

Corporate Policy & Resources Committee



16 October 2023

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| Title | Q1 Revenue Monitoring Report as at 30 June 2023 |
| Purpose of the report | To note |
| Report Author | Paul Taylor Chief Accountant |
| Ward(s) Affected | All Wards |
| Exempt | No |
| Corporate Priority | Community Affordable housing Recovery Environment Service delivery |
| Recommendations | The Committee is asked to: 1 -note the forecast underspend of (£182,081) for 2023-24 as at 30 June 2023 and 2 – approved the timing difference budget virement between landlord costs and the sinking fund which will be reversed in 2024-25. |
| Reason for Recommendation | |

1. Summary of the report

- 1.1 This report for the quarter ended 30 June 2023 does not reflect any changes in forecast expectations as a result of the revised Direct Housing Strategy document that will go before Council on 16 October, having previously been approved by the Corporate Policy and Resources Committee on 11 September 2023.
- 1.2 Officers are working on the revised Capital Programme to quantify the financial impact on the revenue budget for 2023-24 of suspending the directly delivery of the housing programme, as capital holding costs of between £10-13m are released to the revenue budgets, which will involve Council in approving amendments to the to current approved 2023-24 Revenue Budget.
- 1.3 Based on the work currently being carried out on the Medium Term Financial Plan, officers have identified a number of funding sources over the next two years to cover these costs, including the use of reserves, which will be discussed in parallel reports on this Agenda and approved by Council.

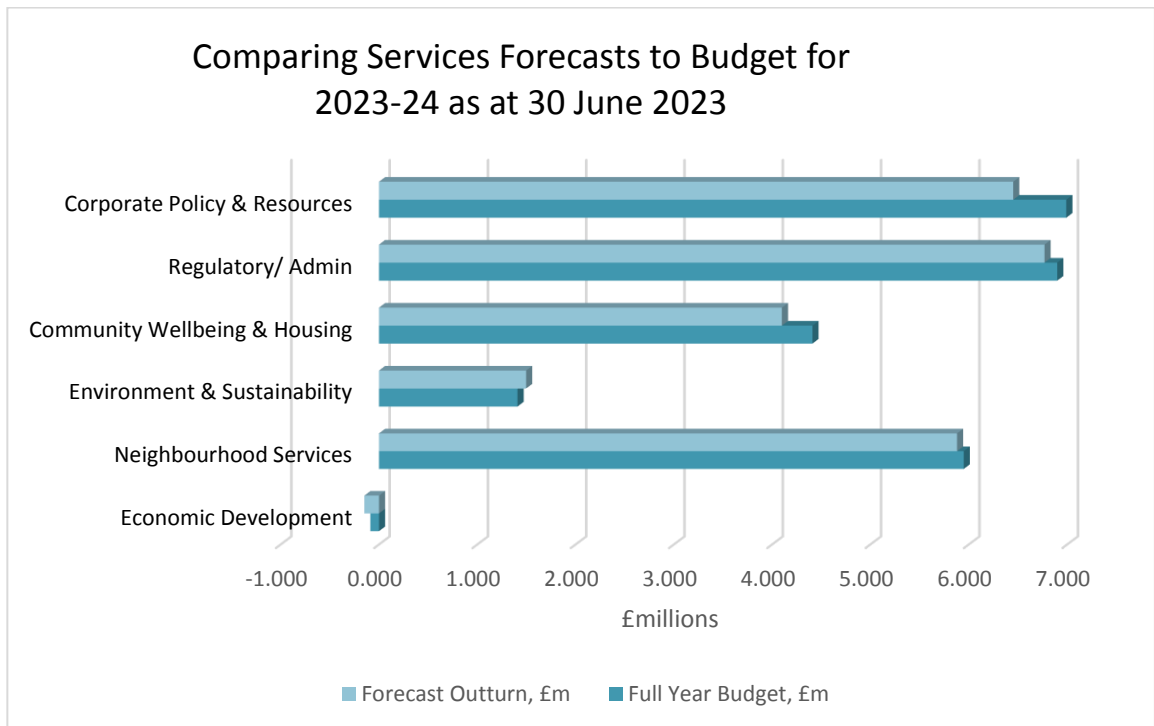
- 1.4 Shown below is a summary of the projected use of resources and forecast outturn position for the Council as at 30 June 2023, in respect of the financial year 2023-24, and is estimating a net underspend of (£182,081) as set out in appendix A.
- 1.5 The main issues to be aware of, which are detailed in the report below are:
- (a) Unapportionable Central Overheads – (£390k) underspend on superannuation payments, due to lower staff numbers than planned.
 - (b) Housing Needs - (£135k) underspend due to staff vacancies and additional grant funding received, where grant funding is underutilised, subject to the conditions of the grant award, it will be transferred at the year end to revenue grants unapplied for future use.
 - (c) Housing Benefits Admin - (£115k) underspend due to staff vacancies and additional grant funding received, where grant funding is underutilised, subject to the conditions of the grant award, it will be transferred at the year end to revenue grants unapplied for future use.
 - (d) Car Parks - (£154k) underspend due to staff vacancies, on street parking expenditure now with SCC and under recovery of income.
 - (e) Grounds Maintenance - £185k under recovery of verge cutting income from Surrey CC.
 - (f) Investment Property Income – (£366k) over recovery of rental income from a new lease with a tenant and unexpected filming rights income.
 - (g) Regeneration income - £139k under recovery of rents because of two rent free periods negotiated with our tenants.
 - (h) Landlord costs - £569k overspent due to the awarding of a rent incentive to a new tenant.
 - i) Offset by a £344k reduction in the use of the Sinking Fund Reserve as the full transfer is no longer required.
 - (i) Budget virement between Landlord Costs and the Sinking Fund – the original budget £5.9m has been increased to £11.0m, this is due to a delay in the call down of £4m due to a legal time limit, and this will now be drawn down in 2024/25 and mean that the £2.5m planned release of the sinking fund, will now be a £1.5m contribution to the sinking fund.

