

2021/22 Outturn Report

Strategy and Resources Committee
30th June 2022

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2021/22 Financial Overview – Key Messages

Background

- Delivery of the 2021/22 budget was interrupted by the identification of a c.£920k / 8% deficit in the budget, subject to extensive investigation and reporting to this Committee
- **The 2021/22 budget originally included the addition of £0.8m to strengthen reserves. The budget deficit made it impossible to make that contribution and the budget was rebalanced without it**
- In parallel to delivering the 2021/22 budget, the Council has been undertaking the Tandridge Finance Transformation programme (TFT), the outcomes of which will be reported to A&S on the 5th July. The TFT includes the findings of the Grant Thornton review resulting from the identification of the budget deficit
- TFT will be succeeded by:
 - A continuous improvement plan for Finance which will continue the work to embed accountability and strong financial management throughout the organisation
 - The Future Tandridge Programme and 2023/24 budget process (elsewhere on this Committee's agenda) which will continue to grow confidence in the Council's financial position and medium-term resilience
- Despite these challenges, the outturn report this year is presented to Committee 6 months earlier than for 2020/21 and with a significantly lower variance to budget. This represents progress but there is still work to do to improve forecasting and roll out Finance training across the Council

2021/22 – General Fund Revenue Outturn

- **The outturn position is a £458k surplus; an improvement of £468k from M11**
- The final variance consists of a £65k overspend against Covid-19 and £523k surplus on BAU

Executive Summary - Month 12 (March 2022)

Revenue Forecast M12

	Outturn		Change in Position
	Variance	Variance	
	£k	%	Since last Month £k
Community Services	(231)	-5.8%	(306)
Housing Services	(11)	-2.3%	(4)
Planning Policy	147	12.4%	(9)
Strategy & Resources	(441)	-7.0%	(352)
Corporate items	130	-18.9%	190
Earmarked Reserve (drawdowns)	(53)		12
General Fund	(458)	-4.1%	(468)
Central Funding	0		0
Overall after central funding	(458)		(468)

Overall at M12 the Council has £458k surplus; a £468k improvement from M11:

- ▼ Community Services: £231k underspend – £306k improvement
- ▼ Housing Services: £11k underspend - £4k improvement
- ▼ Planning Policy: £148k additional costs – £9k improvement
- ▼ Resources £441k underspend - £352k improvement
- ▲ Corporate Items: net £128k overspend - £190k deterioration

M12 headlines are set out on slide 5, with full detail in the Annex

Capital Programme Forecast M12

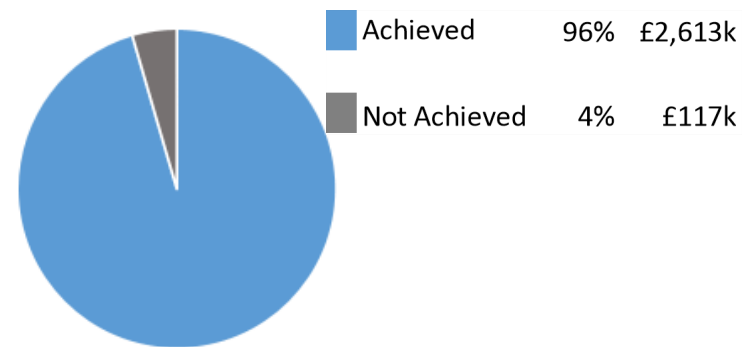
	M12 Outturn		Forecast variance	Change in forecast
	Forecast	Budget *		
	£'000	£'000	£'000	£'000
Community Services	1,336	2,686	(1,350)	(337)
Housing General Fund	445	460	(15)	95
Strategy & Resources	3,207	6,146	(2,939)	462
Planning Policy (CIL)	538	1,017	(479)	36
General Fund	5,526	10,309	(4,783)	257
Housing Revenue Account	11,085	16,804	(5,719)	(665)
Total	16,611	27,113	(10,502)	(408)

