

# Members Briefing Pack



14 February 2024

<b>Title</b>	<b>Q2 Revenue Monitoring Report as at 30 September 2023</b>
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Paul Taylor Chief Accountant
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Corporate Priority</b>	Community Addressing housing needs Resilience Environment Services
<b>Recommendations</b>	<b>The Committee is asked to note the forecast underspend of (£470,033) for 2023-24 as at 30 September 2023.</b>
<b>Reason for Recommendation</b>	

## 1. Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"> <li>The Council has an approved budget for 2023-24 as follows:                             <ul style="list-style-type: none"> <li>Gross Expenditure £60.7m</li> <li>Less Housing Benefit grant (£21.8m)</li> <li>Less Specific fees and charges income (£13.4m)</li> <li>Net Expenditure by service (£25.5m)</li> </ul> </li> <li>This is funded by:                             <ul style="list-style-type: none"> <li>Interest and Rental surpluses</li> <li>Grants</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>As part of the monitoring process, Councillors are expected to review the current approved capital projects and forecast under or overspends and ensure that they have sufficient understanding of why there has been any significant movements between the approved budget and the latest outturn forecast from officers</li> </ul>

<ul style="list-style-type: none"> <li>• Reserves</li> <li>• Council Tax</li> <li>• The Committee is asked to review and note the projected (£470,333) underspend in the Council's revenue budget as at 30 September 2023.</li> </ul>	
<b>This is what we want to do about it</b>	<b>These are the next steps</b>
<ul style="list-style-type: none"> <li>• Take a view on the revenue variances as reported, noting that some relate to additional unspent grants received from third parties.</li> </ul>	<ul style="list-style-type: none"> <li>• That this committee review the variance report for Q2 Revenue Monitoring, which is forecasting an underspend of (£470,033) for the year to 31 March 2024.</li> <li>• Ask relevant questions of Budget Managers.</li> <li>• Note the current forecast Revenue Monitoring Report underspend of (£470,033) for the year ended 31 March 2024, as at 30 September 2023.</li> </ul>

