

# Quarter 2 2022/23 Budget Monitoring

## Strategy & Resources Committee Thursday, 1 December 2022

Report of: Mark Hak-Sanders - Chief Finance Officer (Section 151)

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Purpose: To note the 2022/23 Quarter 2 / Month 6 (September) financial position of the Committee and take associated decisions.

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Publication status: Unrestricted

Wards affected: All

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### **Executive summary:**

This report presents the 2022/23 Quarter 2 / Month 6 (September) financial position of both Revenue and Capital for the Committee and the consolidated picture for the Council.

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**This report supports the Council's priority of:** Building a better Council/ Creating the homes, infrastructure and environment we need / supporting economic recovery in Tandridge/ Becoming a greener, more sustainable District.

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### **Recommendation to Committee:**

That the Committee notes the Revenue and Capital budget positions as at Quarter 2 / M6 (September) 2022

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### **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 is delivered, and that any new expenditure is contained within the available resources.

Finance have committed to bringing quarterly financial monitoring updates 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 as background to the emerging budget for 2023/24.

Updates to the other three Policy Committees were submitted during November 2022.

This report, along with Appendix A, presents the detail for Strategy & Resources and the consolidated position.

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### **Introduction and background**

- 1 The 2022/23 Strategy & Resources Committee Revenue budget was approved at £6,401k on 7<sup>th</sup> April 2022, including the distribution of budget for staffing increments and vacancy factor (known as the Tranche 2 budget).
- 2 This was reduced by £450k upon the approval of Tranche 3 savings by the committee on the 30<sup>th</sup> June 2022 to £5,951k.
- 3 On review of the Revenues and Benefits budget, it was determined that £270k of income items held within Strategy & Resources sat better within Corporate Items as part of collection fund management. A virement (budget transfer) between the two budgets to action this change brought the S&R budget to £6,222k.
- 4 The Council's overall budget stands at £11,351k, unchanged from the budget approved by Council on the 10<sup>th</sup> February 2022.
- 5 The 2022/23 Strategy & Resources Capital Budget was approved at £1,784k by Council on 10<sup>th</sup> February 2022 having been considered by S&R Committee on the 1<sup>st</sup> February 2022.
- 6 This was increased to £4,841k by carry-forwards from 2021/22 approved by S&R Committee on 30<sup>th</sup> June 2022.
- 7 The overall Capital Programme budget stands at £25,242k, as approved by S&R Committee on 30<sup>th</sup> June 2022.

## **Revenue Headlines**

- 8 The key headline at M6 is a forecast revenue overspend of £ 447k for the Council overall before corporate mitigations. Of this, (£31k) sits in the Corporate Items budget and the balance of £478k consists of service related variances, of which £111k in S&R.
- 9 The overall position is a £126k improvement from Quarter 1, although more work is needed to mitigate the position. Further details are included in Appendix A and below.
- 10 In summary, the overspend relates to:

### **Community Services - £324k overspend, mainly due to:**

- 11 At Month 6 a full-year overspend of £324k is forecast. This is a £124k increase from the Q1 position last formally reported to committee, but a £9k improvement from the Month 5 position.
- 12 The key headline at M6 is a forecast revenue overspend of £238k in Waste Management. This relates to the projected impact of inflation on the contract, which is dependent upon national factors and is in the process of being finalised. The forecast has increased by £38k from Q1 to reflect latest expectations.
- 13 The majority of the increased impact of inflation was anticipated in the 2021/22 financial outturn report to Strategy and Resources Committee on the 30<sup>th</sup> June 2022 along with other budgetary risks, and amounts were set aside as a corporate contingency to mitigate the risk.
- 14 The Council is pursuing mitigating actions in respect of the pressures on Waste Management, including robust discussions with contractors, and is considering all options to address the position. The corporate contingency is a last resort and is set aside in order to safeguard the Council's overall financial position.
- 15 In addition to the variance in Waste, shortfalls in expected income of £108k make up the majority of the remaining variance, particularly:
  - £44k in car parking income against budget
  - £49k in cesspool emptying income
  - £15k in parks and open spaces income

The other variances are detailed in Appendix A.

## **Planning Policy Committee - £86k overspend, mainly due to:**

### **16 £92k Planning Application and Advice Planning Application and Advice** variance consisting of

- £164k overspend on salaries. Previously, the service has been reliant on contract staff and has gone through an organisational change which will lead to some mitigation (net £15k improvement from Qtr1 comprising, £24k restructure improvement offset by £9k one-off costs)
- £32k overspend on specialist recruitment to obtain skilled permanent staff (£32k deterioration from Qtr1)
- £20k overspend - Greater than expected spend on counsel on resulting from the decision to serve injunctions rather than enforcement notice (£10k deterioration from Qtr1)
- £43k overspend-Greater than anticipated on external consultant advice. (£4k deterioration from Qtr1)

Offset by

- £167k surplus on planning application fee income being better than expected income in the first 3 months (£61k improvement from Qtr1)

### **17 £9k Enforcement underspend** due to staff churn and third party expenditure (£7k favourable) and enforcement appeals income (£2k favourable) - (£5k improvement from Qtr1)

## **Strategy & Resources - £111k overspend, mainly due to:**

- ### **18 £67k Office Services overspend:** Surplus space at the Town Hall as identified when setting the Budget 2022/23 has yet to all be fully rented out. However, the position continues to improve with further lease extensions and short-term tenants extending since Qtr1. A new letting has since generated income of £5k, also lease extensions changes £5k and £2k NNDR lower than forecast. Mitigating action is being taken to actively market to identify new tenants and discussions to retain existing tenants. (Change: £77k improvement from Qtr1).