Forecast of £17m against budget of £27.1m, £10.5m less than budget (c£0.4m decrease in spend since M11)

Variance at M12 mainly:

- £10.4m proposed carried forwards e.g.: Council Housing Building and improvements delays (£5.4m); Quadrant House phase 2 refurb delays (£3.0m), Parks & Open spaces and other works (£0.9m) , CIL curtailments (£0.5m) and Various IT project delays – (£0.3m)

Savings Plan at M12 £2.7m



Lower volumes of car parking income due restricted movement in Q1 is the reason for part of the unachieved saving (£66k) along with Bulky Waste change in service delivery (£46k) and delays in expiring vehicle leases (£5k)

2021/22 Financial Overview – Financial Strategy

It is proposed to contribute the £458k underspend to reserves for the following purposes:

£125k – Enabling Projects

- £75k Future Tandridge Programme - to meet potential for costs ineligible for capital receipt funding. e.g. elements of redundancy costs (to be reported to S&R for approval if needed)
- £50k Initial investment in Debt Improvement plan – Phase 1 outlined in the Debt Management Review paper

£333k - Building Earmarked Reserves

As a result of the positive outturn position we can contribute an additional £333k to reserves to help support services in 2022/23 and address the challenges

- £117k unused contingency from 2021/22
- £200k additional contingency for inflation and energy costs, in light of prevailing economic trends. Inflation is currently at 9% (May CPI) (compared to 4.2% assumed in the 2022/23 budget). This contingency will be held to enable services manage inflationary pressures whilst maintaining service delivery
- £16k remaining underspend to General Fund
- Use of contingencies for 2022/23 will be reported via quarterly monitoring to the Policy Committees

Full Revenue Summary by Committee M12

	2021/22 Outturn £k	Annual Budget £k	Outturn Variance £k	One-off Events £k	Staffing £k	Already in 22/23 budget £k
Community Services	3,762	3,993	(231)	(196)	(109)	73
Housing Services	458	469	(11)	21	(15)	(15)
Planning Policy	1,332	1,185	147	148		
Strategy & Resources	5,898	6,338	(441)	57	(449)	(48)
Corporate items	(557)	(687)	130	(216)		345
Earmarked Reserve (drawdowns)	(56)	(3)	(53)	(53)		
General Fund	10,837	11,295	(458)	(239)	(573)	355
Central Funding	(11,295)	(11,295)	0			
Overall after central funding	(458)	0	(458)	(239)	(573)	355

Key Message: Committees are projecting a full year £458k surplus, mainly relating to: £239k underspend Net One-offs

- Earmarked reserves: £53k applied drawdowns to reduce committee overspends, Community Services :£196k underspend; Corporate items £216k underspend

Offset by:

- Housing : £21k overspend; Resources: £57k overspend; Planning Policy: £148k overspend;

£355k overspend: Net variances already reflected in the 22/23 budget

- Community Services £73k overspend; Corporate Items £345k overspend;

Offset by: Housing £15k underspend; Resources £48k underspend

£573k underspend - net variance due to Staffing: Community Services £109k underspend, Housing £15k underspend and Resources: £449k underspend. The effect of staffing savings are recognised in the 2022/23 budget by the inclusion of £200k vacancy factor and other changes set out in the 2022/23 savings plan

Details of the Committee variances are set out in the Annex

Revenue Movement from M11 - Summary

	Outturn Variance £k	M11 Forecast Variance £k	Change in Position Since last Month £k	
Community Services	(231)	75	(306)	Improvement
Housing Services	(11)	(7)	(4)	Improvement
Planning Policy	147	156	(9)	Improvement
Strategy & Resources	(441)	(88)	(352)	Improvement
Corporate items	130	(61)	190	Deterioration
Earmarked Reserve (drawdowns)	(53)	(65)	12	
General Fund	(458)	10	(468)	

Key Message: Committees projections have improved by £468k since M11, mainly relating to:

Community Services: improvement £306k

- £151k - delay in tree remedial action (£90k), less gritting (£30k) and repairs (£10k)
- £71k - for Operational Services (reduced spend on repairs, increased cemetery income, sale of vehicles, COMF)
- £59k in net recycling credits from SCC (end of quarter reporting)
- £24k in savings in Leisure and Community grants - contract performance (economic development and repairs)

Housing (GF): net Improvement £4k

- £45k improvement through reduced grant payment to private sector landlords
- £149k improvement through offsetting legitimate costs against Government grant
- £184k deterioration due to net additional outlay in Housing Benefits

Planning Policy: improvement £9k: net improvement in Planning Applications

Resources: improvement £352k

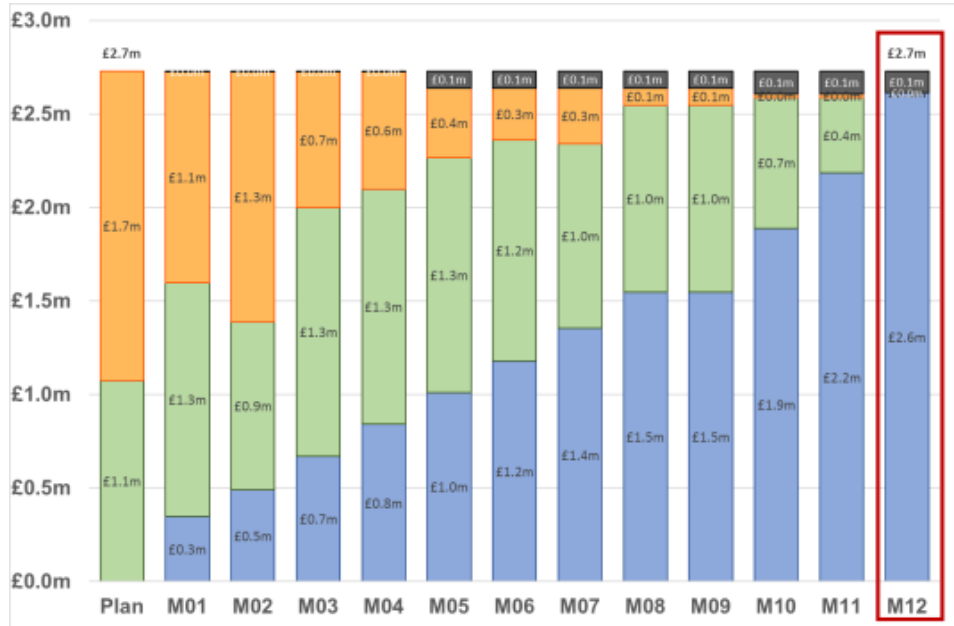
- £105k in one-off events – finalisation of software costs, telephones, training, staff expense, recruitment, consultancy, advice costs and rents
- £144k in staff underspends matching spend to COMF funding and vacancy churn
- £113k net improvement in variances relating to ongoing spend and already reflected in 22/23 budget. In M11 estimates included increased energy costs that were not yet final

Corporate Items: deterioration £190k, mainly:

- £100k set aside to provide against commercial income risks
- £34k reduction in property income to reflect rent holidays and other adjustments
- £28k in recharges due to S&P forecast position

Saving Plans Delivery

Summary and Projection



Key:

Black – Under target

Red – No Plan, unrealistic timescales and Consultation assessment required

Amber – Deliverable but no agreed plan, uncertain timescale and Consultations required

Green – Clear plans, Realistic Timescale & Consultation complete

Blue – Delivered / Achieved

Delivery by Directorate

Committee	Target £k	Blue Achieved	Green	Amber	Red	Black - BAU Full Year Forecast
		£k	£k	£k	£k	£k
Community Services	1,437	1,320	0	0	0	117
Housing GF	147	147	0	0	0	0
Planning	451	451	0	0	0	0
Resources	247	247	0	0	0	0
Corporate items	447	447	0	0	0	0
TOTAL	2,730	2,613	0	0	0	117