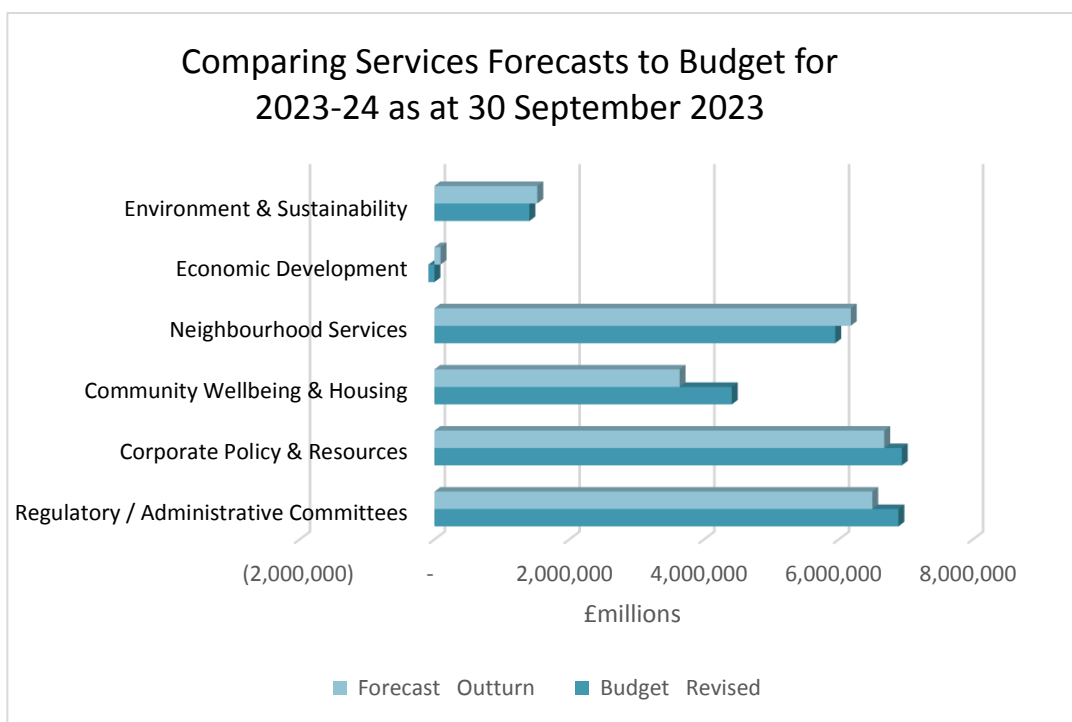
- 1.1 This report for the quarter ended 30 September 2023 does reflect any changes in forecast expectations as a result of the revised Direct Housing Strategy approved by Council on 19 October.
- 1.2 Shown below is a summary of the forecast outturn position for the Council (Variances over £100k plus or minus) as at 30 September 2023, in respect of the financial year 2023-24, and is estimating a net underspend of (£470,033) as set out in appendix A.
- 1.3 The main issues to be aware of, which are detailed in the report below are:  
Net Revenue Expenditure at Service Level (above the line transactions), these variance will be of interest to all Councillors.
- (a) **Customer Services Management & Support** – (£226k) net reduction in employee costs due to the planned restructure of the service, offset by an £49k under recovery on the empty Property Premia income.
  - (b) **Asset Management Admin** – (£143k) reduction in costs due to staff vacancies and a deferring of the completion of the Staines Master Plan until 2024-25.
  - (c) **Development Properties** - £160k overspend due to unbudgeted expenditure.
  - (d) **Planned Maintenance Programme** - £152k overspend, due to RACC inspections £100k and a revenue contribution towards the capital refurbishment of Ashtead Cemetery Lodge £55k.

- (e) **Unapportionable Central Overheads** – (£327k) underspend on superannuation payments, due to lower staff numbers than planned.
  - (f) **Meals on Wheels** – £114k overspend due to increased food prices.
  - (g) **Spelthorne Family Support** - £232k overspend, which will be funded by the Cost of Living Reserve (£190k) a movement on reserves (a below the line transaction).
  - (h) **Refugee Scheme** – (£741k) over recovery as the Council received Afghan Grants funding this year which related to the previous financial year. Any surplus at year end will be transferred to reserves and utilised in 2024-25 to cover the expenditure at Longford and other support.
  - (i) **Homelessness** - £242k overspend due to the higher than expected demand for bed and breakfast accommodation, noting that the overspend would be higher, but due to underspent on externally funded service such as step down this figure is showing lower overspend
  - (j) **Housing Benefits Admin** - (£126k) this is caused by a (£73k) reduction in salary forecasts because of vacancies and an over recovery of income, which is ringfenced (£64k) and cannot be used elsewhere, and subject to the conditions of the grant award, it will be transferred at the year end to revenue grants unapplied for future use.
  - (k) **Housing Benefit Payments** – (£399k) this relates to additional expenditure and grant income for the Household support fund scheme and is ringfenced.
  - (l) **Car Parks** - (£172k) underspend due to staff vacancies, on street parking expenditure now with SCC and under recovery of income.
  - (m) **Building Control** - £149k reduction in income due to the cost of living crisis £125k and additional staff costs £24k. The surpluses from previous years will be utilised to cover this shortfall at the year end.
  - (n) **Grounds Maintenance** - £185k under recovery of verge cutting income from Surrey CC.
  - (o) **Waste Recycling** - £175k reduction in income due to an in-year change in the recycling income mechanism.
  - (p) **Staines Town Centre Management** - £124k reduction in income relates to an aged debtor report error that has been corrected by Capita. The Council originally approved the transfer of £ to the Cost of Living Reserve, Officers will wait until the year end before making a recommendation to Council on how to deal with this matter.
- Net Expenditure after Service level (Below the line transactions)**
- (q) **Interest Earnings** – (£180k) additional income from higher than anticipated interest rates and lending surplus operation cash to other Local Authorities.
  - (r) **Landlord costs** – (£397k) underspend due to significant savings on refurbishment projects at Porter Building & Stokley Park)
  - (s) **Sinking Funds** – (£394k) underspend due to increased interest received and an improvement in the forecast investment and regeneration portfolio performance.

