

Month 3 (June 22) Financial Report

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22nd August 2022

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Executive Summary - Month 3 (June 2022)

Revenue Forecast M3

	Forecast at M03 £k	Annual Budget £k	Outturn Variance £k
Community Services	4,251	4,051	200
Housing General Fund	476	476	0
Planning Policy	1,328	1,204	124
Strategy & Resources	6,466	6,222	244
Corporate Items	(596)	(601)	5
General Fund - Services	11,924	11,351	573
Central Funding	(11,351)	(11,351)	0
General Fund	573	0	573

Overall at M3 the Council is forecasting a £573k overspend:

- Community Services: £200k overspend – 4.9% of committee budget
- Housing General Fund: balanced
- Planning Policy: £124k additional costs – 10.3% of committee budget
- Resources £244k overspend – 3.9% of committee budget
- Corporate Items: net £5k overspend

M3 headlines are set out on the next slide, with full detail in the Annex

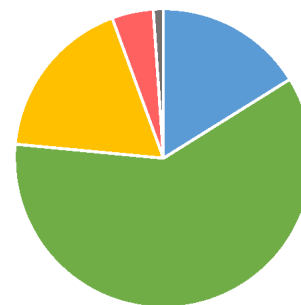
Capital Programme Forecast M3

	M3 Outturn Forecast £'000	Budget * £'000	Forecast variance £'000
Community Services	1,839	1,839	0
Housing General Fund	400	460	(60)
Strategy & Resources	4,841	4,841	0
Planning Policy (CIL)	2,146	2,146	0
General Fund	9,226	9,286	(60)
Housing Revenue Account	15,956	15,956	0
Total	25,182	25,242	(60)

*Budget approved by S&R Committee on 30th June 2022, consisting of £16.2m original budget and £9m carry forwards from 2021/22.

At Q1, £60k slippage is forecast against the Housing General Fund Budget. Further detail is set out on Slide 6.

Savings Plan at M3 £1.1m



Achieved	16%	£179k
Plans in Place	60%	£671k
At Risk of achievement	18%	£199k
Doubtful	5%	£50k
Not Achieved	1%	£12k

The not achievable is due to shortfall in intra authority recharges (£12k);

Due to the dependency to find new tenants for the Oxted Offices the saving of £50k is doubtful

Revenue Summary by Committee M3

2021/22 Outturn £k	Forecast at M03 £k	Annual Budget £k	Outturn Variance £k	One-off events £k	Ongoing Pressures £k
3,762	4,251	4,051	200	0	200
458	476	476	0	0	0
1,332	1,328	1,204	124	2	122
5,748	6,466	6,222	244	2	242
(463)	(596)	(601)	5	(80)	84
10,837	11,924	11,351	573	(76)	648
(11,295)	(11,351)	(11,351)	0	0	0
(458)	573	0	573	(76)	648

Mitigation through contingencies

Offsetting the deficit identified are contingencies as follows:

- £100k – Planned reserve contribution
- £117k - General contingencies within the 2022/23 budget
- £317k – Set aside to meet known 2022/23 risks at 2021/22 outturn, less £50k used for £450 cost of living support

Totalling £484k – a balanced outcome is therefore deemed to be achievable

Key Message: Committees are projecting a full year £573k deficit, mainly relating to:

Community Services: overspend £200k – £200k indicative pressure in Waste services due contractual commitments to inflation and labour costs indexation (value to be confirmed)

Housing Services: Balanced with Housing Benefit pressures offset by more effective use of the Homelessness grant to meet existing cover staff costs

Planning Policy: overspend £124k - £122k Planning Application service currently heavily reliant on contract staff (£178k) and external counsel (£45k) offset by increased planning income (-£103k)

Resources: overspend £244k- £144k overspend due to the potential for expiring leases, and uncertainty on renewal impact on rental income; £54k staffing; £30k software and telephone usage and £16k due to Boundary Review and additional Dem Services costs

Note: Of the £244k overspend, £36k relates to vacancy factor which should materialise over the course of the year through staff turnover