This is a timing difference and the net effect over 2023-24 and 2024-25 is neutral.

The remainder relates to the delayed Charter Building & Roundwood Avenue refurbishments that were put into the sinking fund at 31 March 2023, as approved by the Corporate Policy & Resources Committee.
- 1.6 The current aggregate underspend is likely to change over the coming months and officers are predicting that there will be a small under/overspend at the 31 March 2024 and therefore no recommendation will be taken to move the underspend to reserves in this quarter.
- 1.7 As shown in table 2.3 below, the actual FTE's 387.1 are 72.25 FTE's below budget. In order to maintain service levels, Budget Managers are having to recruit agency staff, contractors and casual workers to fill these vacancies on a short term basis.

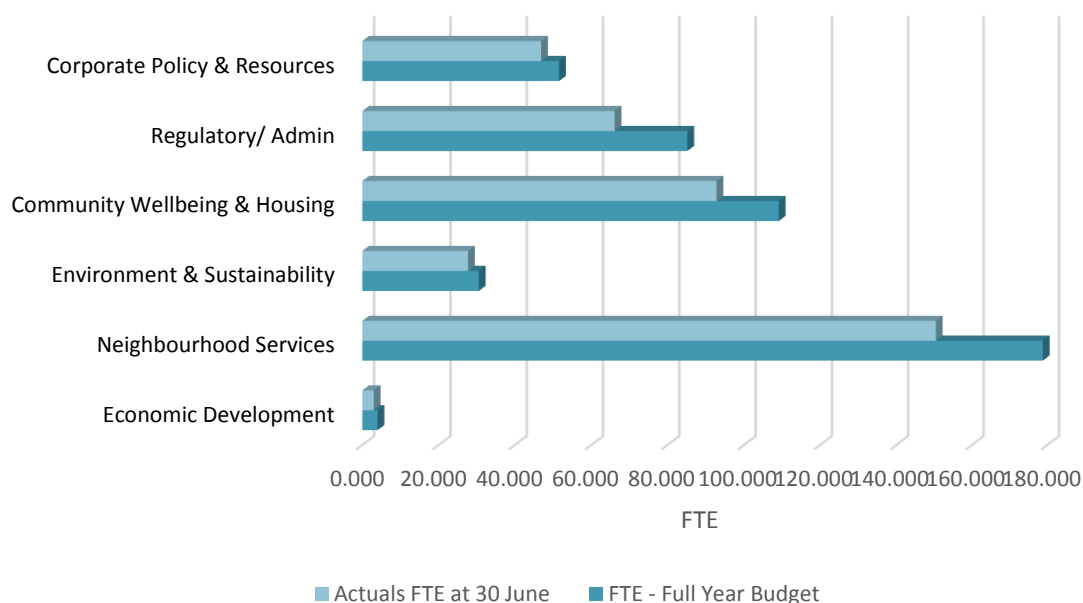
2. Key issues

- 2.1 The report considers the Council's financial position in the light of the COVID-19 pandemic legacy, the unfolding issues of the increase in Bank of England base rates, the Cost-of-Living crisis, and the Council's Medium Term Financial Plan (MTFP) that indicates that the Council is facing substantial pressure on cash flow and its budgets in the future. As with the financial crisis in 2008, officers are expecting the Council and the UK economy to take several years to recover from these issues.
- 2.2 The services budgets and forecast outturn are shown in the chart below and the key variances are summarised in the tables below, with a more detailed information on the variances by committee shown in section 3.



- 2.3 From Appendix A below, the aggregate budgeted FTEs (459.35) compared to actual FTEs (387.1) at 30 June 2023 is shown below across each Committee:

Comparing Services Forecasts to Budget for FTEs 2023-24 as at 30 June 2023



3. Committee commentary and variance analysis

3.1 The net underspend at Committees Service Level of (£1,021,980) as at 30 June 2023 by Committee is shown below:

| | 2023/24 Budget Revised £ | 2023/24 Forecast Outturn £ | 2023/24 Variance of Forecast from Revised Budget £ |
|---|-----------------------------------|-------------------------------------|--|
| Regulatory / Administrative Committees | 6,898,400 | 6,769,055 | (129,345) |
| Corporate Policy & Resources | 6,990,400 | 6,451,558 | (538,842) |
| Community Wellbeing & Housing | 4,410,800 | 4,099,550 | (311,250) |
| Neighbourhood Services | 5,949,300 | 5,880,709 | (68,591) |
| Economic Development | (87,900) | (148,790) | (60,890) |
| Environment & Sustainability | 1,409,700 | 1,496,638 | 86,938 |
| NET EXPENDITURE AT SERVICE LEVEL | 25,570,700 | 24,548,720 | (1,021,980) |