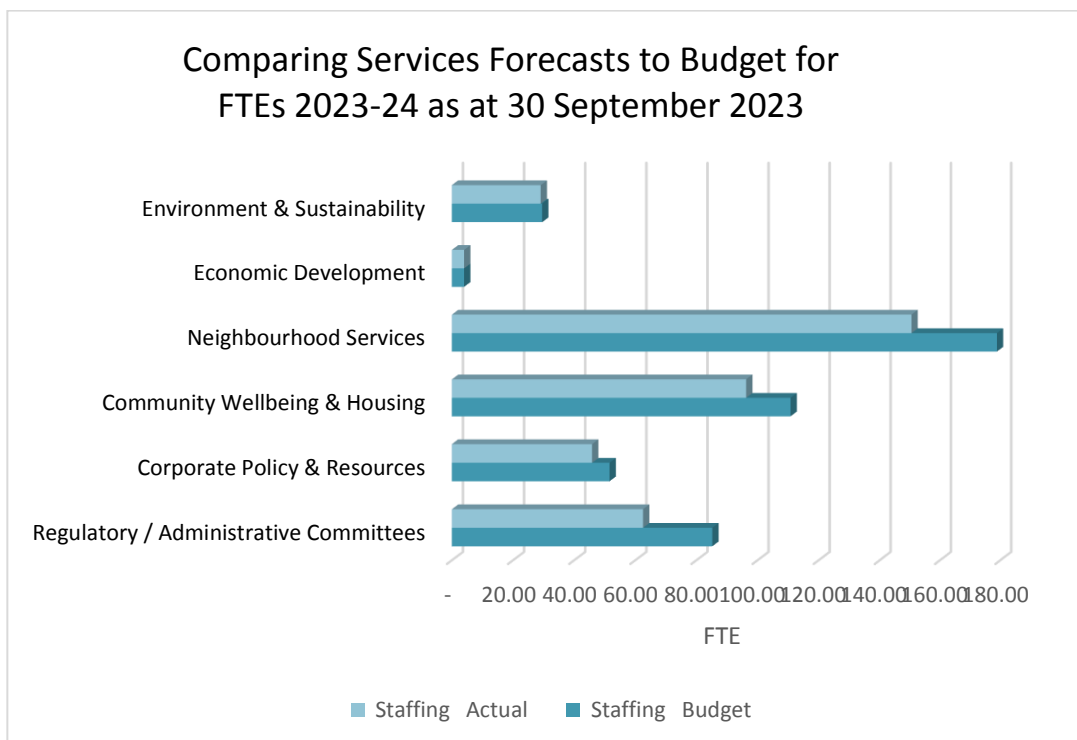
- 1.4 The current aggregate underspend is likely to change over the coming months and officers are predicting that there will be a small under/overspend at the 31 March 2024 and therefore no recommendation will be taken to move the underspend to reserves in this quarter.
- 1.5 As shown in table 2.3 below, the actual Full Time Equivalents (FTEs) 388.32 are 71.77 FTEs 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 (460.09) compared to actual FTEs (388.32) at 30 September 2023 is shown below across each Committee:



### 3. Committee commentary and variance analysis

The net underspend at Committees Service Level of (£897,712) as at 30 September 2023 by Committee is shown below:

Committee	2023/24 Budget Revised £	2023/24 Forecast £	2023/24 Variance £
Regulatory / Administrative	6,891,400	6,501,600	(389,800)
Corporate Policy & Resources	6,942,400	6,679,963	(262,437)
Community Wellbeing & Housing	4,412,300	3,638,500	(773,800)
Neighbourhood Services	5,949,300	6,181,013	231,713
Economic Development	(87,900)	91,798	179,698
Environment & Sustainability	1,409,700	1,526,614	116,914
<b>NET EXPENDITURE AT SERVICE LEVEL</b>	<b>25,517,200</b>	<b>24,619,488</b>	<b>(897,712)</b>

3.1 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.

3.2 These details are relevant for members of each Committee:

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**

<b>Service</b>	<b>Variance £'000</b>	<b>Comment</b>
Customer Services	(226.0)	Underspend due to restructure of the service and vacant posts, partially being covered by agency & temporary staff and offset by £49k under recovery of empty property premia.
Elections	25.3	£30k net overspend on the elections and disallowed expenditure of £15k after the final settlement claim relating to Parliament Elections held in 2019.
Electoral Reg.	(20.0)	Vacancies in the department.
HR	(20.0)	Vacancies in the department.
Information & Comms Technology	(82.2)	(£32.2k) 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. (£50.0K) underspend on salaries due to vacant positions, offset by additional overtime and temp. workers.
Legal	(39.6)	Over recovery of fees income.
<b>Total significant net variances</b>	<b>(362.4)</b>	For the complete list of (£389.9k) favourable variances including those under £20k, please refer to appendix C

(b) **Corporate Policy & Resources Committee**

<b>Service</b>	<b>Variance £'000</b>	<b>Comment</b>
Accountancy	(21.9)	(£43.2k) underspend in salaries due to vacancies.
Asset Management Administration	(143.2)	(£74.0k) Underspend due to restructure of the team and vacant posts to establish how resources can be more efficiently allocated across the team. (£62.8k) Master Plan work deferred until 2024-25
Development Properties	160.8	Unbudgeted expenditure on electricity and water bills, premises insurance and security.
General Property Expenses	24.4	52.3k overspend due to fly tipping, offset by (£27.9k) additional income following electricity recharges for tenants
Facilities Management	(66.5)	(£57.8k) Underspend due to reduction in volume of printing externally and printers' maintenance costs were lower than anticipated.
Planned Maintenance Programme	152.0	An overspend of £99k 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). £100k overspend due to RAAC survey. £55k
Project Management	(40.0)	Underspends due to vacancies.

Unapportionable Central Overheads	(327.0)	Monthly superannuation payments to Surrey County are lower than budgeted, which reflects the Council's overall underspending on staffing costs.
<b>Total significant net variances</b>	<b>(261.4)</b>	For the complete list of (£262.4k) favourable variances including those under £20k, please refer to appendix D

(c) **Community Wellbeing & Housing Committee**

<b>Service</b>	<b>Variance £'000</b>	<b>Comment</b>
Community Care Administration	(28.5)	(£37.0k) over recovery of income, as additional grant funding received from NWS Alliance Prevention which will cover the Day Centre to be open over the weekends
Community Centres	(49.6)	Underspend (£41.5k) because of vacant posts which will be filled by the end of summer. £39.8k overspend due to increased food prices, offset by an over recovery of (£47.9k) from additional food sales
Meals on Wheels	113.8	£132.9k overspend due to contract food cost increased
Spelthorne Family Support	232.4	£206k overspend on costs, offset by (£190k) of funding from the cost of living reserve.
Community Development	30.0	This budgeted overspend has been transferred into the General Grants budget.
General Grants	(30.0)	This budgeted underspend has been received from the Community Development budget.
Housing Needs	35.2	£29.34k overspend due to maternity cover.
Homelessness	242.1	£38k overspend on salary to be offset by grant funding, £950.4k overspend on B&B costs, offset by (£746.3k) over recovery of income.
Refugees	(741.0)	(£134.2k) underspend on salaries, £760.5k overspend due to the change in the refugee scheme, offset by a (£1,367.3k) over recovery of grant income.
Housing Benefits Admin	(125.7)	(£72.7k) underspend due to vacancies; income (£63.9k) above budget due to additional grants received which may be transferred to reserves.
Housing Benefits Payments	(398.5)	Additional expenditure and grant income relates to Household Support Fund Scheme
Leisure Centre Admin	(30.0)	(£32.3k) underspend due to staff vacancies.
Spelthorne Leisure Centre	(20.5)	Over recovery of income (£22.7k) due to the Council's profit share increasing because of inflation.
<b>Total significant net variances</b>	<b>(770.3)</b>	For the complete list of (£773.8k) favourable variances including those under £20k, please refer to appendix E