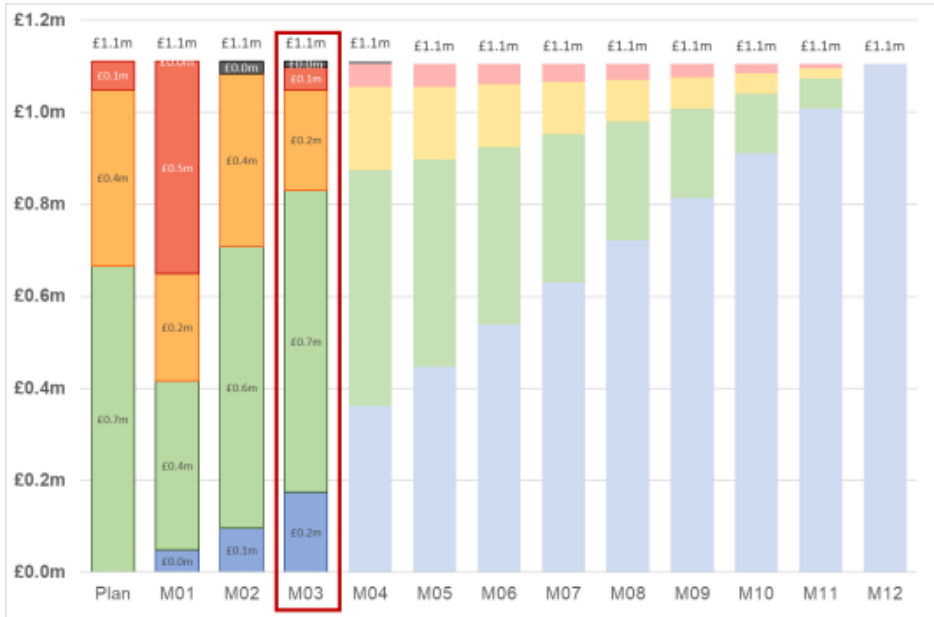
Corporate Items: net overspend £5k

One-off: Investment Properties - Quadrant House has a new tenant target of £120k which remains to be met. Offset by £200k Government grant received in 2021/22 to alleviate the cost of Covid-19 impacts on workload, not needed in the 2021/22 outturn position.

Ongoing: Cost of collection funding from Government (Council Tax and Business Rates) is based on the value of business rates and is not sufficient to meet the budget. (£69k) plus a shortfall of £12k shortfall in expected General Fund recharges.

Saving Plans Delivery

Summary and Projection



Mitigations

£50k Town Hall income saving: The service is taking mitigating action to identify new tenants and renew existing where possible. Two marketing agents are employed, adaptations are under consideration and, and the Council is extending the security hours related to the offices for tenants to further develop interest.

£219k Amber savings: Predominantly relates to Tranche 3 savings (agreed by S&R committee on 30th June 2022). At Q3 these were deemed amber but plans set out at 30th June committee will result in them being regraded to green on next review.

Delivery by Committee

Committee	Target	Blue Achieved	Green	Amber	Red	Black - BAU Full Year Forecast
		£k	£k	£k	£k	£k
Community Services	177	39	118	20	0	0
Housing GF	80	20	60	0	0	0
Planning	0	0	0	0	0	0
Resources	717	88	396	184	50	0
Corporate items	137	27	82	15	0	12
TOTAL	1,111	174	656	219	50	12

Commentary

Total plan of £1.1m - forecasting c£1.1m (99%) delivery

- £12k (c1%) unachievable (Black);
 - shortfall in intra authority recharges (£12k)
 There is a risk to programme delivery from:
- £50k (5%) doubtful (Red); due to dependency to find new tenants for the Town Hall saving
- £219k is rated amber, predominantly in S&R

Key:

Black – Under target

Red – No Plan, unrealistic timescales and/or Consultation assessment required

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

Green – Clear plans, Realistic Timescale & Consultation complete

Blue – Delivered / Achieved

Capital Summary by Committee

	M3 Outturn		Forecast variance £'000	Overspend / (Underspend) £'000	(Slippage) £'000
	Forecast	Budget *			
	£'000	£'000			
Community Services	1,839	1,839	0		
Housing General Fund	400	460	(60)		(60)
Strategy & Resources	4,841	4,841	0		
Planning Policy (CIL)	2,146	2,146	0		
General Fund	9,226	9,286	(60)	0	(60)
Housing Revenue Account	15,956	15,956	0		
Total	25,182	25,242	(60)	0	(60)

*Budget approved by S&R Committee on 30th June 2022, consisting of £16.2m original budget and £9m carry forwards from 2021/22.