Commentary

- Total plan of £2.7m - c£2.6m (96%) delivered (Blue)
- £117k (c4%) unachievable (Black);
 - Lower volumes of car parking income due restricted movement in Q1 is the reason for part of the saving (£66k)
 - Bulky Waste change in service delivery (£46k) and
 - Delays in expiring vehicle leases (£5k);

Note: the service has found one-off mitigation through salaries underspends to resolve the 2021/22 position. The ongoing variance is reflected in the 2022/23 budget

Capital Summary by Committee

	M12		Forecast variance £'000	New Project / (Underspend) £'000	(Slippage NOT Carry forward) £'000	(Slippage Carry forward) £'000	Change in forecast £'000
	Outturn Forecast	Budget *					
	£'000	£'000					
Community Services	1,336	2,686	(1,350)	(183)		(1,167)	(337)
Housing General Fund	445	460	(15)	(15)			95
Strategy & Resources	3,207	6,146	(2,939)	463		(3,402)	462
Planning Policy (CIL)	538	1,017	(479)			(479)	36
General Fund	5,526	10,309	(4,783)	265	0	(5,048)	257
Housing Revenue Account	11,085	16,804	(5,719)		(349)	(5,370)	(665)
Total	16,611	27,113	(10,502)	265	(349)	(10,418)	(408)

Key Message: Capital forecast of £16.6m against budget of £27.1m, a decrease of £10.5m against budget (£0.4m decrease in costs since M11)

The decrease in spend mainly relates to:

- **Slippage subject to proposed carry forward requests of £10.4m (Next slide)**
 - £4.7m proposed to be carried into 2022/23 General Fund (next slide)
 - £4.4m proposed to be carried into 2022/23 HRA (next slide)
 - £0.4m proposed to be carried into **2023/24** General fund - Quadrant House
 - £1.0m proposed to be carried into **2023/24** HRA – Council House Building
- **Slippage not carried forward of £0.3m** - Delay in Improvement to Housing Stock
- **Underspend of £0.2m** Public Conveniences Capital Works
- **New project of £0.5m** relates to A22 Cycleway funded by grant (predominantly LEP)
- **The Capital Programme for 2022/23 will be fully reviewed for September Committees to determine the extent to which it is deliverable with the proposed carry-forwards**
- **An end-to-end Capital Programme Governance review will be undertaken simultaneously**

2022/23 Capital Carry Forward Requests

Scheme	Original Budget	Carry Forward	Original Budget
	2022/23	Requested	Incl. Carry Forward
	£000	£000	£000
GENERAL FUND			
Vehicle Fleet Renewals	204	172	376
Quadrant House Refurbishment	0	2,628	2,628
Croydon Road Regeneration	1,325	115	1,440
GF IT - Hardware/Infrastructure Projects GF	228	259	542
Capital Contributions to third parties from CIL	1,667	479	2,146
Childrens Playground Equipment	27	399	426
Park, Pavilions & Open Spaces	114	164	278
Grange Meadow	0	250	250
Public Conveniences	150	100	250
Garden Waste Bins. Refuse, Recycling and Food Waste bins	115	33	148
Playground Improvements Match Funding Pot	0	50	50
Other Schemes not affected by carry-forwards	752	0	752
Total	4,583	4,703	9,286
HOUSING REVENUE ACCOUNT			
Council House Building	7,586	3,930	11,516
Council House Improvements	3,939	245	4,184
HRA IT - Hardware/Infrastructure Projects	61	195	256
Total HRA	11,586	4,370	15,956

Additional Information

Covid-19 Update

- At M12, Committees' gross costs and loss of income related to Covid-19 as follows:

Community Services:

- £180k under recovery of income due to Q1 restricted demand for parking and taxi licencing. Car Parking (On and Off Street) budgeted income £439k, outturn £266k. Taxi Licencing budget income £88k, outturn £82k (*M11 £162k, £18k deterioration*)
- £20k under recovery of income due to lower volumes of bookings than expected for cesspool service (*M11 £19k, deterioration £1k*)

- £15k under recovery of income due to social distance for Parks and Open spaces (*M11 £13k, deterioration £2k*)
- Offset by £31k recognise lease and back dated rent (£0k M11, £31k improvement)

Earmarked reserves and specific grants are:

- £27k drawdown of Covid-19 reserve
- £92k Covid -19 Sales, Fees and Charges return submitted to recovered approx. 71%.

	Outturn Variance £k	BAU Variance £k	Covid-19 £k
Community Services	(231)	(446)	215
Housing Services	(11)	21	(31)
Planning Policy	147	148	
Strategy & Resources	(441)	(441)	
Corporate items	130	130	
Earmarked Reserve (drawdowns)	(53)	(26)	(27)
General Fund	(458)	(614)	157
Central Funding	0	92	(92)
Overall after central funding	(458)	(522)	65

ANNEX

DETAILED REVENUE

- M12 Outturn – Committee Detail (slides 10 to 13)
- Final Budget (slide 14)

Revenue Commentary Communities

	Outturn Position £k	Annual Budget £k	Outturn Variance £k	One-off events £k	Adjusted in future budget £k	Change in Position since last month £k
Salaries	1,255	1,363	(109)		(109)	13
Car Parking-On Street	(34)	(100)	66		66	(10)
Car Parking-Off Street	28	(64)	92		92	9
Hackney Carriage/Private Hire	(15)	(18)	3	3		(1)
Leisure & Community Grants	208	260	(52)	(52)		(24)
Environmental Services	248	294	(46)		(46)	7
Waste Services	1,960	2,023	(63)		(63)	(61)
Cesspool Services	(69)	(109)	40	40		3
All Operational Services	(266)	(172)	(94)	(118)	24	(96)
Parks and Open Spaces	405	500	(95)	(95)		(151)
Streets & Public Conveniences	42	16	26	26		5
Community Services	3,762	3,993	(231)	(196)	(36)	(306)

Communities Services underspend £231k (improvement of £306k from M11), mainly:

- £162k under recovery of income due to Q1 restricted demand for parking and taxi licencing. Car Parking (On and Off Street) budgeted income £439k, outturn £266k. Taxi Licencing budget income £88k, outturn £82k (*M11 £163k, £1k improvement*)
- £40k Cesspool services: lower volumes of bookings (*£37k M11, deterioration £3k*)
- £26k Streets and public conveniences, Increased street cleaning costs due to delay in purchasing vehicles, therefore net higher repair and leasing (£34k) and net reduction in property tax of £8k, as tax is no longer payable on public toilets (£21k M11, £5 deterioration),

Offset by:

- £109k staff vacancies (*£121k M11, deterioration £13k*);
- £94k underspend operational services mainly £37k net sales from vehicles, £37k increase income for cemetery, £22k rent from dwelling, & £22k net depot recharges, offset by £24k increased cost on Handyman (£2k M11, improvement £96k) (Reflected in 22/23 budget pressure).
- £63k Waste Services- £109k net SCC waste recycling credits offset with £46k lower volumes of Bulky Waste (£2k M11, improvement £61k)
- £52k Leisure & Community Grants - £50k saving in contract performance & grants (*£28k M11, improvement £24k*)
- £95k Parks and open spaces due to delay in accessing tree remedial works (£44k), less gritting in parks than expected (£26k) and less repairs required in encampments (£24k) (£56k M11, deterioration £5k)
- £46k Environmental Services - £51k saving in contract performance & grants (*£53k M11, deterioration £7k*);

Revenue Commentary Housing and Planning:

Housing General Fund underspend £11k (improvement £4k from M11)