3.2 The following tables identify significant (greater than £20,000) differences from budget for services within each Committee. Where the aggregate

variance for the cost-of-service nets off to a figure less than £20,000, full details are disclosed for the sake of transparency.

Figures shown without brackets represent an overspend or under-recovery of income; figures with brackets represent an (underspend) or (over-recovery) of income.

(a) Regulatory/ Administrative Committee

| Service | Variance £'000 | Comment |
|--|---------------------------|--|
| Corporate Management | 40.0 | Apprenticeship levy payments of £68k partially off-set by lower payments expected against Market Supplement budget resulting in a £39.4k overspend. |
| Customer Services | (100.0) | Underspends due to restructure of the service and vacant posts, partially being covered by agency & temporary staff. |
| Information & Comms Technology | (71.0) | (£31.0k) over recovery of income from reimbursed salary costs from Woking BC relating to secondment of a member of staff. Overspend of £75k on Cyber Treatment Plan fully funded from the Government Grant received. (£40.0K) underspend on salaries due to vacant positions, offset by additional overtime and temp. workers. |
| Legal | (39.6) | Over recovery of fees income recharged internally. |
| Total significant net variances | (91.4) | For the complete list of (£169.3k) favourable variances including those under £20k, please refer to appendix C |

(b) Corporate Policy & Resources Committee

| Service | Variance £'000 | Comment |
|-----------------------------------|---------------------------|---|
| Asset Management Administration | (43.4) | Underspend due to restructure of the team and vacant posts to establish how resources can be more efficiently allocated across the team. |
| Development Properties | 26.1 | Unbudgeted expenditure on electricity and water bills, premises insurance and security. |
| Facilities Management | (52.6) | (£48.3k) Underspend due to reduction in volume of printing externally and printers' maintenance costs were lower than anticipated. |
| Planned Maintenance Programme | (0.5) | An overspend of £96.7k on additional consultant fees to conduct surveys for heat decarbonisation and energy efficiency works which was fully funded by the Low Carbon Skills Grant received (£96.6k). |
| Project Management | (30.0) | Underspends due to vacancies. |
| Unapportionable Central Overheads | (390.0) | Monthly superannuation payments to Surrey County are lower than budgeted, which reflects the Council's overall underspending on staffing costs. |