- At Q1 a net variance of £60k (reduced spend) is forecast in the Housing General Fund.
- Further variances were reported within the Housing Revenue Account Capital Budget, at this point assumed to be net nil overall.
- The detail for each committee has been reported to individual meetings. The S&R programme is included on Slide 17.

Additional Information

Reporting Steps:

Finalisation & Sign off

- Pack distributed to Extended Management Team

Committee meeting

- 8 Sept - Community Services – Postponed, but papers issued
- 15 Sept – Housing – Postponed but papers issued
- 22 Sept – Planning Policy
- 29 Sept – Strategy & Resources

Recommendation to Committees:

Community Services, & Planning Policy

- Note the financial position

Housing

- Note the financial position
- Receive HRA Outturn and M3 Position separately

Strategy & Resources

- Note the financial position
- Approve the Virements from Corporate Items and Resources

Debt as at 30 June 2022

Update to set out the direction of travel for debt recovery. Direction of travel has been RAG rated as follows;

Red – deteriorates by over 10% against target;

Amber – deteriorates by less than 10% against target

Green – improves against target

Sundry Debt, HBOP and HRA:

Type	Q4 21/22	Q1 22/23	Outcome
Sundry Debts	£282k	£275k	G
HBOP	£1,144k	£1,126k	G
HRA	£444k	£551k	R

Note debts older than six months for HRA and Sundry but one year for HBOP

HRA: Within this position is current and former tenants debt. Current tenants debt has fallen by 7% over the last three months (£254k Q1: £274k 21/22). However former tenants has nearly doubled (£297k Q1: £170k 21/22)

Collection Fund (2019/20 used as pre-Covid baseline):

	Monthly			Cumulated
	A	M	J	Q1
Business Rates (19/20)	15.2%	8.8%	8.9%	33.0%
Business Rates (22/23)	14.7%	7.6%	8.5%	30.8%
Outcome	A	R	A	A
	A	M	J	
Council Tax (19/20)	17.3%	9.2%	9.3%	35.8%
Council Tax (22/23)	16.6%	9.3%	9.0%	34.9%
Outcome	A	G	A	A

ANNEX

DETAILED REVENUE AND CAPITAL

- M3 Forecast – Committee Detail (slides 9 to 12)
- Budget Virements Summary (slide 13)
- Financial Risks and Opportunities (slide 14 - 16)

Revenue Commentary Communities

2021/22 Outturn £k	Forecast at M03 £k	Annual Budget £k	Outturn Variance £k	One-off events £k	Ongoing Pressures £k
1,255 Salaries	1,309	1,309	0		
(34) Car Parking-On Street	(14)	(14)	0		
28 Car Parking-Off Street	(18)	(18)	0		
(15) Hackney Carriage/Private Hire	(19)	(19)	0		
208 Leisure & Community Grants	260	260	0		
248 Environmental Services	273	273	0		
1,960 Waste Services	2,180	1,980	200		200
(69) Cesspool Services	(109)	(109)	0		
(266) All Operational Services	(153)	(153)	0		
405 Parks and Open Spaces	537	537	0		
42 Streets & Public Conveniences	5	5	0		
3,762 Community Services	4,251	4,051	200	0	200

Communities Services overspend £200k due to:

- £200k Waste Services due to potential contract indexation and labour costs inflation. This is deemed to be ongoing but mitigations are being explored within the Committee

Revenue Commentary Housing and Planning:

2021/22 Outturn £k	Forecast at M03 £k	Annual Budget £k	Outturn Variance £k	One-off events £k	Ongoing Pressures £k
509 Salaries	527	527	0		
(131) Meadowside Mobile Homes	(134)	(134)	0		
69 Westway	50	50	0		
34 Private Sector Enabling	82	82	0		
(186) Housing of the Homeless	(141)	(61)	(80)		(80)
55 Other Housing Renewal Functions	55	55	0		
15 Syrian & Afghan Refugees	25	25	0		
Ukraine Placements	0	0	0		
(22) Redstone House	0	0	0		
113 Housing Benefits	11	(69)	80		80
1 Other variances less than £10k	1	1	0		
458 Housing General Fund	476	476	0	0	0

