

Quarter 1 2024/25 Budget Monitoring - Strategy & Resources Committee

Strategy & Resources Committee Thursday, 26th September 2024

Report of: Director of Resources (Section 151)

Purpose: To note the 2024/25 Quarter 1 / Month 3 (June) financial position of the Committee and Council overall and take associated decisions.

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report presents the 2024/25 Quarter 1 / Month 3 (June) financial forecast against both Revenue and Capital budgets for the Committee and the Council overall.

This report supports the Council's priority of: Protecting and enhancing our environment./Delivering affordable housing for local people./Financial prudence and sustainability./Putting residents at the heart of what we do./A safe, healthy and caring community supporting those most in need./A thriving economy.

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Recommendation to Committee:

That the Committee:

- A. Notes the Revenue and Capital budget forecast positions as at Quarter 1 / M3 (June) 2024/25.

- B. Approve the budget virement for the 2024/25 pay award as set out in section 2.
- C. Approves the reprofiling and associated adjustments to the capital budget set out in section 18.

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 and associated savings are delivered, and that any new expenditure is contained within the available resources.

Quarterly financial monitoring updates are presented 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 impact on the Medium-Term Financial Strategy.

Introduction and background

- 1 The 2024/25 Strategy & Resources Committee revenue budget was proposed at £6,214k on 30th January 2024 and approved by Full Council on the 8th February 2024. Subject to approval by this Committee, the budget will be increased by £241k to distribute an amount held corporately for the 2024/25 pay award, bringing the total budget to £6,455k. The increase is assumed within this paper.
- 2 The Council's overall budget was set at £12,799k and is unchanged.
- 3 When the overall budget was set, a £447k budget was held in Corporate Items pending the approved pay award. This report recommends a virement (budget transfer) between the Committee budgets to distribute the budget so that budgets and costs for 2024/25 pay are aligned. The virement makes no change to the Council's net budget and is a planned part of the budget process. The full Committee allocation is set out in Table 1 below:

Table 1 Pay Award Virement	Original Budget £k	Pay Award Virement £k	Revised Budget £k
Community Services	4,574	66	4,639
Housing General Fund	678	58	736
Planning Policy	1,817	83	1,900
Strategy & Resources	6,214	241	6,455
Corporate Items	(485)	(447)	(932)
General Fund	12,799	0	12,799

- 4 The 2024/25 Capital Programme for Strategy & Resources was approved by Committee at £2,892k on 30th January 2024. Carry forwards of £19k were approved at Committee on 27th June 2024 to increase the available budget to £2,911k. The budget was reduced by £59k having reflected the HRA share of the Future Tandridge Programme Digital (My Account) project.
- 5 The 2024/25 Capital Programme for the Council overall was approved at £25,466k and increased as follows:
- Carry forwards of £4,051k
 - Approved additions of £896k
 - i. £47k for Tennis Court Refurbishment in Community Services Committed, funded by the Lawn Tennis Association
 - ii. £849k in the Housing Revenue Account funded from the Social Housing Decarbonisation Fund
- This brings the total available budget to £30,414k.
- 6 It was agreed by the Committee to revisit the phasing of the Capital Programme for 2024/25 in the September Committee cycle. A proposed rephasing of the Capital Programme to £29,407k is set out in section 18.

Key implications

Revenue Headlines

- 7 The key headline at M3 is a forecast revenue underspend of (£27k) for the Council overall before corporate contingencies of £1,166k. Section 17 below and Page 4 of Appendix A sets out the available contingencies. In light of the forecast and available contingencies, a balanced outturn is expected with no need to call on general reserves.
- 8 Irrespective of contingencies, further work is needed to deliver the position. There are also significant risks around inflation, temporary accommodation costs, planning appeals and audit fees that need to be managed. Further details of the variances, risks and opportunities are included in Appendix A and below.

- 9 Savings delivery remains on-track with £528k of the £586k savings target rated achieved or green for delivery. £36k of the savings target is currently rated as amber and this is expected to be achieved over the course of the year. A further £22k 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.

The following sections set out the (£27k) forecast underspend by Committee. Further detail is included in Appendix A.

Community Services – balanced to budget

- 10 At Month 3 a full-year balanced budget for the Community Services Committee is forecast. It should be noted that despite forecasting to budget overall, a number of offsetting risks and opportunities are being managed within the budget, particularly:

- Waste contract inflation - until inflation rates are confirmed, this could lead to a surplus or deficit against the budget.
- Grounds Maintenance (GM) Contract – the service is currently out to tender and until returns are received it is not possible to assess the impact on the revenue budget.
- Garden Waste - whilst membership remains high, there is still risk to delivering on this budget, however some of this risk may in part be mitigated from new subscriptions from the garden waste club waiting list.
- Trees – particularly the risk of additional work being required due to Ash Die Back. A £108k reserve exists to mitigate this risk.