(d) **Neighbourhood Services Committee**

<b>Service</b>	<b>Variance £'000</b>	<b>Comment</b>
Car Parks	(172.4)	Underspend (£176.0k) due to staff vacancies, Underspend (£123.0k) as the on-street parking expenditure has passed to Surrey CC, offset by a £129.6k under recovery of income.

Building Control	148.7	£24k overspend on salaries and a £124.7k under recovery of income due to the Cost of Living crisis
Cemeteries	(91.7)	(£79.7k) over recovery of income as officers are forecasting an increased in budget burial numbers over the course of the year.
Environmental Health Admin	35.5	£31.8k overspend on salaries, to be offset by £
Licensing	(30.8)	(£20.7k) over recovery of income.
Environmental Enhancements	23.4	£28.4k overspend, to be offset by (£15.5k) Biodiversity Net Grant.
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.
Refuse Collection	(32.5)	(£32.5k) over recovery of green waste income
Waste Recycling	174.6	Expected income is lower mainly due to change in recycling income mechanism
<b>Total significant net variances</b>	<b>239.8</b>	For the complete list of £231.7k unfavourable variances including those under £20k, please refer to appendix F

(e) **Economic Development Committee**

Service	Variance £'000	Comment
Economic Development	50.9	£22.7k overspend on salaries to be covered by SPF grant funding. £22.1 overspend on the Incubator
Staines Town Centre	123.8	Adjustment re Scottish Widows and will be funded from reserves in the event of an overspend at Outturn.
<b>Total significant net variances</b>	<b>174.7</b>	For the complete list of £179.7k unfavourable variances including those under £20k, please refer to appendix G

(f) **Environment & Sustainability**

Service	Variance £'000	Comment
Planning Development Control	7.5	(£69.2k) underspend due to staff vacancies, £76.7k overspend due to additional planning appeal costs.
Planning Policy	94.8	£100.4k 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.
<b>Total significant net variances</b>	<b>102.3</b>	For the complete list of £116.9k unfavourable 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 commercial investment and regeneration portfolio, the net income is used to meet net additional expenditure resulting from reduced government grants, Surrey County Council funding and other pressures.

4.2 The favourable landlord cost variance of (£379k) is as a result of significant savings on refurbishment projects that came lower than anticipated (Porter & Stokley Park). Also, some properties have had Business Rates mitigation put in place thus reducing the overall expenditure. Letting fees have been reduced to reflect smaller number of vacant units to be let by the end of year.

Officers are predicting that the funding required from the Sinking Fund will be reduced by (£394K) at the year end.