- £125k Housing the Homeless – applying grant to legitimate spend (£0k M11, improvement £125k);
- £31k Westway – recognise lease and back dated rent (£0k M11, £31k improvement)
- £37k Private Sector Enabling additional grant (£7k M11, improvement £45k),
- £15k Salary vacancies & COMF grant (£31k M11, deterioration £16k), and £11k Increased sales from Meadowside (£11k M11, No change)

Offset by:

- £184k due to net additional outlay in Housing Benefits
- £26k expired lease for Redstone House (£24k M11, £2k deterioration)

As part of the FTP Service Reviews the HGF budget will be reviewed in light of the variances in Housing Benefit and Homelessness

	Outturn Position	Annual Budget	Outturn Variance	Change in Position since last month
	£k	£k	£k	£k
Salaries	509	524	(15)	16
Meadowside Mobile Homes	(131)	(120)	(11)	(0)
Westway	69	100	(31)	(31)
Private Sector Enabling	34	71	(37)	(45)
Housing of the Homeless	(186)	(61)	(125)	(125)
Other Housing Renewal Functions	55	55	0	0
Syrian & Afghan Refugees	15	15	(0)	(0)
Redstone House	(22)	(49)	26	2
Housing Benefits	113	(69)	182	184
Other variances less than £10k	1	1	0	(4)
Housing General Fund	458	469	(11)	(4)

Planning Policy overspend £148k (improvement £9k from M11)

- Planning Applications: Net Position (after reserve and overspend) is £17k (£25k M11, improvement £8k)
- £59k Homes England reserve drawdown in Earmarked reserves (£54k M11, deterioration £5k).
- £80k overspend due to; additional costs for the Public Inquiry into the crematoria (£45k) and further environmental impact assessment, ecological advice, planning appeal advice on other applications (£35k) (£89k M11, improvement £9k)

Offset by:

- £7k better than budget Street naming income (£7k M11, no change)

	Outturn Position	Annual Budget	Outturn Variance	Change in Position since last month
	£k	£k	£k	£k
Planning Applications & Advice	816	661	156	(12)
Planning Strategy & Policy Guidance	294	294	0	0
Enforcement	50	50	0	3
Tree Preservation & Advice	(2)	0	(2)	0
Community Infrastructure Levy (CIL)	0	0	0	0
Local Development Plan - Evidence	174	174	0	0
Transfer to/from Neighbourhood Plan Reserve	9	8	1	1
Land Charges and Street Naming	(10)	(3)	(7)	0
Planning	1,332	1,185	148	(9)

Revenue Commentary – Strategy and Resources

	2021/22 M13 £k	Outturn Position £k	Annual Budget £k	Outturn Variance £k	Staffing £k	One-off events £k	Adjusted in future budget £k	Change in Position since last month £k
Legal Services	493	493	531	(37)	(23)	(21)	6	(24)
Human Resources	367	367	570	(202)	(121)	(63)	(18)	(24)
Leadership Team	277	277	385	(108)	(113)	35	(30)	(12)
Information Technology	1,396	1,396	1,328	68	(41)	105	4	(103)
Democratic Services	579	579	567	13	(3)	4	12	17
Communications	391	391	401	(10)	(4)	(6)		(10)
Financial Services	897	897	906	(9)	(7)	(1)		(31)
Office Services	281	281	320	(39)	1	(40)		(88)
Asset Management	160	160	159	1	(6)	8		(6)
Revenues and Benefits	215	215	194	21	2	41	(22)	(3)
Communities Executive Projects	78	78	107	(29)	(43)	14		1
Customer Services	612	612	645	(33)	(43)	10		6
Emergency Planning & Community Safety	150	150	226	(76)	(47)	(29)		(76)
General Fund	5,898	5,898	6,338	(441)	(449)	57	(48)	(352)
Wellbeing Prescription	(0)	0	0	0	(84)	84	0	0
Strategy & Resources	5,898	5,898	6,338	(441)	(533)	141	(48)	(352)

Strategy & Resources underspend £441k (improvement £352k since M11)