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| Total significant net variances | (490.4) | For the complete list of (£498.9k) favourable variances including those under £20k, please refer to appendix D |
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(c) Community Wellbeing & Housing Committee

| Service | Variance £'000 | Comment |
|--|-----------------------|---|
| Community Centres | (36.2) | Underspend (£39.7k) because of vacant posts which will be filled by the end of summer. |
| Meals on Wheels | 26.9 | Overspend £29k due to contract cost increased |
| Spelthorne Family Support | (17.4) | Underspends of (£35k) on staffing due to vacant post, partially covered by temporary staff and from costs recharged for work on Afghan Refugees. £36.4k under recovery of income mainly due to lower reimbursement expected from Surrey County Council. |
| Housing Needs | (135.4) | (£137.4k) underspend due to staff vacancies and grant funding for the Intensive Support Officer; Rough Sleeper Co-ordinator; and Rough Sleeper Support Worker. |
| Homelessness | (0.5) | £59.1k under recovery of Rent Assured Income, offset by underspend of £51.5k on Rent Assured costs, making a net under recovery of 7.6k on Rent Assured. |
| Housing Benefits Admin | (115.1) | £60.5k underspend due to vacancies; income (£63.9k) above budget due to additional grants received which may be transferred to reserves. |
| Housing Benefits Payments | (37.9) | Housing Support Fund - (£133.0k) additional grant income received, offset by additional expenditure of £95.1k, currently providing a net over recovery of income of (£37.9k), which officers will need to deal with in the next 6-9 months. |
| Spelthorne Leisure Centre | (21.5) | Over recovery of income (£22.7k) due to the Council's profit share increasing because of inflation. |
| Total significant net variances | (337.1) | For the complete list of (311.3k) favourable variances including those under £20k, please refer to appendix E |

(d) Neighbourhood Services Committee

| Service | Variance £'000 | Comment |
|--|-----------------------|--|
| Car Parks | (154.7) | Underspend (£142.0k) due to staff vacancies, Underspend (£123.0k) as the on-street parking expenditure has passed to Surrey CC, offset by a £110.39k under recovery of income. |
| Cemeteries | (49.7) | (£49.7k) over recovery of income as officers are forecasting an increased in budget burial numbers over the course of the year. |
| Grounds Maintenance | 185.0 | £185.0k under recovery of income due to loss of highways maintenance contract with both Runnymede BC & Surrey County Council. Staffing budget was already reduced to reflect that but this was missed out as picked up by the Group Head after the budget process. |
| Total significant net variances | (19.4) | For the complete list of (£68.6k) favourable variances including those under £20k, please refer to appendix F |

(e) **Economic Development Committee**

| Service | Variance £'000 | Comment |
|--|---------------------------|---|
| Economic Development | (60.9) | (£60.9k) underspend on salaries due to vacant post |
| Total significant net variances | (60.9) | For the complete list of (£60.9k) favourable variances including those under £20k, please refer to appendix G |

(f) **Environment & Sustainability**

| Service | Variance £'000 | Comment |
|--|---------------------------|--|
| Planning Development Control | 13.9 | (£43k) underspend due to staff vacancies, £123k overspend due to additional planning appeal costs on the Debenhams application. |
| Planning Policy | 58.8 | Overspend on other expenditure including consultants doing work for hearings; awaiting outcome of ECM in Sept in connection with Local Plan; Software costs exceeded budget. |
| Total significant net variances | 72.7 | For the complete list of £87.0k adverse variances including those under £20k, please refer to appendix H |

4. Net Asset Income (Commercial and Regeneration Assets)

4.1 The tables below show the latest monitoring position for the Council's investment, regeneration and other assets, the net income is used to meet net additional expenditure resulting from reduced government grant, Surrey County Council funding and other pressures.

See the commentary supporting tables 4.1 (b) and (c) for detailed explanations of the variance.

