

2022-23 PROVISIONAL FINANCIAL OUTTURN

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

Summary

This report summarises the Council's provisional financial performance for 2022/23 and details the capital budgets to be carried forward for schemes where costs will be incurred in 2023/24.

Recommendation (s)

The Committee is asked to:

- (1) Receive the report on provisional financial outturn for 2022/23;**
- (2) Approve the carry forward £2.19m budget for capital schemes to be added to the 2023/24 capital programme.**
- (3) Note that the provisional outturn position is subject to external audit. Should any material changes arise from the audit, these will be reported back to members.**

1 Reason for Recommendation

- 1.1 This Committee has responsibility for the Council's overall budget framework; it is therefore important that members are made aware of the 2022/23 outturn position. The Financial Regulations also require that the budget carry-forward requests be approved by Strategy & Resources Committee.

2 Background

- 2.1 The Council's financial performance is reported quarterly to members of Audit & Scrutiny Committee through the budget monitoring process. At year-end, the outturn position is formally reported to Strategy & Resources via this report, and to Audit & Scrutiny Committee via the Statement of Accounts report in the Autumn.

Strategy and Resources Committee

13 July 2023

- 2.2 Provisional outturn has already been circulated to all members via Members' News in July, this report formally presents the position to Strategy & Resources Committee.
- 2.3 The provisional outturn position will be subject to external audit over the summer and autumn. Should any material amendments arise following completion of the external audit, these would be reported back to members.

General Fund Summary Position

- 2.4 In summary the outturn position for 2022/23 is:-

Table 1 - General Fund Summary	Original Budget	Current Approved Budget*	Provisional Outturn	Variance
	£'000	£'000	£'000	£'000
Strategy and Resources	2,319	225	(543)	(768)
Environment & Safe Communities	3,723	5,059	5,255	196
Community & Wellbeing	4,617	5,182	5,210	28
Licensing & Planning Policy	636	829	847	18
Capital charges	(2,669)	(2,669)	(2,669)	0
Total Net Expenditure	8,626	8,626	8,100	(526)
Funded by:				
Collection fund precept	7,090	7,090	7,090	0
Covid-19/Lower Tier Support Grant	64	64	64	0
Share of Business Rates	1,606	1,606	1,606	0
Transfer from Collection Fund	(133)	(133)	(133)	0
Total Funding (Budget Requirement)	8,626	8,626	8,626	0
Subtotal	0	0	(526)	(526)
Reverse planned transfer from Corporate Projects Reserve as not required			262	262
Total General Fund	0	0	(264)	(264)

** includes agreed virements and changes to employee and support services allocations, capital charges and IAS 19 pension adjustments from the original budget to reflect required accounting practice.*

- 2.5 The overall 22/23 budget was supported by a planned £262k drawdown from the Corporate Projects Reserve to balance. Given the overall favourable variance, this £262k will be returned to the Corporate Projects Reserve, with the remaining £264k favourable variance transferred to the General Fund working balance reserve, as shown in the following table:

Strategy and Resources Committee

13 July 2023

Table 2 - General Fund Working Balance	£'000
Working Balance at 1 April 2022	2,853
Surplus/(Deficit) on General Fund for 2022/23	526
Less transfer back to Corporate Projects Reserve	(262)
Working Balance at 31 March 2023	3,117

- 2.6 At Quarter 2, an equivalent forecast probable outturn of £243k under budget had been forecast and reported to Senior Management Team and Members.
- 2.7 Information on the main variations to budget were circulated to all members in July. The most significant adverse variances to budget in 2022/23 were as follows:
- Place Development (£0.22m) – The adverse variance is mainly caused by under recovery of planning income of £247k, which is sensitive to the external economic environment. This was partially offset by a favourable variance within the Planning Policy Team as a result of government grant funding. Planning income targets will be reviewed once government completes its review of statutory planning targets.
 - Car parking (£0.19m) – The net £194k adverse variance across car parks is mainly due to £216k underachievement of income at the Ashley Centre, which has been impacted by the temporary loss of its flagship store and a gradual recovery from the pandemic. Hook Road car park has also experienced a slower recovery than anticipated, and the loss of use of the Atkins overspill car park contributed to the adverse variance. These income shortfalls were partially offset by a net favourable variance of £14k at Town Hall and Hope Lodge car parks, as well as additional income of £24k from Ewell car parks following the introduction of charging at Stoneleigh Parade.
- 2.8 The most significant favourable variances to budget in 2022/23 were as follows:
- Treasury Management Income (£0.50m) – the council received additional net treasury management investment income of £498k in 2022/23 to help fund services. This additional income has been achieved following Bank of England base interest rate rises.
 - Licensing (0.20m) – The favourable variance is mainly due to additional income following the acquisition of several new taxi operators that have chosen to licence their drivers and vehicles with EEBC.
- 2.9 Budget plans are being kept under review and will continue to be reported to Members, with the next scheduled quarterly update due at Audit & Scrutiny Committee in September.