<b>Commercial &amp; Regenerations Assets 2023-24</b>			
<b>Total</b>	<b>Revised Budget £000</b>	<b>Forecast Outturn £000</b>	<b>Variance £000</b>
Income	-46,129	-46,104	25
Landlord Cost	11,638	11,259	-379
<b>Net Rental income Received</b>	<b>-34,491</b>	<b>-34,845</b>	<b>-355</b>
Loan interest Payable	24,449	24,449	0
Minimum Revenue Contribution	12,078	12,078	0
Set Aside	630	630	0
Sinking Funds			
Contribution to	-643	1,037	0
Contribution From	-11,023	-10,629	-394
<b>Net Income to fund Revenue budget</b>	<b>-7,320</b>	<b>-7,280</b>	<b>-749</b>

<b>Commercial Property</b>	<b>Revised Budget £000</b>	<b>Forecast Outturn £000</b>	<b>Variance £000</b>
Income	-41,711	-41,686	26
Landlord Cost	10,119	9,776	-343
<b>Net Rental income Received</b>	<b>-31,592</b>	<b>-31,910</b>	<b>-318</b>
Loan interest Payable	22,283	22,283	0
Minimum Revenue Contribution	11,172	11,172	0
Set Aside	600	600	0
Sinking Funds			
Contribution to	887	887	0
Contribution From	-9,493	-9,099	-394
<b>Net Income to fund Revenue budget</b>	<b>-6,143</b>	<b>-6,067</b>	<b>-712</b>

<b>Regeneration Property</b>	<b>Revised Budget £000</b>	<b>Forecast Outturn £000</b>	<b>Variance £000</b>
Income	-4,417	-4,418	-1
Landlord Cost	1,519	1,483	-36
<b>Net Rental income Received</b>	<b>-2,898</b>	<b>-2,935</b>	<b>-37</b>
Loan interest Payable	2,166	2,166	0
Minimum Revenue Contribution	906	906	0
Set Aside	30	30	0
Sinking Funds			
Contribution to	150	150	0
Contribution From	-1,530	-1,530	0
<b>Net Income to fund Revenue budget</b>	<b>-1,176</b>	<b>-1,213</b>	<b>-37</b>

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 £2.5m 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.

## 5. Interest receivable and other income

5.1 Interest earnings (£180k) over 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 Due to the improved forecast performance of the investment and regeneration portfolio, the contributions required from the Sinking Fund is forecast to reduce from £11.0m to £10.6m

6.2 The forecast projection for funding from the Empty Property Premia has been reduced from £500k to £nil.

6.3 There have been no unapproved movements in reserves.

## 7. Knowle Green Estates Ltd (KGE):

7.1 On 15 November, the Board of KGE approved the revenue monitoring report for 2023-24 as at 30 September, which showed a favourable variance of (£62k), against a net expenditure budget of £428,400, the principal variances over £20k were as follows:

(a) (£90k) under spend on loan interest, due to a credit note being issued for Benwell 1.

- (b) £62k overspend in repair costs, following the works carried out at Cranford Avenue.
- (c) £27k overspend on central overhead recharges.
- (d) (£20k) underspend on electricity charges
- (e) (£20k) over recovery of rental income.

## **8. Spelthorne Direct Services Ltd**

- 8.1 The Board reviewed the revenue monitoring report for 2023-24 as at 30 September, 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 keep 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 30 September 2023 has been undertaken as part of the revenue budget monitoring process and it is being reported at para 1.2 that Officers are predicting a small under/overspend at the 30 September 2023. 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](mailto:P.taylor@spelthorne.gov.uk)

**Background papers:** There are none.

**Appendices:**

- Appendix A – Net Revenue Budget Monitoring 2023-24 30 September 2023
- Appendix B – Net Revenue Budget Monitoring by Committee 2023-24 30 September 2023
- Appendix C - Net Revenue Budget Monitoring Reg & Admin Committee 2023-24 30 September 2023
- Appendix D - Net Revenue Budget Monitoring CP&R Committee 2023-24 30 September 2023
- Appendix E - Net Revenue Budget Monitoring CWH Committee 2023-24 30 September 2023
- Appendix F – Net Revenue Budget Monitoring NS&E Committee 2023-24 30 September 2023
- Appendix G - Net Revenue Budget Monitoring ED Committee 2023-24 30 September 2023

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