An unallocated inflation allowance of £75k is held corporately, pending clarity on the impact of inflation on the waste contract and GM contract, which goes part way to mitigating the inflationary risks set out above.

Housing General Fund - £15k overspend

- 11 At Month 3, a £15k overspend is forecast for Housing General Fund. The details of the overspend are reported in Appendix A.
- 12 Risks to the General Fund budget around Homelessness and the cost of Housing Benefit are being monitored and managed but may present as a variance later in the financial year.
- 13 At Month 3, a £60k overspend is expected for the Housing Revenue Account. The details of the overspend are reported in Appendix A.

Planning Policy Committee - £34k underspend

14 At Month 3 a £34k underspend for the Planning Policy Committee is forecast. It should be noted that despite forecasting an underspend at M3, a number of risks and opportunities are being managed within the budget, particularly:

- Development Management - overspend on salaries due to reliance on contract staff, offset by a surplus on planning application fees leading to an overall surplus against the budget. Pay, non-pay costs and income are being closely monitored.
- Enforcement - overspend on salaries due to reliance on contract staff.
- Planning Strategy & Policy Guidance including the Local Plan. The process of assessing how much will be spent on Planning Policy work and the Local Plan is being developed within the Service and will be considered with due oversight from the Chair and Vice Chair and the Planning Policy Working Group.

Strategy & Resources - £8k underspend

15 At Month 3 an £8k underspend for this Committee is forecast. It should be noted that there are a number of offsetting risks and opportunities being managed within the budget, particularly:

- Utility expenditure – as the year progress, and evidence based assumptions about expenditure are realised, the forecast may improve further, leading to a greater surplus against the budget.
- Financial Services – whilst pressures are reported at Month 3 from external procurement services, and delays to implementing target savings, there is also a financial risk associated with external audit costs of up to £426k.
- Revenues & Benefits - whilst opportunities for mitigating savings are being sought, there is still risk to delivering on this budget, particularly with postage expenditure pressures.

Corporate Items

16 At Month 3, Corporate items is forecast balanced to budget.

Performance against interest receivable is likely to exceed budget and provide an opportunity at year end to review the level of reserve held for volatility in investment values.

It is likely that a £600k business rates pooling gain will be confirmed during the year, relating to the 2021/22 business rates pool. This would be a one-off General Fund benefit.

Available Contingencies

- 17 There is an overall underspend forecast at M3 of **(£27k)**, therefore no call on contingency is currently required.

The Council is holding **£1,166k** of contingencies if needed, as follows:

- £445k base budget contingency
- £721k set aside in 2023/24 outturn.

However, it is of key importance that strong financial management continues. Whilst contingencies are not required 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.

Capital – Council Overall

- 18 At Quarter 1, the Capital Programme is forecasting £582k of net slippage and £425k of underspend. A net of £802k of this relates to the General Fund and £205k 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.

	Annual Budget 2024-25	Forecast M3 2024/25	Variance M3 2024/25
	£k	£k	£k
Community Services	2,911	2,109	(802)
Housing General Fund	420	420	0
Strategy & Resources	2,852	2,852	0
Planning Policy	1,801	1,801	0
General Fund	7,984	7,182	(802)
Housing Revenue Account	22,429	22,225	(205)
Total	30,414	29,407	(1,006)

Capital - Strategy & Resources

- 19 For 2024/25 a Capital Budget of up to £2,852k is available to the Committee. This consists of £2,892k approved as the original budget for 2024/25 plus carry forwards of £19k approved at Strategy & Resources Committee on 27th June 2024, and a £59k budget reduction to reflect the HRA share of the FTP Digital programme. Whilst this is the available budget, officers have been considering the likely timing of capital expenditure and the amount required for 2024/25.
- 20 Strategy & Resources Committee approved that whilst carry-forwards would be approved in totality, the phasing would be reported in the September Committee cycle. The proposed capital programme is set out in Appendix A and summarised below.

It is now proposed that the full £2,852k budget be retained as the budget for 2024/25 for the Committee and £29,407k for the Council overall.

Comments of the Chief Finance Officer

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

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.

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 2024/25 Q1 / M3 Financial Report & Supporting Data

Background papers

- Strategy & Resources Committee 2024/25 Draft Budget, Medium-Term Financial Strategy and capital programme – 30th January 2024
- 2024/25 Final Budget, MTFS and Capital Programme - Strategy and Resources Committee 30th January 2024
- 2024/25 Final budget, MTFS and Capital programme – Full Council 8th February 2024

- 2023/24 Budget – Outturn Report – Strategy and Resources Committee
27th June 2024

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