

Provisional revenue outturn position for the General Fund - net overspend of £1,990,857

Committee/Area	2019/20 Budget (£)	Outturn (£)	Variance (favourable) /adverse (£)	% Variance
Strategy & Resources	1,110,150	2,143,638	1,033,488	93%
Community Services	6,472,650	6,913,341	440,691	7%
Housing	809,900	651,737	(158,163)	(20%)
Planning / Planning Policy	2,049,270	2,724,111	674,841	33%
General Fund Revenue (Net Total)	10,441,970	12,432,827	1,990,857	19%

The main items making up the variances in the General Fund by Committee are:-

Strategy & Resources Committee overspend of £1,033,488:

- Salaries overspend of £445,294 – Following the introduction of Customer First this overspend has arisen from the need to maintain the continuity of service provision. The additional costs result from a combination of factors; early departure costs and additional costs following delays in the exit of some permanent staff and from difficulties and delays in recruiting permanent staff. This resulted in the recruitment of temporary staff, agency staff and consultants in order to ensure the maintenance of service provision.
- Additional Treasury Income of £55,013 - Due to acquisition of Castlefield House in December resulting in additional interest income from Gryllus.
- Printing and postage underspend of £46,700 due to lower volume of usage.
- Bad Debt Provision overspend of £51,631 – An increase in the amount of aged debt which is considered to be potentially uncollectable requires additional Bad Debt Provision.
- Collection Fund shortfall in income of £652,101. This is attributable to –
 - a deficit on the Collection Fund in respect of the Council Tax surplus of £87,524 in 2019/20. At the time of budget setting the Councils share of the surplus was estimated at £125,000, however the final position was a surplus of £37,976.
 - a surplus on the Collection Fund in respect of NNDR in of £234,550 in 2019/20. No surplus or deficit was anticipated at budget setting.
 - a shortfall in Section 31 Grant of £630,082
 - an adjustment to S31 Grant in respect of previous years of £169,041

Planning Committee overspend of £674,841:

- Salaries overspend of £546,640 - Following the introduction of Customer First this overspend has arisen from the need to maintain the continuity of service provision. The additional costs result from a combination of factors; early departure costs and additional costs following delays in the exit of some permanent staff and from difficulties and delays in recruiting permanent staff. This resulted in the recruitment of temporary staff, agency staff and consultants in order to ensure the maintenance of service provision.

- Planning Applications and Advice overspend of £702,754 -

Legal fees due for the Felbridge Junction appeal of £461,000 have been included in the outturn. Negotiations with one of the parties involved in the final settlement are still ongoing. It is therefore possible a lower figure may be agreed by either before the draft accounts are prepared in which some of provision may be released. However based on current progress at this time this is considered unlikely. There is an overspend in relation to an external contract with Terraquest of £97,000. Terraquest were appointed following Customer First to deal with the planning validation as a result of staffing shortfalls. This contract which was underperforming has been terminated and the work has been taken back in house. This was reported to Members in an earlier cycle. In addition there is an under recovery of income on planning fees of £75,000 and on Developer Pre- Application meetings of £30,754. This is attributable to Brexit uncertainty and the general economic climate. There are also a number of other overspends; an under recovery of income on Members presentations of £12,000 and other minor overspends of £27,000, including consultancy and counsels fees.

- Enforcement underspend of £36,644 - This arises because of a successful bid for additional grant funding from the MHCLG to enable improvements to be made to the Planning Enforcement service. Additional income has also been received from fees for a Planning Enforcement notice.
- Local Plan underspend of £436,991 - This has arisen due to less than expected spend on consultants and counsels fees.
- Neighbourhood Plan underspend of £19,664 - Due to additional grant received.

Community Services Committee overspend of £440,691:

- Salaries overspend of £103,500 – Following the introduction of Customer First this overspend has arisen from the need to maintain the continuity of service provision. The additional costs result from a combination of factors; early departure costs and additional costs following delays in the exit of some permanent staff and from difficulties and delays in recruiting permanent staff. This meant that it was necessary to recruit temporary, agency and consultancy staff in order to ensure the maintenance of service provision.
- Tandridge Commercial Services overspend of £147,672 - This arises following the centralisation of call centre staff as part of Customer First and will mean that Tandridge Commercial Services may lose the recovery of overheads previously charged as part of the overall service costs. Officers will be carrying out an in-depth review of overhead recoveries to ensure that these costs are apportioned accurately between services.
- High risk tree works overspend of £6,300 - It should be noted that in future years the tree spend budget has been increased by £60,000 to an overall budget spend of £110,000.
- Sports and Recreation pavilions overspend of £16,328 - To ensure the Council was compliant with Health and Safety rules, Legionella inspections had to be carried out in all of the Council owned pavilions.
- Additional car parking revenue of £7,800.