General Fund, balanced

- Housing Benefit currently assumes that expenditure is matched by the Government, however this is not the case.
- In prior years (inc 2021/22) the shortfall in Government support has been offset by applying Homelessness grant to legitimate costs elsewhere in the committee
- This forecast reflects the assumption that one will offset the other, however further refinement is needed
- The 2023/24 budget will be updated to reflect a realistic position

Planning Policy overspend £124k

The variance is comprised of:

- Greater than expected spend on counsel on resulting from the decision to serve injunctions rather than enforcement notices
- Salaries due to a continuing heavy dependence on contract staff in the first quarter of the financial year
- Greater than anticipated on external consultant advice and late invoice from SCC historic build for fees due in 2021/22
- Offset by planning application fee income being better than expected income in the first 3 months

The service is endeavouring to take mitigating action by transitioning from contract to permanent staff; greater dependence on injunctions to deter planning breaches and reduce cost of appeals

2021/22 Outturn £k	Forecast at M03 £k	Annual Budget £k	Outturn Variance £k	One-off events £k	Ongoing Pressures £k
816 Planning Applications & Advice	457	335	122	0	122
294 Planning Strategy & Policy Guidance	315	316	(0)	(0)	0
50 Enforcement	272	276	(4)	(4)	0
(2) Tree Preservation & Advice	95	95	(0)	(0)	0
0 Community Infrastructure Levy (CIL)	0	0	0	0	0
174 Local Development Plan - Evidence	182	182	0	0	0
Gatwick Airport DCO	2	0	2	2	0
9 Transfer to/from Neighbourhood Plan Reserve	8	8	(0)	(0)	0
(10) Land Charges and Street Naming	(4)	(8)	4	4	0
1,332 Planning	1,328	1,204	124	2	122

Revenue Commentary – Strategy and Resources

2021/22 Outturn £k	Forecast at M03 £k	Annual Budget £k	Outturn Variance £k	One-off events £k	Ongoing Pressures £k
493 Legal Services	499	466	33		33
579 Democratic Services	571	555	16		16
1,396 Information Technology	1,285	1,238	47		47
367 Human Resources	396	408	(12)	(12)	
612 Customer Services	657	652	5	5	
391 Communications	325	322	3	3	
150 Emergency Planning & Community Safety	243	241	2		2
281 Office Services	427	283	144		144
160 Asset Management	140	138	3	2	
277 Leadership Team	294	294	0		
897 Financial Services	1,062	1,062	(0)		
65 Revenues and Benefits	482	482	(0)	(1)	
78 Communities Executive Projects	85	80	5	5	0
5,748 General Fund	6,466	6,222	244	2	242
0 Wellbeing Prescription	0	0	0		
5,748 Strategy & Resources	6,466	6,222	244	2	242

Strategy & Resources overspend £244k mainly due to:

Ongoing Pressures:

- £144k Office Services - reduced income recovery from Council office rentals. The service has a savings target of £50k for new tenants compounded by expiring leases and non-renewal. The service is taking mitigating action to identify new tenants and renew existing where possible
- £47k Information Technology – overspend due to £30k for Software and Telephone usage and £17k vacancy factor
- £33k Legal Services – overspend due to £19k vacancy factor, and staff turnover resulting in employee cost variances
- £16k Democratic Services overspend – Elections overspend driven by a combination of statutory annual canvas and registration of electors expenses (printing, postage, door to door canvassing), as well as estimated costs in preparation for the ward boundary review. Mitigation sought by reviewing suppliers contracts for improved value for money and seeking commensurate savings