Commercial & Regeneration Assets 2023-24;

| | Revised Budget £'000 | Forecast Outturn £'000 | Variance £'000 |
|-------------------------------------|---------------------------------|---------------------------------------|---------------------------|
| Income | (46,129) | (46,355) | (227) |
| Less: | | | - |
| Landlord Costs | 11,638 | 12,207 | 569 |
| Net Rental Income Receivable | (34,491) | (34,148) | 343 |
| Loan Interest Payable | 24,449 | 24,449 | - |
| Minimum Revenue Provision | 12,077 | 12,077 | - |
| Sinking Funds - Cont. to | 1,037 | 1,037 | - |

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|--|----------------|----------------|------------|
| Sinking Funds - Cont. from | (11,023) | (10,679) | 344 |
| Set Asides | 630 | 630 | - |
| Net Income to fund revenue Budget | (7,321) | (6,634) | 687 |

Contribution from the Sinking Fund – the original budget £5.9m has been increased to £11.0m, this is due to a delay in the call down of a contractual obligation amounting to £4m due to a legal time limit, and this will now be drawn down in 2024-25 and mean that the £2.5 planned release of the sinking fund, will be a £1.5m contribution to the sinking fund.

This is a timing difference and the net effect over 2023-24 and 2024-25 is neutral.

The remainder relates to Charter Building & Roundwood Avenue refurbishments that were put into the sinking fund at 31 March 2023, as approved by the Corporate Policy & Resources Committee.

**Table 4.1b Commercial Assets
2023-24;**

| | Revised Budget | Forecast Outturn | Variance |
|--|-------------------|---------------------|------------|
| | £'000 | £'000 | £'000 |
| Income | (41,711) | (42,077) | (366) |
| Less: | | | - |
| Landlord Costs | 10,119 | 10,743 | 624 |
| Net Rental Income Receivable | (31,592) | (31,334) | 258 |
| Loan Interest Payable | 22,283 | 22,283 | - |
| Minimum Revenue Provision | 11,172 | 11,172 | - |
| Sinking Funds - Cont. to | 887 | 887 | - |
| Sinking Funds - Cont. from | (9,493) | (9,149) | 344 |
| Set Asides | 600 | 600 | - |
| Net Income to fund revenue Budget | (6,144) | (5,542) | 602 |

**Table 4.1c Regeneration Assets
2023-24;**

| | Revised Budget | Forecast Outturn | Variance |
|--------|-------------------|---------------------|----------|
| | £'000 | £'000 | £'000 |
| Income | (4,417) | (4,278) | 139 |

| | | | |
|--|----------------|----------------|-----------|
| Less: | | | - |
| Landlord Costs | 1,519 | 1,465 | (54) |
| Net Rental Income Receivable | (2,898) | (2,814) | 85 |
| Loan Interest Payable | 2,166 | 2,166 | - |
| Minimum Revenue Provision | 906 | 906 | - |
| Sinking Funds - Cont. to | 150 | 150 | - |
| Sinking Funds - Cont. from | (1,530) | (1,530) | - |
| Set Asides | 30 | 30 | - |
| Net Income to fund revenue Budget | (1,177) | (1,093) | 85 |

5. Interest receivable and other income

5.1 Interest earnings £64k under recovery is due to lower than forecast cash balances for the year, offset by increased returns on investment following a rapid rise in the Bank of England Base Rate over the last quarter.

Since 1 July, there have been further upward movements in the Bank of England Base Rate, with a further rate increase predicted in the early autumn, and therefore, it could be possible to see a significant swing the other way in the following monitoring reports.

5.2 Loan interest charged to Knowle Green Estates Ltd, following the revised cost profile for Benwell Phase 1 & 2, the Council have had to raise a credit note in respect of the interest charged for 2022/23 and revised the forecasts for 2023-24 as a result.

6. Grants & Contributions to/from Reserves

6.1 There are no significant changes to the above in the budget.

6.2 There have been no unbudgeted movements in reserves.

7. Knowle Green Estates Ltd (KGE):

7.1 On 19 July, the Board of KGE approved the revenue monitoring report for the 2023-24 as at 30 June, which showed an adverse variance of £383, on a net service budget of £428,400, i.e., less than 0.09% variance.

