

Quarter 3 2023/24 Budget Monitoring

Strategy & Resources Committee Thursday, 26 March 2024

Report of: Director of Resources (S151)

Purpose: To note the 2023/24 Quarter 3 / Month 9 (December) 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 3 / Month 9 (December) 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:

- A. That the Committee notes the forecast revenue and capital budget position as at Quarter 3 / Month 9 (December) 2023.
 - B. That the Committee approves a budget virement of £85k between Community Services Committee, Strategy & Resources Committee and Corporate Items to realign budgets to the current management structure, as set out in Paragraph 17.
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Reasons for recommendations:

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 approved budget for 2024/25.

Updates to the other three Policy Committees were submitted during March 2024.

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 Month 9 / December is a forecast revenue overspend of £521k (increased by £160k from £361k at Month 6) for the Council overall, before corporate contingencies of £721k. 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, the final quarter needs to be carefully managed to deliver the best possible year-end position. The following activities remain under way:
 - 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 in the final quarter. This includes the electricity and gas contract which could generate further underspends, depending on final bills for the year.
 - 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.
9. Despite this, 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 £1,253k of the £1,654k savings target rated achieved or green for delivery. £255k of the savings target is currently rated as amber and this is expected to be achieved over the course of the year. A further £146k is rated either red or unachievable (improved from £186k at Quarter 2).
11. The following sections set out the £521k forecast overspend by Committee. Further detail is included in Appendix A.

Community Services - £85k underspend

12. At Month 9 a full-year revenue underspend of £85k is forecast. The change from Month 6 is an improvement of £26k. The main reasons for the variance and the change from Month 6 are set out below:

- **(£48k) Salaries underspend** – No change from Q2/M6. Variance due to £10k overachieved vacancy factor in Waste Services, and (£38k) underspend in Handyman Services (offset in Ops Services by £22k new contract costs), as service being realigned with the Housing contract for DFG and Aids and Adaptions. (Note Handyman Service delivery model change has led to a net saving to CS of £16k).
- **(£3k) Car Parking Off-street underspend** – Change (£4k) improvement from Q2. Variance due to reduced income of £4k in car parks excluding Ellice Road, (£16k) release surplus budget on Business Rates offset by increased costs of broadband and data charges £6k and cash collection costs £3k for the car parks.
- **£4k Hackney Carriages** – Change £4k from Q2: due to decrease in fees as volumes have decreased.
- **(£23k) Leisure & Community Grants underspend** – Change (£4k) improvement from Q2: due to savings on a contingency budget no longer needed.
- **(£29k) Environmental Services underspend** – Change (£2k) improvement from Q2. Variance due to (£36k) saving for 1 FTE vacant, expected to fill in February / March 2024 and £7k less income from various licences.
- **(£50k) Waste Services underspend**, - Change (£33k) improvement from Q2: due to (£27k) savings from Bring Banks, (£12k) wheelie bins sales offset by £16k lower garden waste income, £12k lower bulky waste income, additional costs of £12k for garden waste admin, £4k collection of medical waste and £1k other small variances.
- **£11k Cesspool Services** – Change (£4k) improvement from Q2. Variance due to income down by £32k offset by (£15k) savings in disposal costs and (£6k) compensation for lease vehicle being off the road.
- **£30k All Operational Services** – Change £3k from Q2: due to £7k reduced quantities of scrap metal income, £16k recharges of costs of mechanic (post vacant since July 2023), £22k increase in costs - Handyman changes in services delivery from in-house to outsourcing model, offset by (£14k) increased cemetery fees.
- **£26k Parks & Open Spaces** – Change £23k from Q2: due to (£1k) savings re NNDR no longer due on toilets, (£9k) additional income, (£24k) release from unauthorised encampment budget, (£6k) leased vehicle budget not required, offset by £4k unachievable budget for rent and wayleaves and new in month £56k for preliminary costs in mobilising new GM agreements.
- **(£3k) Streets & Public Conveniences underspend**, - Change (£13k) from Q2: due to (£6k) savings for property charges now exempt, (£10k) savings on water charges, (£2k) savings road tax, (£3k) Cesspool budget no longer required. Offset by additional £15k

costs of repair of sweeper, increased diesel costs £4k and £5k unachievable third-party income.

Housing General Fund - £26k overspend

13. At Month 9 a full-year revenue overspend of £26k is forecast. The change from Month 6 is a deterioration of £2k. The main reasons for the variance and changes from Month 6 are set out below:
- **£15k Meadowside Mobile Homes** – No change from M6, reassessment for increased costs for planned repairs and tree works.
 - **£11k Private Sector Enabling** – change £2k from M6. Variance 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 (£2k) release of unspent budgets on various small budgets.
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 reserve exists to mitigate the impact on the latter).

