

REVENUE BUDGET MONITORING - QUARTER 1

Head of Service:	Head of Finance
Wards affected:	(All Wards);
Urgent Decision?	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	None

Summary

This report presents the forecast revenue outturn position for the current financial year 2022/23, as at Quarter 1 (30 June).

Recommendation (s)

The Committee is asked to:

- (1) Receive the revenue budget monitoring report, which sets-out a projected budget deficit of £19,000 for 2022/23;
- (2) Agree that a report should be prepared for Licensing & Planning Policy Committee to address reduced forecast planning income and identify mitigation options;
- (3) Agree that the updated Quarter 2 position will be reported back to Audit and Scrutiny Committee in November.

1 Reason for Recommendation

- 1.1 To present the 2022/23 forecast revenue outturn position to members, as at Quarter 1.

2 Background/Executive Summary

- 2.1 In February 2022, Full Council agreed a net expenditure budget of £8.626m for 2022/23. The budget included a central contingency of £600,000 to manage the long-term impact of Covid-19 on services and required the use of £1.476m from earmarked reserves to balance.

Audit and Scrutiny Committee

15 September 2022

- 2.2 During budget setting, Omicron-related government restrictions continued to impact services such as car parks, venues and homelessness numbers.
- 2.3 As such, the February budget report informed members that, post-government restrictions, officers would review and rebase the Council's service budgets, to ensure budgets reflect new activity levels and apportion the contingency between services.
- 2.4 This budget rebasing exercise was undertaken as planned, with re-based 2022/23 budgets approved at [Strategy & Resources Committee in July](#).
- 2.5 The Quarter 1 forecasts in this report are measured against the agreed, re-based budgets.
- 2.6 At Quarter 1, the Council is expected to be within 0.2% of the overall budget at year-end, with a £19,000 deficit forecast. The projected deficit is mainly because place development (planning) income remains below budget, although this is partially offset by additional interest income on the Council's treasury investments, following recent rises in Bank of England's base rate.
- 2.7 It is important to acknowledge that uncertainty remains heightened around future projections, mainly due to the cost-of-living crisis and its potential impact on residents and utility costs. The quantum of government support for households and businesses over the winter is currently unknown. The scale of government support (or lack there-of) may materially impact numbers of vulnerable households requiring housing support later in the year.
- 2.8 The budget position will continue to be monitored closely, with forecasts updated and reported to members accordingly through the year.

3 Forecast Position

- 3.1 A summary of the forecast outturn position by service area for 2022/23 is shown in the following table:

Audit and Scrutiny Committee
15 September 2022

Forecast Outturn by Service	Original Budget	Re-Based (Current Approved) Budget*	Forecast Outturn	Forecast Variance
	£'000	£'000	£'000	£'000
<u>Strategy & Resources Committee</u>	-			
Democratic & Civic	688	688	688	0
Corporate Functions	571	597	597	0
Corp Financial Management	2,130	988	888	(100)
Tax Collection & Benefits	737	734	734	0
Land Charges	2	2	2	0
Land & Property	(2,955)	(3,198)	(3,198)	0
Economic Dev. & Prosperity	92	92	92	0
Employee and Support Services	1,054	732	700	(32)
Subtotal Strategy & Resources	2,319	635	503	(132)
<u>Environment & Safe Communities Committee</u>				
Car Parking	(2,215)	(1,415)	(1,415)	0
Contract Management	124	270	270	0
Countryside, Parks & Open Spaces	2,061	2,148	2,148	0
Environmental Services	3,341	3,433	3,433	0
Community Safety	93	95	95	0
Environmental Health	319	364	364	0
Subtotal Environment & Safe Communities	3,723	4,894	4,894	0
<u>Community and Wellbeing Committee</u>				
Housing	1,815	2,080	2,080	0
Community Services (Route Call, Meals from Home, Community Alarm)	442	469	482	13
Support for Voluntary Orgs.	239	239	239	0
Community Centre	441	421	421	0
Health & Wellbeing	223	210	210	0
Sports, Leisure & Cultural	1,092	1,124	1,119	(5)
Precepting & Levying Bodies (NJMC & EWDC)	366	366	366	0
Subtotal Community & Wellbeing	4,617	4,909	4,917	8
<u>Licensing & Planning Policy Committee</u>				
Place Development	751	960	1,103	143
Licensing	(115)	(103)	(103)	0
Subtotal Licensing & Planning Policy	636	857	1,000	143
Capital Charges	(2,669)	(2,669)	(2,669)	0
Total General Fund	8,626	8,626	8,645	19

* includes budget changes following the re-basing exercise agreed at S&R in July and other agreed changes in accordance with the Council's virement policies.

