

Quarter 2 2024/25 Budget Monitoring - Community Services Committee

Community Services Committee Tuesday, 5th November 2024

Report of: Director of Resources (Section 151)

Purpose: To note the 2024/25 Quarter 2 / Month 6 (September) financial position of the Committee and take associated decisions.

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report presents the 2024/25 Quarter 2 / Month 6 (September) financial forecast against both Revenue and Capital budgets for the Committee.

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's Revenue and Capital budget forecast positions as at Quarter 2 / M6 (September) 2024/25 be noted.

Reason for recommendation:

The Council has a duty to ensure that its expenditure does not exceed resources available. The medium-term financial outlook is extremely challenging 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 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.

The consolidated forecast position for Quarter 2 will be reported to Strategy & Resources Committee on the 28th November 2024.

Introduction and background

- 1 The 2024/25 Community Services revenue budget was proposed at £4,574k on 16th January 2024 and approved by Full Council on the 8th February 2024.
- 2 This was increased by £65k in the September Committee cycle to distribute an amount held corporately for the 2024/25 pay award, bringing the total budget to £4,639k.
- 3 The Capital Programme for 2024/25 was approved by Committee at £1,400k on 16th January 2024. Carry forwards of £1,464k were approved at Strategy & Resources Committee on 27th June 2024 to increase the available budget to £2,864k.
- 4 A further £47k was added to the Capital Programme to reflect funding received from the Lawn Tennis Association (LTA) to refurbish courts in Whyteleafe and Queens Park.
- 5 It was agreed by Strategy & Resources Committee to revisit the phasing of the Capital Programme for 2024/25 in the September Committee cycle. The Capital Programme for 2024/25 was rephased to £2,109k at that point.

Key implications

Revenue

- 6 At Month 6 a full-year revenue budget variance of £203k underspend is forecast for the Committee, consisting of the following major variances:

- (£83k) Salaries underspend. (£45k) relates to the cessation of the Cesspool Service. It should be noted the salary saving is offset by £50k overspend as the service has ceased in 2024/25 year it did not achieving its budget for income and costs not being incurred. (£44k) Handyman services being no longer an in-house service but contracted with an external company. This is offset by the cost incurred from the external company and savings for expenses no longer incurred by the Council.
- (£33k) underspend due to the Environmental Services having vacancies within the team which they are forecasting to fill in January 2025.
- (£45k) increased revenue from the Cemeteries services which is expected to continue into future financial years.
- (£50k) release of tree budget as it is not required in this financial year nor future years. Any shortfall can be met from the Tree reserve which has a balance of £108k.

7 It should be noted that alongside the forecast, 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.

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.

Capital

8 For 2024/25 the revised capital budget is £2,109k as set out in paragraphs 3-5.

9 Against this budget, the revised forecast is as £2,109k, and therefore nil variance against the revised budget.

Further information on all aspects of 2024/25 financial performance for the Committee are set out in Appendix A.

Comments of the Chief Finance Officer

The Council faces a financial challenge of £4m (30%) over the MTFS period:

- A savings target of £1m per year, every year, will be needed to balance the MTFS.
- If no savings were made, funding would fall short of requirements by £1m in 2025/26, £2m in 2026/27 and so on, with a gap of £4m per year after four years.
- The Council is legally required to set a balanced budget, and so savings are inevitable. The Council cannot rely on reserves or one-off funding to meet this challenge.
- If no action was taken, the Council's General Fund would be exhausted by the end of 2026/27.

Financially prudent and well-reasoned decision making is critical:

- All decisions must be taken in the context of the financial position and move the Council closer to a balanced MTFS. Once Committee budget envelopes are established, any decision to commit further spend must be met by a proposal for funding it.
- Difficult decisions will be required, including a reduction in discretionary spend, increased fees and a full review of the services the Council can provide.
- Full Council approved 11 budget principles on the 17th October 2024, by which decisions regarding future budget setting and management will be taken. These principles are available in the [Full Council Papers](#).

The Section 151 Officer confirms that the monitoring position set out in this report is consistent with these principles and that underspends will be reviewed in context of setting the budget for 2025/26.

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 Q2 / M6 Financial Report & Supporting Data

Background papers

- Community Services Committee 2024/25 Draft Budget, Medium-Term Financial Strategy and capital programme – 16th 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
- 2024/25 Budget – Outturn Report – Strategy and Resources Committee 27th June 2024
- Quarter 1 2024/25 Budget Monitoring Report – Community Services Committee 3rd September 2024.

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