Planning Policy Committee - £533k overspend

15. At Month 9 a full-year revenue overspend of £533k is forecast. The change from Month 6 is a deterioration of £114k. The main reasons for the variance and changes from Month 6 are set out below:
- **£129k Planning Application and Advice** adverse variance at year end predicted (M6 £93k adverse) based upon the following:
 - £230k overspend on salaries (M6 £222k over) due to reliance on contract staff for longer than originally anticipated.
 - £54k overspend on running costs (M6 £42k over) related mainly to third party external consultant advice including retail impact assessments and highways matters.
 - (£155k) surplus (M6 £171k surplus) on planning application fee and expected planning performance agreement income. It is expected that fee income will be supported by income from some major sites where planning applications are anticipated, as well as future fee increases.
 - **£159k Enforcement** overspend (M6 £133k) predicted. £168k salary overspend (M6 £144k over) due to reliance on contract staff offset by one off lower running costs (£9k in M9, M6 £10k under) and a small amount of income.
 - **£182k Appeals** overspend (M6 £130k over) due to a change in provisions, based on operational Planning records, and application of the prior provision where associated expenditure is realised in year.

- **£52k Gatwick DCO** overspend (unchanged from M6) 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 September 2023.
- **£11k overspent (unchanged from M6) Land Charges and Street Naming & Numbering.** 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 a Government grant of £20k to facilitate Land Charges LLC1 data migration to Central Government.

Use of Planning Reserves

16. At quarter 3 / M9 (December) Planning Policy Committee is forecasting a £71k use of Planning Reserves as described by:

- **£69k Planning Policy & Local Plan Earmarked Reserve.** Use of reserve to fund overspend due to salary and wages expenditure, associated with full year use of interims and seconded officers to manage Planning Policy Team function.
- **£2k Neighbourhood Plan Reserve.** Use of reserve to fund overspend associated with Tatsfield Neighbourhood Plan, examination and on going progression of Neighbourhood Plan.

Strategy & Resources – £6k underspend

17. At Month 9 a full-year revenue underspend of £6k is forecast. The change from Month 6 is a deterioration of £102k. The main reasons for the variance and the changes from Month 6 are set out below:

- **£7k Legal Services overspend at year end.** Improvement of (£31k). Variance primarily due to improvement in salary from £19k over in M6 to (£2k) better in M9, due to staff churn and changes in working patterns in the team (including more part time staff). Running costs over by £15k which are recovered in income. (£6k) income surplus at M9 (M6 was £19k worse than budget). Legal Services Team is recharging costs to other funds (eg Capital) for certain services.
- **(£70k) Information Technology** favourable variance at year end. Change from M6 £18k mainly due to a reduction in amount of salary capitalised. (£70k) one off favourable variances in corporate software, department software, telephony and network maintenance due to (i) delays to the implementation of software (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, offset by reduction in capitalised salaries.

- **(£30k) Human Resources** favourable variance at year end. Unchanged from M6 due to salaries (staff churn).
- **£11k Customer Services** overspend at year end. Unchanged from M6. £10k Primarily due to vacancy factor not predicted to be realised, and one-off salary overspend due to staff savings linked to digital tools delivery timescales. £1k other minor variances. Mitigation sought from 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 Unchanged from M6, due to ongoing salary underspend from revised restructure of combined team following outcome of FTP programme.
- **(£25k) Office Services** underspend at year end. Unchanged from M6, due to one off utility underspend offset by interim staffing costs being more expensive than permanent equivalents. Note that the Council has the option to select green or brown energy for its electricity contract for 2023/24. In 2022/23, the contract specified green energy only. Officers are continuing with a green energy tariff, despite it being c.£18k more expensive than the brown energy equivalent. The positive outturn position expected does not require the Council to move away from its previous choice of a green energy tariff.
- **£115k Financial Services (Audit Fees)**. Change in external audit fees, due to additional audit burdens imposed by the Financial Reporting Council and other stakeholders. This change is driven by the Public Sector Audit Appointments (PSAA) procurement, the results of which were announced in November. £32k is charged to the HRA, showing as a variance under Corporate Items.

Corporate Items

£53k Net overspend: Change : (£32k) since M6.

- **£85k Management Restructuring** : Variance due to a portion of the management structure saving being reinvested into Planning.
- **(£32k) increase in Support Recharges**, being HRA's share of increased external audit fees reflected in S&R Financial Services.
- 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.
- The budget for Corporate Items has increased by £85k in order to distribute a savings target and align management budgets following the restructure in 2023. The £85k budget is distributed as follows:

- £45k to Community Services – Rationalisation of management across Operational Services and Environmental Services.
 - £40k to Strategy & Resources – Rationalisation of management across services in the Resources Directorate.
- These changes realign the management budgets to match the structure that has been in place since December 2023. The report includes a recommendation to approve these budget adjustments. The relevant Committee chairs were consulted on the 25th January 2024 and provided with details on the individual posts involved.

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.
 - Less £200k carried forward to 2024/25 as approved in the 2024/25 Budget.
 - Totalling £721k – 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 £93k of net slippage at M9/December 2023. A net of £941k of this relates to the General Fund and CIL schemes, and acceleration of £847k 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 will be updated at outturn when carry forwards are put forward for approval.

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 3 / M9 (December) 2023 Financial Report and supporting data

Background papers

- 2023/24 Quarter 1 Budget Monitoring - Strategy & Resources Committee 28 September 2023
- 2023/24 Quarter 2 Budget Monitoring - Strategy & Resources Committee 16 November 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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