Housing Committee underspend of £158,163:

- Salaries overspend of £302,905 - Following the introduction of Customer First this overspend has arisen from the need to maintain the continuity of service provision. The additional costs result from a combination of factors; early departure costs, additional costs following delays in the exit of some permanent staff and from difficulties and delays in recruiting permanent staff which resulted in the recruitment of temporary staff, agency staff and consultants in order to ensure the maintenance of service provision. The closure of the Douglas Brunton Centre has also added additional redundancy costs.
- Housing Benefit Payments & Recovery net underspend of £206,200 - The recovery of Housing Benefits overpayments was below budget by £237,500. However, this was more than offset by a writeback from the overpayment bad debt provision of £387,000. There was a further net underspend of £56,700 on other budgets within this area.
- The Douglas Brunton Centre's budget has been overspent by £30,458. Of this overspend £18,596 is due to a loss of 6 months sales income and the annual membership fees as a result of transferring management to the Westway Centre and £11,862 is due to repairs expenditure to meet Health and Safety requirements prior to handover.
- Meadowside has underspent by £18,068 due to an increase on sales and an underspend on the repairs budget.
- Additional Grant has been received for Syrian refugees resulting in an underspend of £58,709.
- Homelessness has underspent by £170,788 due to additional Central Government grant plus a transfer in from the homelessness reserve.
- There is an underspend on Housing Benefit administration due to additional Government grant.
- Private Sector Housing Enforcement overspend of £18,578 – A charge by Mole Valley for a shared member of staff has resulted in an overspend of £18,578. Provision has been made in the salaries budget for 2020/21 to cover this work.

Salaries budgets were overspent by £1,397,600 in 2019/20. Officers have been working hard to control salaries expenditure on additional employees, agency staff and consultants. Significant effort was put in during 2019/20 to control expenditure on temporary staff and contractors once the scale of the financial impact from the temporary staffing measures arising from the implementation of Customer First became clear. It was necessary to introduce centralised control in respect of the recruitment of all staff at the centre and this is now being rigorously managed. These controls have prevented the staffing overspend being very much greater in 2019/20, than it otherwise would have been. In 2020/21, these arrangements are working effectively in controlling expenditure upon salaries and staffing. These processes will be maintained during this year and beyond.

Provisional revenue outturn for the Housing Revenue Account

The transfer to reserves in 2019/20 would be £795,320 (compared to a budgeted transfer of £1,320,597) - key variances shown below.

- £168,500 overspend on Salaries due to the need to maintain service provision following the introduction of Customer First.
- £180,800 overspend on Service Costs. This comprises of two main factors:
 - The depreciation charge for the year was £293,800 greater than budgeted for (a total charge of £5,153,700). Depreciation is a real charge for the HRA affecting the bottom line. The depreciation charge is transferred to the Major Repairs Reserve where the funds are used to finance capital expenditure to maintain the HRA stock. This overspend could not be forecast earlier as the charge for depreciation is based on asset values provided by the Councils valuers at the 31st March 2020.
 - There was a net underspend of £113,000 in other service cost areas, with the largest single element being an underspend of £86,000 on consultancy and legal costs.
- £65,500 overspend on Corporate Support Service recharges due in the main to an additional pension charge to the HRA for unfunded pensions.
- £86,900 underspend on Repairs and Maintenance costs.
- £100,700 underspend on interest payable on loans (due to re-financing at lower rates than forecast).
- £255,400 adverse variance on Rental Income from Council Dwellings. This is due to an error in closing the account for the prior year, where £265,000 of income was accounted for in 2018/19 rather than in 2019/20. This was reported as a positive variance for 2018/19 in the outturn report to Members at the 13th June 2019 Strategy & Resources Committee.
- £57,700 adverse variance on Garage income due to lower demand than forecast. The budget for 2020/21 has already been revised lower to a more realistic estimate.

In relation to Right to Buy sales during 2019-20, these amounted to 7 sales compared to an original estimate of 8 sales. This has generated total capital receipts of £1,111,810. Income from Right to Buy sales can be particularly volatile. The last 5 years has seen some volatility in sales with 21 sales in 2015/16, 10 in 2016/17, 8 in 2017/18, 11 in 2018/19 and 7 in 2019/20.

APPENDIX 'C'

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Capital Programme – required slippage of £39,456,74 (expenditure on individual schemes which, whilst unspent during 2019/20, is still necessary to complete the schemes)

Capital Scheme	Slippage £	Reason for Slippage
GENERAL FUND		
Community Services		
Vehicle Fleet Renewals	59,900	Renewals did not occur in 2019/20
Car Parking	17,300	Delay in planned works
Children's Playground Equipment	27,000	Delay in planned works
Purchase of Waste Collection Vehicles	2,800,000	Delayed expenditure on purchase of Waste Collection Vehicles
Land Drainage Capital Works	5,000	Delay in planned works
Park, Pavilions & Open Spaces	88,900	Delay in planned works
Playground Improvements Match Funding Pot	50,000	Delay in planned works
Litter Bins	20,000	Delay in planned works
Public Conveniences Capital Works	275,000	Delay in planned works
Roads & Paths St Marys Church	7,600	Delay in planned works
Plant, Furniture & Equipment (GF)	(20,760)	Expenditure made in advance of 2020/21 Budget
Refuse, Recycling and Food Waste bins	(41,692)	Expenditure made in advance of 2020/21 Budget
Community Services Total	3,288,248	
Housing General Fund		
Disabled Facilities Grants Mandatory	0	Underspend on DFG is transferred to reserves for use in future years
Housing GF Total	0	
Strategy & Resources Committee		
Property Development Fund	33,707,500	Underspend on the Investment and Development Fund of £33,707,456 due to less investment property purchases than expected
Land/Asset Development	134,000	Delay in programme of works
Strategy & Resources Total	33,841,500	
General Fund Total	37,129,748	
Housing Revenue Account		
Council House Building	2,277,000	Minor delays in the overall build programme. Split £959,500 20/21 and £1,317,500 21/22
Housing Management Software	50,000	Budget not spent but improvement works for Orchard identified for 2020/21
HRA Total	2,327,000	
Capital Programme Total	39,456,748	