, reassessment for increased costs for planned repairs and tree works.
 - **£9k Private Sector Enabling** – change £9k from M3, due to £10k additional work through the Home Improvement Agency contract (offset by reductions in the costs in Community Services) and £3k additional costs of employees provided by Mole Valley Partnership, offset by £4k release of underspend on housing renovation grants.
14. Alongside the known variance on Meadowside, risks are being managed within the budget, particularly in respect of Homelessness which is very sensitive to changes in temporary accommodation costs. Spend to-date is in line with expectations, but a small increase in numbers can have a significant impact on the budget. Temporary Accommodation costs can also have a knock-on impact on Housing Benefit (although a specific Housing Benefit reserve exists to reduce general fund impact).

Planning Policy Committee - £419k overspend

15. At Month 6 a full-year revenue overspend of £419k is forecast. The change from Month 3 is a deterioration of £222k. The main reasons for the changes are set out below:
- **£93k Planning Application and Advice overspend** Change: £97k from M3, negative variance at year end predicted based upon the following:
 - £222k overspend on salaries (M3 £86k over) due to reliance on contract staff for longer than originally anticipated. £42k overspend on running costs (M3 £47k over) related mainly to third party external consultant advice including retail impact assessments and highways matters.
 - (£171k) surplus (M3 £136k surplus) on planning application fee and expected planning performance agreement income. It is expected that the budget will be supported by income from some major sites where planning applications are anticipated, as well as future fee increases.
 - **£133k Enforcement overspend** Change: £122k from M3, predicted. £144k salary overspend (£21k over in M3) due to reliance on contract staff offset by one-off lower running costs (M3 £10k under) and a small amount of income.
 - **£130k Appeals overspend** Change: (£2k) from M3, due to a change in the forecast Appeals provision, based on doubling the 2022/23 provision, and application of the prior provision where associated expenditure is realised in year.

- **£52k Gatwick DCO overspend** Change: £25k from M3, associated with consultant commission for bespoke assessment of air quality and noise impacts on Tandridge arising from Gatwick Airport Northern Runway project. Approved by Planning Policy Committee in March and Sept 2023.
- **£11k Land Charges and Street Naming & Numbering overspend.** Change: (£20k) from M3. Land Charges income worse than budget caused by transient external pressures of rising inflation and high interest rates. Officers will closely monitor search numbers/income whilst delivering new initiatives to improve and promote the service. Includes an expected Government grant of £20k to facilitate Land Charges LLC1 data migration to Central Government

Strategy & Resources – £108k underspend

16. At Month 6 a full-year revenue underspend of £108k is forecast. The change from Month 3 is an improvement of £146k. The main reasons for the changes are set out below:

- **£38k Legal Services overspend** at year end. No change from M3. Variance primarily due to £19k vacancy factor not being delivered and £19k gap in income generation. Legal Services Team are looking at possibility of recharges to other funds (e.g. HRA / Capital) to cover shortfalls, and reviewing other options which are in their infancy, for mitigating the overspend. At the same time Legal officers are responding to an increase in demand for completing work in-house which has reduced opportunities for delivering work to third parties.
- **(£88k) Information Technology favourable variance** at year end. Change (£88k) from M3 based upon one off favourable variances in corporate software, department software, telephony and network maintenance due to (i) delays to the implementation of more expensive software provided for in the budget (ii) one-off licence fee and software expenditure funded by grants, and (iii) realisation of the benefits of contracts agreed for greater than one year suppressing inflation impacts for the Council.
- **(£30k) Human Resources favourable variance** at year end. Change: (£25k) from M3 due to staff vacancies.
- **£11k Customer Services overspend** at year end. Change: £11k from M3. £10k Primarily due to vacancy factor not predicted to be realised, and one-off overspend due to staff savings linked to digital tools delivery timescales. Staff savings are still expected but delayed until 2024/25 when the benefits of the digitisation strategy is expected. £1k other minor variances. Mitigation sought from (i) changing culture around use of postage and any other underspends across the budget although these are likely to be minimal.
- **(£14k) Policy and Communications underspend** at year end Change: (£14k) from M3, due to ongoing salary underspend from revised restructure of combined team following outcome of FTP programme.
- **(£25k) Office Services underspend** at year end Change : (£25k) from M3, due to one off utility underspend.

Corporate Items

£85k Net overspend: no change since M3.

17. £85k Management Restructuring: Variance due to a portion of the management structure saving being reinvested into Planning. Performance against interest receivable is likely to exceed budget and it is assumed that any surplus will be transferred to reserve, subject to discussion with and approval by Investment Sub-Committee and Strategy & Resources.

Available contingencies

18. Offsetting the deficit identified are contingencies as follows:
 - £371k base budget contingency (£445k total contingency less £74k set aside for cost-of-living pressures)
 - £550k set aside in 2022/23 outturn
 - Totalling £921k – a balanced outcome is therefore deemed to be achievable.

However, it is of key importance that mitigating actions continue. Whilst contingencies appear adequate at this point in the year, the Council faces risks which cannot be quantified, including planning appeals and the impact of financial pressures on existing suppliers, which will need to be managed and monitored closely. This includes specific, live examples which are commercially sensitive but where the potential financial risk could be significant.

Capital Programme Update

19. Overall the Capital Programme is forecasting £1,237k of net slippage at M6/September 2023. A net of £1,135k of this relates to the General Fund and CIL schemes, and £102k in the Housing Revenue Account. This is the aggregate of a number of increases and decreases, further details of which are reported in Appendix A.
20. Phasing for future years is being updated as part of the finalisation of the 2024/25 Budget and Medium-Term Financial Strategy.

Key implications

Comments of the Chief Finance Officer

21. The Section 151 Officer confirms the financial information presented in this report has been based on reasonable working assumptions taking into account all material, financial and business issues and risks. The key financial implications at this stage are captured in the body of the report.

Comments of the Head of Legal Services

22. It is essential, as a matter of prudence, that the financial position of services continues to be closely monitored. In particular, Members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings.

23. Under S28 of the Local Government Act 2003, a local authority must review its budget calculations from time to time during the financial year and take appropriate action if there is any deterioration in its budget. This report satisfies this statutory requirement.

Equality

There are no equality implications associated with this report.

Climate change

There are no significant environmental / sustainability implications associated with this report.

Appendices

Appendix A – Committee’s Quarter 2 /M6 (September) 2023 Financial Report and supporting data

Background papers

- 2023/24 Quarter 1 Budget Monitoring - Strategy & Resources Committee 28 September 2023

- 2023/24 final budget and MTFS - Strategy and Resources Committee 31st January 2023

- 2022/23 Budget – Outturn Report – Strategy and Resources Committee 29th June 2023

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