- £449k underspend due to temporary vacant posts (£348k) and additional COMF funding (£101k) (£303k M11, improvement £144k);
- £57k overspend on one-off events (£152k M11, improvement £95k):
 - £184k overspend - extra costs / reduced income (£242k M11, improvement £58k):
 - £82k prior year charges not accrued for in 20/21 (£105k due of telephone and software costs, £10k one-off pressure due to back charges IRIS (Identification and Referral to Improve Safety programme) invoice £10k), offset by £33k over accrual for Covid-19 one-off payment
 - £48k net overspend on Financial Independent reports & Support (Budget deficit, Root & Branches, Twin track);
 - £54k reduced income on court costs due to project delays (NEC project);
 - £127k underspend - reduced costs / extra income (£90k M11, improvement £28k):
 - £75k underspends training, staff expenses, recruitment, and consultancy and advice charges
 - £52k over recovery rents - £33k temporary increased income from Council Buildings (Vaccine Centre) and £19k income to Legal services
- £48k underspend related to activities already adjusted in 22/23 budget: (£6k Legal online subs, £18k training, £30k corporate expenses, £4k Agresso licence, £12k Mod gov subs, £22k release of vacant post) (£65k M11, improvement £113k)

Revenue Commentary Corporate Items

	Outturn Position £k	Annual Budget £k	Outturn Variance £k	One -off events £k	Adjusted in future budget £k	Change in Position since last month £k
Interest Payable	1,153	1,163	(10)	(10)		(9)
Interest Receivable & Investment Income	(1,533)	(1,407)	(126)	(126)		20
Property Income	(475)	(920)	445	100	345	134
Non GF Support recharges & Bank charges	(1,854)	(1,904)	50	50		28
Minimum Revenue Provision (MRP)	845	871	(26)	(26)		0
Pension - Actuarial top up, Added Years, & Compensation	1,379	1,489	(110)	(110)		0
Write Offs and Bad Debt Provision	(73)	22	(95)	(95)		16
Before Reserves	(557)	(687)	129	(216)	345	189
Contributions to / (Drawdown from)	(56)	(3)	(53)	(53)		12
Earmarked Reserves						
Corporate Items	(613)	(690)	76	(269)	345	201

Corporate Items overspend £75k (deterioration of £202k since M11)

Overspends of £495k:

- £445k Property rent service charges costs due to voids and potential debt write off from 2019/20. (£311k M11, deterioration £134k)
- £50k estimated reduction in recharges due to Resources outturn (£22k M11, £28k deterioration)

Offset by underspends £366k, mainly:

- £126k interest receivable and investment income due to Freedom Leisure loan repayments and improved yields on investment income (£146k M11, deterioration £20k)
- £110k underspend on Pensions and Redundancy costs due improvement payment terms and over budgeting for pensions (£111k M11)
- £95k underspend on movement of Bad Debt provision and write offs (£111k M11, deterioration £16k)
- £26k underspend on MRP
- £53k net drawdown to earmarked reserves. Contribution : £72k Cyber grant; Drawdown: £59k Homes England grant (planning); £42k NEC implementation; £27k Covid-19. (M11 £247k contribution now part of, and updated, proposed general fund contribution (release of Contingency (£117k) and create of Debt Management reserve (£130k))

Revenue Position – Budget Tracker

	Community Services £k	Housing GF £k	Planning Policy £k	Strategy & Resources £k	Corporate Items £k	General Fund £k
Original Budget	4,888	491	1,052	4,864	0	11,295
<u>Virements:</u>						
Corporate items alignment				2,325	(2,325)	0
Caseworker alignment			171	(171)		0
Aggregate Legal costs			(35)	35		0
Accounting treatment	(895)	(22)		(718)	1,635	0
Land Charges to Planning			(3)	3		0
Revised Budget	3,993	469	1,185	6,338	(690)	11,295

- There have been no budget changes/virements since M11