8. Spelthorne Direct Services Ltd

8.1 The Board reviewed the revenue monitoring report for 2023-24 as at 30 June, and whilst the actual performance against budget showed an over recovery of (£19k), due to increase sales (additional customers) and lower costs, there were two major issues on the horizon, the variability of recycling costs and income, and additional startup costs on new contracts that take a few months to unwind through the profit and loss account.

8.2 Therefore, it was felt prudent to kept the forecast aligned to the approved 2023-24 budget at an over recovery of (£44k).

9. Financial implications

9.1 Financial implications are as set out within the report and appendices and are subject to the final audit for the Council and its subsidiaries.

10. Procurement

10.1 Comments please

11. Risk considerations

- 11.1 **Risk 1:** As referred to at para 2.4 and elsewhere in this report, the Council is facing substantial pressure on cash flow and its budgets in the future, in the context of several wider externalities, government funding limitations and ongoing financial uncertainty.
- (a) **Mitigation:** Local measures that the Council can take to alleviate these external pressures continue to be reported and a residual risk remains given the external and evolving nature of this issue.
- 11.2 **Risk 2:** Budget underspends due to staff vacancies are being reported across a range of Service areas/Committee and if these budget variances continue for the remainder of the year this will impact the final outturn revenue budget for 2023/24. It could also result in underutilisation of the Council's financial resources at a time when demands on Council Services continue to grow.
- (a) **Control/Mitigation:** An analysis of variance forecast at 31 March 2024 has been undertaken as part of the revenue budget monitoring process and it is being reported at para 1.4 that Officers are predicting a small under/overspend at the 31 March 2024. Service areas with higher levels of variances along with specific explanations are highlighted to support ongoing monitoring. For transparency there is inclusion of the budget position for all Service/budget areas.
- 11.3 **Risk 3:** Explanations provided by Cost Centre Managers for budget variances (whether adverse or favourable) may not provide sufficient insight to support future service planning and budget management.
- (a) **Control/Mitigation:** A mechanism for challenge is in place across Finance, Group Heads and Cost Centre Managers to seek rationale and reasonable explanations where variances have been identified and are being reported.
- 11.4 **Risk 4:** Budget underspend due to staff vacancies reinforces a significant wider risk and issue facing local government in terms of recruitment and retention challenges. Reduced resources could also have an adverse impact on service delivery in terms of skills, knowledge, expertise, capacity and resilience.
- (a) **Control/Mitigation:** (i) Corporate Establishment Review undertaken in 2023 (ii) Alternative models for service provision and sourcing resource pursued to ensure delivery of service needs in meeting mandatory and discretionary service requirements (iii) Annual Service planning process
- 11.5 **Risk 5:** Under recovery of income has been reported across some service areas
- (a) **Control/Mitigation:** See earlier reference under risk 3 above.

12. Legal considerations

12.1 Comments please

13. Other considerations

13.1 There are no further considerations.

14. Equality, Diversity and Inclusion

14.1 There are no specific areas to highlight. However, equality, diversity and inclusion (EDI) are central to everything that Council does and are woven throughout Council's Corporate Plans.

15. Sustainability/Climate Change Implications

15.1 There are no significant implications arising from the report.

16. Timetable for implementation

16.1 Not applicable.

17. Contact Details

17.1 Paul Taylor Chief Accountant P.taylor@spelthorne.gov.uk

Background papers: There are none.

Appendices:

Appendix A – Net Revenue Budget Monitoring 2023-24 30 June 2023

Appendix B – Net Revenue Budget Monitoring by Committee 2023-24 30 June 2023

Appendix C - Net Revenue Budget Monitoring Reg & Admin Committee 2023-24 30 June 2023

Appendix D - Net Revenue Budget Monitoring CP&R Committee 2023-24 30 June 2023

Appendix E - Net Revenue Budget Monitoring CWH Committee 2023-24 30 June 2023

Appendix F – Net Revenue Budget Monitoring NS&E Committee 2023-24 30 June 2023

Appendix G - Net Revenue Budget Monitoring ED Committee 2023-24 30 June 2023

Appendix H – Net Revenue Budget Monitoring E&S Committee 2023-24 30 June 2023