Strategy and Resources Committee

13 July 2023

3 Reserves

3.1 Transfers have been made to and from revenue and capital reserves in line with Council policy for the reserves and as approved for specific schemes during the year.

3.2 The following table shows the balances of strategic revenue reserves following preparation of the unaudited Statement of Accounts:

Table 3 - General Fund Revenue Reserves	Balance at 31 March 2022	Balance at 31 March 2023	Commitments & Forecast Transfers	Forecast Balance
	£'000	£'000	£'000	£'000
General Fund Working Balance	2,853	3,117	0	3,117
Corporate Projects Reserve (a)	4,130	4,148	(1,567)	2,581
Sub-Total - Reserves available for general use	6,983	7,265	(1,567)	5,698
Repairs and Renewals	456	532	(60)	472
Insurance	434	434	(20)	414
Property Maintenance	689	650	(329)	321
VAT Reserve	206	206	0	206
Collection Fund Equalisation Reserve (b)	5,158	4,001	(2,134)	1,867
Commuted Sums	1,439	1,439	0	1,439
Property Income Equalisation Reserve (c)	8,459	9,881	(5,794)	4,087
Sub-Total - Contingencies unavailable for general use	16,841	17,143	(8,337)	8,806
Residential Property Acquisition Fund	1,017	977	0	977
Community Safety	104	140	(44)	96
Sports & Leisure Development Projects Fund	76	142	(66)	76
Place Development Grants (d)	225	681	(654)	27
Personalisation, Prevention & Partnership	73	111	(42)	69
Housing/Homelessness Support Grants (e)	332	1,033	(223)	810
HIA Hardship Fund	124	124	0	124
Basic Payments Scheme	142	142	0	142
Covid Grants Reserve (f)	163	0	0	0
Other smaller grants	28	28	0	28
Sub-Total - Ringfenced funds/grants for specific use	2,284	3,378	(1,029)	2,349
Total Revenue Reserves	26,108	27,787	(10,933)	16,853

The major movements in reserves during the year were as follows:

- a) Corporate Projects Reserve – New burdens funding from government totalling £107k has been transferred into the reserve to fund ongoing

Strategy and Resources Committee

13 July 2023

statutory assurance work by the revenues and benefits team into 2023/24, relating to grant support schemes including Household Support Fund. In addition, £52k has been transferred to the reserve to fund the Arts & Culture Officer and Heritage Digital Tours in 2023/24; initiatives supported by Community & Wellbeing Committee in January 2022. A further £20k unspent training budget was transferred into the reserve, to fund backlog staff training requirements in 2023/24. £117k has been withdrawn from the reserve to fund planning appeals and local plan work streams, as previously agreed by S&R Committee.

- b) Collection Fund Equalisation Reserve – As planned, £0472m was withdrawn from the reserve to fund 2022/23's revenue budget, in addition to £683k withdrawn to adjust for timing differences that arise through the year-end collection fund closedown. The reserve will be required in future years to fund the accumulated collection fund deficit of £1.68m at 31 March 2023, and to offset potential future reductions in business rates income following central government's Fair Funding Review. The reserve may also be used to offset any significant, future successful appeals against business rate bills, and to manage variations in annual council tax income.
- c) Property Income Equalisation Reserve – During 2022/23, the Council received £1.1m in back rent following rent reviews at Longmead and Nonsuch Industrial Estates, and a £2.3m settlement at 64-74 East Street, which have been set-aside in the reserve to fund known future property commitments. £2.1m was drawn down from the reserve mainly to replace reduced net rental income at Parkside House, 64-74 East Street and EEPIC's Arlington Sq, as previously reported to S&R Committee.
- d) Sports & Leisure Development Reserve - Grant funding from the NHS totalling £66k has been transferred to reserves to fund My Community Boxing, C&W centre communications and the Epsom Hub in 2023/24.
- e) Place Development Grants – Ringfenced DLUHC grants totalling net £536k were transferred to the reserve to fund planning software initiatives in 2023/24. Prior year funding of £80k was withdrawn from the reserve to cover agreed Local Plan and Customer & Communities Improvement Fund (CCIF) workstreams.
- f) Housing/Homelessness Grants – Government funding of £626k to support Syrian, Afghan and Ukrainian refugees has been transferred into the reserve to fund anticipated housing and resettlement related costs in 2023/24 and beyond. The Council has also been able to set-aside a £0.1m favourable variance on Private Sector Leasing and Council-owned temporary accommodation properties to mitigate homelessness pressures in 2023/24.

Strategy and Resources Committee

13 July 2023

- g) Ringfenced government support grants totalling £143k had been brought forward from 2021/22 and was applied in 2022/23 to fund Covid-related business grant assurance work, and delivery of the Household Support Fund and £150 council tax energy rebate schemes. The remaining balance of £19k on the Contain Outbreak Management Fund was also withdrawn to meet residual installation costs of the audio-visual equipment in the Council chamber, as previously agreed at S&R Committee.