Revenue Commentary Corporate Items

2021/22 Outturn £k	Forecast at M3 £k	Annual Budget £k	Outturn Variance £k	One off events £k	Ongoing pressures £k
1,153 Interest Payable	1,162	1,163	(1)	(1)	
(1,533) Interest Receivable & Investment Income	(1,516)	(1,495)	(21)		(21)
(475) Property Income	(603)	(745)	142	118	24
(1,854) Non GF Support recharges & Bank charges	(2,054)	(2,071)	17	5	12
845 Minimum Revenue Provision (MRP)	1,179	1,179	0		
1,379 Pension - Actuarial top up, Added Years, & Compensation	1,484	1,485	(1)	(2)	
(73) Write Offs and Bad Debt Provision	22	22	(0)		
Cost of Collection	(201)	(270)	69		69
Contingency	116	116	(0)		
(56) Contributions to / (Drawdown from) Earmarked Reserves	(285)	(85)	(200)	(200)	
Covid-19	0	0	0		
Transformation	0	0	0		
T2 & T3 Saving	0	(0)	0		
(613) General Fund	(696)	(701)	5	(80)	85
Contribution to General Fund Balances	100	100	0		
(613) Corporate Items	(596)	(601)	5	(80)	85

Corporate Items overspend £5k; mainly due to:

One-off:

Investment Properties - Quadrant House has a new tenant target of £120k which remains to be met. Offset by £200k Government new burdens grant carried over from 2021/22

Ongoing:

£69k shortfall in cost of collection funding from Government (Business Rates) which is based on the value of business rates and is not sufficient to meet the budget. (£69k)

£12k shortfall in expected General Fund recharge income

Due to higher Bank Bases rate – short term interest receivable has increased by £21k

Note: Transformation will be funded from Capital Receipts and any residual or new Covid-19 impact will be funded from Covid-19 reserve

Revenue Position – Budget Tracker

	Mar S&R Budget Paper	Virement				Updated Budget
		T3 Saving	S&R Internal Alignment	Cost of Collection	Adjustments	
Community Services	4,051,007	0	0	0	0	4,051,007
Housing General Fund	476,000	0	0	0	0	476,000
Planning	1,203,980	0	0	0	0	1,203,980
Strategy & Resources	6,401,640	(450,000)	0	269,970	(180,030)	6,221,610
Corporate Items	(781,000)	450,000	0	(269,970)	180,030	(600,970)
Net Budget	11,351,627	0	0	0	0	11,351,627

- **There have been 3 virements since the beginning of the year**
- The 2021/22 revenue budget was approved by Council on 13th February 2021, at **£11.351m**
- As part of the March S&R paper (Column 1 above), the Tranche 2 amounts for vacancy factor and increments were distributed
- Since then, the following changes have been made;
 - £0.450m – distributing the Tranche 3 savings (Back Office and Management restructure) across Resources
 - £0.270m – reassignment from Revenues & Benefits of cost of collection funding that sits better with Corporate Items, along with other Collection Fund technical items
 - The above totalling £0.180m in the adjustments column

Revenue Risks (1)

These risks have not been included in the budget monitoring position unless otherwise stated

Committee	Outline of Risk	Mitigation	Range Max - Min £k	Likely Financial Risk £k
Community Services	Inflationary impact on waste contract may vary from amount indicated in forecast depending on final calculation of inflationary pressures. An indicative value of £200k has been included in the forecast.	Regular meetings continue to discuss progression of the new contract and will review issues as they arise	£100k- £300k	
Community Services	Trees Programme Budget may not be enough for 2022/23. Budget provided last year was not used as work has to be co-ordinated with Network Rail with associated restrictions on access and cost. Work still has to be completed - last years estimated cost £45k	Programme of works being established to ensure programme is kept to within Budget. However TDC has a high density of trees which have ash dieback and processionary moth issue. Also lack of adequate tree management has put more stress on what work must be completed. Also looking at accessing outside funding to help with tree management programmes	£45k	£45k
Housing	Rising inflation may induce greater unemployment and straining housing demands	Reviewing reasons for strain on the housing demands and allocating relevant New Burden grants	£0k- £120k	£60k
Housing	Higher unemployment directly linked to high risk of rent defaults	Reviewing reasons for strain on the housing demands and allocating relevant New Burden grants	£0-£100K	£40k
Planning	Local Plan business case roadmap unforeseen costs and alternatives required	Additional costs would be offset within the Local Plan reserve in the first instance		
Planning	Escalating external legal costs related to the need to employ specialist Planning related solicitors are a possible cost pressure within Planning service.	Monitor and report, taking commensurate actions where opportunities arise		
Planning	Unexpected fall of in planning application fee income, driven by the national economic situation	Monitor and report, taking commensurate actions where opportunities arise		
Planning	Although the Council's decision to serve injunctions, rather than enforcement notices, drives the need for external specialist Counsel costs, it does have a long term benefit for the Council.	Use of injunctions, results in a long term saving through deterrent effect on other individuals wanting to breach planning control and overall reduction in cost of planning appeals		
Planning	Gatwick Airport Development Consent Order. Gatwick Airport has set out its proposal to bring its existing northern runway into regular use, alongside its main runway, as set out in its masterplan. The Council will incur specialist consultant advice to respond to each stage of the consultation process.	Value for money will be achieved by working with other Councils to secure the most effective, efficient and economical services to deliver the Councils responses to the consultation.	£68k - £48k	£58k