Audit and Scrutiny Committee

15 September 2022

- 3.2 The £19,000 projected budget deficit across services for 2022/23 would result in a contribution from the General Fund reserve at year-end, decreasing the balance from £2.853m to £2.834m.
- 3.3 The following section of the report details the individual budget variances that make up the projected deficit of £19,000 within services.

4 Budget Variances

- 4.1 The main variances to budget are shown by Committee in the following tables:

Strategy & Resources Committee	Adverse / (Favourable) Variance £'000	Detail
Corporate Financial Management	(100)	<p>Throughout most of 2021/22, the Bank of England's base interest rate remained at 0.1%, depressing returns on the Council's cash balances and treasury investments last year.</p> <p>In March, in an attempt to temper elevated inflation, the Bank commenced raising the base rate earlier than anticipated (even by its own official forecasts).</p> <p>Base rate increases tend to increase interest returns offered by banks and financial institutions on treasury deposits.</p> <p>Following base rate rises to 1.75% as at August 2022, officers expect to generate an additional £100,000 (in excess of the current budget) in treasury management income for 2022/23.</p> <p>Latest interest rates and treasury income forecasts will be factored into the Council's updated budget plans for 2023/24 and beyond.</p>
Employee & Support Services	(32)	<p>The Council is currently carrying a number of vacancies across its support services, resulting in a forecast underspend of £32k on employee costs over the year.</p>
Total Strategy & Resources Variance	(132)	

Audit and Scrutiny Committee
15 September 2022

Licensing & Planning Policy Committee	Adverse / (Favourable) Variance £'000	Detail
Place Development	143	The adverse variance is due to a forecast under-recovery of income. £24k of this relates to planning applications, the balance relates to advisory services. Development Management is currently undergoing a process re-engineering exercise to improve processes to provide a more efficient service and free up resource for advisory services.
Other miscellaneous variances	0	
Total Licensing & Planning Policy Variance	143	

Community & Wellbeing Committee	Adverse / (Favourable) Variance £'000	Detail
Other miscellaneous variances	8	
Total Community & Wellbeing Variance	8	

5 Employee Costs

- 5.1 At the end of Quarter 1, the Council is £294k under its year-to-date employee budget of £3.36m.
- 5.2 Following last year's restructure and transition to a new operating model, recruitment remains underway to fill vacant posts.
- 5.3 Employee costs are monitored monthly to ensure any adverse variances are flagged promptly to Heads of Service, thereby enabling prompt mitigating action to be taken.

Audit and Scrutiny Committee

15 September 2022

6 Utility Costs

- 6.1 The Council's 2022/23 budget for gas and electricity totals £285,000 across all properties. Prior to 2022, the Council entered into fixed-rate utility contracts, which has significantly benefitted the Council so far in 2022. However, two fixed-rate electricity tariffs are due to expire in late 2022. Officers are taking appropriate advice and market testing to assess whether it will be more beneficial to persist with new fixed-rate tariffs or move to variable tariffs. However, under either option electricity costs are expected to significantly increase later in 2022.
- 6.2 Officers are working with suppliers to determine the likely cost increases and an update will be provided in the Quarter 2 monitoring report.
- 6.3 For 2023/24, the budget planning framework reported to July's S&R Committee assumed that energy costs would double next year in the neutral scenario, or potentially triple in a pessimistic scenario.
- 6.4 With the energy market remaining volatile, these assumptions for 2023/24 will remain under review and will be updated accordingly throughout the budget setting process, in line with latest market forecasts.
- 6.5 In the meantime, officers will consider what energy saving measures can be implemented across the Council's operations to mitigate elevated utility costs.

7 Epsom & Ewell Property Investment Company (EEPIC)

- 7.1 The Council's budget includes £0.6m expected dividend income from Epsom and Ewell Property Investment Company, generated from its two commercial properties. Income from EEPIC is currently forecast to be on budget, with all rent to date collected from tenants.

8 Update on 2022/23 Savings Delivery

- 8.1 The 2022/23 budget required £342k of new savings to be delivered during the year. The delivery status of these savings is summarised in the following table:

Audit and Scrutiny Committee

15 September 2022

Summary of Budgeted Savings - 2022/23	Committee	Achieved	In progress	Not Achievable
		£000	£000	£000
Bourne Hall	C&W	-	30	-
Review of Ewell Court House	C&W	10		-
Tattenham Corner Conveniences	EWDC/C&W	12		-
Income from Commercial Property	S&R	112		-
Review of Waste Collection	E&SC	-	100	-
Review of Grounds Maintenance	E&SC	-	67	-
Other Service Efficiencies	All	-	11	-
Total Savings - £342k		134	208	0

8.2 The majority of savings have either been already achieved or are on track to be delivered in the year.

8.3 At Bourne Hall, income generation initiatives are being progressed including a review of the café operation to generate additional income to meet the targeted saving.