- 19 **£36k Democratic Services overspend:** Additional pressure has been identified where third-party expenditure for running May 2022 elections has not previously been accounted for and £2k overspend relating to statutory annual canvassing and registration of electors expenses, as well as estimated costs in preparation for the ward boundary review. The on-going effect is a budget pressure in 2023/24 associated with the statutory function of elections. Mitigation sought by reviewing suppliers contracts for improved value for money, consideration of in-house services (e.g. printing & training). (Change: £20k increase from Qtr1). The overspend is based on the principle that less budget is required in the years without elections, and this should be set aside in order to smooth the impact. Covid-19 has led to disruption in the election cycle which has prevented this mechanism from working as it should. In the next year without election, any surplus should be set aside.

#### **Offset by**

- 20 **(£12k) Human Resources underspend** – mainly due to salary savings re staff restructuring (unchanged from Qtr1). This is an on-going saving as HR in partnership with Council services to move to a more contemporary HR model (No Change from Qtr1).
- 21 **(£1k) Information Technology underspend:** £48k improvement from Q1 mainly due to £37k improvement in corporate software licences being –
- £17k third party costs have now been removed as the cost relates to future financial years and a further
  - £20k costs were duplicated in the M3 forecast
  - In addition £5k of contingency forecast was released in M6, which was held for mitigating third party supplier inflation. Telephone line usage has reduced resulting in a £3k improvement in M6, compared to Qtr1 and other minor changes in variances.

#### **Housing General Fund - £44k underspend, mainly due to:**

- 22 **Salaries: £1k savings**, vacancy drag achieving more than budget (Change from Q1:£1k decrease).
- 23 **Meadowside Mobile Homes: £10k income** reduced as Budget not now expected to be achieved on commission on sales of mobile homes (Change from Q1:£10k increase).
- 24 **Housing Benefit: £80k overspend**, the budget currently assumes that expenditure is matched by the Government, however this is not the case therefore £80k provide for the unbudgeted additional costs. (No change from Q1).

- 25 **Housing of the Homeless : £120k surplus**, 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. The 2023/24 budget will be updated to reflect a realistic position. (Change from Q1:£40k improvement).
- 26 **Private Sector Enabling: £13k improvement**, historical cost budget to be reduced. (Change from Q1: £13k decrease).

**Corporate Items - £31k underspend (Change – Improvement of £36k from Qtr1) mainly due to**

- 27 **£106 shortfall in Investment Properties** - Quadrant House has a new tenant target of £120k of which remains £106k remains to be met. This is however a £36k net improvement from Qtr1, due to the following:
- Improvements of £58k in lease extensions, £42k recovery of business rate empty properties relief and £10k net landlord costs due to unrecoverable utilities offset by
  - £57k provision for former and current tenant's debts, £12k, mainly on account of Quadrant House lease renewal and £4k of service charges from Village Association relating to 2021/22 (not budgeted for).
- 28 **£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.
- 29 **£18k shortfall** in expected **General Fund recharge** income

This is offset by:

- 30 **£200k Improvement** Government new burdens grant carried over from 2021/22
- 31 **£21k improved short term interest receivable** as a result of higher Bank Base rates.

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

## **Mitigation through contingencies**

- 32 Offsetting the deficit identified are contingencies as follows:
- £100k – Planned reserve contribution
  - £117k - General contingencies within the 2022/23 budget
  - £267k – Set aside to meet known 2022/23 risks at 2021/22 outturn.

Totalling £484k – a balanced outcome is therefore deemed to be achievable. However, it is vital that mitigating actions are pursued to preserve the contingencies for 2023/24 and beyond.

## **Capital Programme Update**

- 33 At M6, overall the Capital Programme is forecasting £1,272k of net slippage; a net of £952k from with General Fund and CIL schemes, and £321k in the Housing Revenue Account. This is the total of a number of increases and decreases, further details of which are reported in Appendix A.
- 34 Full details of the overall variance are set out in the appendix, however a key item relates to an overspend in total project cost on the Quadrant House project, expected at Q2 to be £487k. Further details of this will be subject to separate report to S&R.

## **Key implications**

### **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’s M6 (September) 2022 financial report and supporting data.

## **Background papers**

Strategy & Resources Committee 2022/23 Draft Budget and Medium-Term Financial Strategy (MTFS) – 1st February 2022

- 2022/23 final budget and 2023/24 MTFS - Strategy & Resources Committee - 1st February 2022
- Strategy & Resources Committee - 2022/23 Budget – Tranche 2 Pressure and Savings Distribution -7th April 2022
- 2021/22 Budget – Outturn Report – Strategy and Resources Committee 30<sup>th</sup> June 2022
- Quarter 2 2022/23 Budget Monitoring – Strategy and Resources Committee 29<sup>th</sup> September 2022

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