Revenue Risks (2)

These risks have not been included in the budget monitoring position unless otherwise stated

Committee	Outline of Risk	Mitigation	Range Max - Min £k	Likely Financial Risk £k
Resources	Escalating external legal costs related to specialist employee matters are a possible cost pressure within HR.	Risks to be partially mitigated by looking at options for refreshing training with officer on Council policies	£18k - £28k	
Resources	External employment market is buoyant for professional Legal staff. Any further reduction of staff is a risk to service provision	Outsourcing of Legal work would reduce the legal compliance risks to the Council, but increase cost pressures. Service Plan delivery is occurring through reviewing the approach to fulfilling demand for Legal Service, getting best value for money from the internal team, and considering when external advice is appropriate. The Council is exploring the potential to centralise all Legal Budgets enabling greater control on when external advice is required.		
Resources	The statutory duty domestic homicide case review is a new cost risk for the Council. One case review would be a cost pressure to the Council of approx. £20k	Council is spreading risk by participating in a Surrey scheme to mitigate the singular cost risk to the Council.		
Resources	Council continues to seek tenants for available Council office space to increase rent income.	Two marketing agents are employed, and the Council has extended the security hours related to the offices to further develop interest in the rental. Further details are set out on the Savings Plan monitoring page.		
Corporate Items	Greater possibility of higher empty properties due to business revaluating workspaces and impact on investment / property income (above current forecast)	Asset Manager review all opportunities to maximise investments and market all opportunities (for finding new tenants). Adaptions to will be considered if appropriate to attracting tennants, subject to demonstration of an appropriate return on investment.		£100k
Overall risks				£245k

Revenue Opportunities

These opportunities have not been included in the budget monitoring position

Committee	Outline of Opportunity	Any blockers to achievability	Range Max - Min £k	Likely Financial Opportunity £k
Housing	Homelessness Grant may present additional opportunities to offset	Ongoing review of legitimate use of homelessness grant will be required. Economic situation may lead to increased strain on the budget	£0-£30k	(£15k)
Resources	Rental income at Oxted offices may improve from forecast	Investment may be needed to deliver office space that is attractive to potential leaseholders	£0-£90k	(£45k)
Corporate Items	Improved temporary lending rates due to Bank base rate increases (affects Interest Receivable)	BoE decisions and investment market reaction	£0-£40k	(£20k)
Overall Opportunities			-	(£80k)

Capital Budget – Strategy and Resources

Scheme Name	Original Budget	Carry Forward	Budget including Carry Forwards	Forecast at M3	Forecast Variance M3
	2022/23	from 2021/22	2022/23	2022/23	2022/23
	£	£	£	£	£
Land/Asset Development	181,000	0	181,000	181,000	0
Quadrant House Refurb	0	2,628,100	2,628,100	2,628,100	0
Croydon Road Regeneration	1,325,000	114,700	1,439,700	1,439,700	0
A22 Cycleway	0	0	0	0	0
Council Offices	50,000	0	50,000	50,000	0
IT - Hardware/Infrastructure/Projects	228,000	314,400	542,400	542,400	0
IT - Hardware/Infrastructure/Projects			0		0
Total Capital Programme	1,784,000	3,057,200	4,841,200	4,841,200	0

- The Capital Budget was approved by Full Council on 2nd February 2022 at £1.784m.
- This was supplemented by £3.057m of carry forwards from 2021/22 as part of the outturn report to S&R on 30th June 2022
- The total budget for 2022/23 is therefore £4.841m
- The budget has been reviewed for deliverability at Q1 and at present it is deemed to be deliverable
- Spend across the Committee's schemes is c.£1.2m (25%) at Q1.