8.4 For waste collection, it is currently expected that the £100,000 additional income from Surrey County Council will be achievable, however this depends on commercial market prices for recycling materials remaining stable over the remainder of the year. Should market prices deteriorate, there is a risk the full income would not be achieved (and vice versa). A further update will be provided in the Quarter 2 monitoring report.

9 Revenue Reserves

9.1 At Q1, the general fund balance is forecast to reduce marginally to £2.83m (from £2.85m) by the end of this year.

9.2 The provisional balance on strategic reserves including the collection fund account was £21.8m at 1 April 2022 (balances subject to audit). Uncommitted strategic reserve balances are forecast to be £11.8m at 31 March 2023, principally due to the following planned drawdowns in the current and future years:

9.2.1 £3.4m from the business rates equalisation reserve mainly to mitigate prior year deficit on the collection fund account;

9.2.2 £2.9m from the Property Income Equalisation Reserve mainly to mitigate reduced Parkside House income (as previously reported) and release the dilapidations receipt for refurbishment work;

9.2.3 £2.7m from the Corporate Projects Reserve mainly to fund future budget deficits (as savings are phased in, agreed at S&R in July) and previously-agreed Local Plan funding.

Audit and Scrutiny Committee

15 September 2022

9.3 The Council holds other revenue reserves which are commuted sum receipts totalling £1.4m. Commuted sums are used to generate interest to fund on-going maintenance to specific parks and open spaces.

9.4 Summary of Revenue Reserves

	01 April 2022 Opening Balance £'000	31 March 2023 Forecast Uncommitted Balance £'000
General Fund	2,853	2,834
Strategic Reserves & Collection Fund Account	21,815	11,766
Committed Sums	1,439	1,439
Total	26,107	16,039

9.5 A full table of revenue reserves and commitments was reported to Strategy & Resources Committee in July 2022.

10 Actions and Next Steps

10.1 To address the projected budget deficit for 2022/23, the Council's senior management is progressing the following key initiatives:

10.1.1 The Head of Service will prepare a report to Licensing & Planning Policy Committee to address reduced forecast planning income and identify mitigation options;

10.1.2 Strategy & Resources Committee agreed in July 2022 a budget setting framework for 2023/24 which is being progressed by officers accordingly;

10.1.3 Finance officers will continue to monitor the funding landscape to ensure the Council is kept aware of any new government (or other external) funding opportunities.

10.2 The Council's budget position is continuously monitored by the finance team and budget managers. It is expected that the next budget monitoring report to members will be the updated quarter two forecasts to Audit & Scrutiny Committee in November 2022.

11 Risk Assessment

Legal or other duties

11.1 Impact Assessment

Audit and Scrutiny Committee

15 September 2022

11.1.1 Ultimately, all services will be impacted in some way by the Council's overall budget position over the long term.

11.1.2 A full budget risk assessment is presented to Full Council within February's budget report each year.

11.2 Crime & Disorder

11.2.1 None arising directly from the contents of this report.

11.3 Safeguarding

11.3.1 None arising directly from the contents of this report.

11.4 Dependencies

11.4.1 None arising directly from the contents of this report.

11.5 Other

11.5.1 None arising directly from the contents of this report.

12 Financial Implications

12.1 Financial implications are set-out in the body of the report.

12.2 **Section 151 Officer's comments:** For 2022/23, the Council currently expects to remain close to its overall budget.

12.3 However, principally owing to the long-term impact of Covid-19 on services, heightened inflation and unknown future government funding settlements, the Council anticipates budget pressures to increase in future years, as reported to Strategy & Resources Committee in July. A budget framework for 2023/24 budget setting was agreed by S&R, which officers are progressing accordingly.

12.4 Quarter 2 forecasts for 2022/23 will be brought back to Audit & Scrutiny Committee in November.

13 Legal Implications

13.1 There are no direct legal implications arising from this report.

13.2 **Monitoring Officer's comments:** None arising from the contents of this report.

14 Policies, Plans & Partnerships

14.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.

Audit and Scrutiny Committee

15 September 2022

- 14.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 14.3 **Climate & Environmental Impact of recommendations:** None arising directly from the contents of this report.
- 14.4 **Sustainability Policy & Community Safety Implications:** None arising directly from the contents of this report.
- 14.5 **Partnerships:** None arising directly from the contents of this report.

15 Background papers

15.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Budget Report to Full Council – February 2022

Other papers:

- None