4 2022/23 Additional Income/Savings Delivery

- 4.1 The 2022/23 budget required £342,000 of new additional income and savings to be delivered during the year. The delivery status of these is summarised in the following table:

Table 4 - 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		332	0	10

- 4.2 The vast majority of budgeted additional income/savings were achieved in 2022/23. An update on the main items is provided as follows:

- 4.2.1 At Bourne Hall, initiatives to develop the café and wider property offering resulted in the targeted saving being achieved. Work continues to further enhance the Bourne Hall offering.
- 4.2.2 The commercial property income target was achieved through Emerald House (on East Street), which was acquired in March 2020, and generated £326k income for the year.

Strategy and Resources Committee

13 July 2023

- 4.2.3 For waste collection, the saving was achieved through £171k unbudgeted income received from Surrey County Council, who at year-end pay EEBC a proportion of income earned from the secondary recycling market. It is anticipated that the saving will continue to be delivered through this mechanism in the short-medium term, although there is a risk that should recycling market prices deteriorate in future years, the income may reduce (and vice versa). Once government's much-delayed National Waste Strategy is published, a report will be taken to Environment Committee for members to agree how the Council will deliver the strategy and optimise its waste collection service to achieve the saving in the long term.
- 4.2.4 The grounds maintenance saving was achieved following efficiencies identified through 2021's corporate restructure.
- 4.2.5 At Ewell Court House, on the basis that S&R committee had approved proposed leases to achieve the targeted saving in March 2022 (catering function to Bovingdons) and July 2022 (Tea Rooms to an external provider), this saving was previously reported as achieved. However, it has since been identified that the Tea Rooms lease has been delayed, meaning this saving has not been achieved in 2022/23. The saving remains deliverable in future years provided the Tea Rooms lease can be successfully completed.

5 Provisions

- 5.1 Income from the recovery of past housing benefit overpayments has previously been used to increase the bad debt provision for outstanding housing benefit overpayments debts, due to the planned future transfer of benefits administration to central government. Outstanding debt at the end of 2022/23 totals £1.49m (£1.51m at 31 March 2022). The balance of the provision stands at £1.47, meaning that 99% of the outstanding debt has been provided for at 31 March 2023 (also 99% prior year).
- 5.2 Following an analysis of general debtors, the associated bad debt provision has decreased by £582k, from £955k to £373k at 31 March 2023. The £582k decrease consists £197k write-offs charged against the provision (this relates to the agreed management fee reduction at Rainbow Leisure centre to reflect periods of closure during the pandemic) and a £385k reduction in the provision overall to reflect the current profile and balance of outstanding debtors. Outstanding debtors will be monitored and managed during 2023/24 in accordance with the Council's debtor procedures.

Strategy and Resources Committee

13 July 2023

- 5.3 A £250k provision has also been set-aside as a contingency for the Health & Safety Executive investigation into December 2021's waste collection vehicle incident. Whilst the investigation remains ongoing, this sum has been set aside in case a financial liability arises.

6 Pensions

- 6.1 Pensions have been treated within the accounts in accordance with recommended financial reporting standards for local authorities. The net liability at 31 March 2023 for accounting purposes is £5.4m compared to £36.8m at 31 March 2022. The significant favourable movement is principally due to changes in the assumptions, used by the actuary, particularly an increase from 2.7% to 4.75% in the discount rate used to calculate future liabilities.
- 6.2 Additional information on pension liabilities is included within the Statement of Accounts, which is prepared in accordance with International Accounting Standard 19 (IAS19). The IAS19 accounting valuation does not comprise a full re-valuation of the fund and does not impact the Council's contributions.
- 6.3 Although the IAS19 pension liability has an impact on the Council's balance sheet, the valuation methodology is affected by short-term economic market conditions and is not used to determine the impact on council tax of the cost of paying pensions. There are separate statutory arrangements for meeting the liability, which will be addressed by increased contributions to the scheme over the remaining working lives of the staff.

7 Capital Expenditure 2022/23

Core Capital Programme

- 7.1 A summary report of the 2022/23 capital programme was issued to all Councillors via Members Update in July. The 2022/23 expenditure per Committee for the core capital programme is shown below:-

Table 5 – Core Capital Programme	2022/23 Approved Budget £'000	2022/23 Outturn £'000	Forecast Variance £'000
Strategy & Resources	721	185	(536)
Environment & Safe Communities	1,302	548	(754)
Community & Wellbeing	2,002	815	(1,187)
Licensing & Planning Policy	0	0	0
Total Core Capital Programme	4,025	1,548	(2,477)

Strategy and Resources Committee

13 July 2023

- 7.2 On the core capital programme, actual expenditure was £1.548m, which is £2.477m less than the current approved budget. The main projects contributing to the underspend, are the Disabled Facilities Grant (957k); Replacement of EEBC Lamp Columns (£396k); the CRM and Data Warehouse project (£312k); Plan E (£335k); ICT Programme of Works (£221k); Playhouse works (£128k), which had been on hold during the pandemic; and Football Pitch Drainage Systems (£74k) which was completed with a significant favourable variance to budget.
- 7.3 The following 2022/23 projects remain in progress and it is requested that the budgets be carried forward to 2023/24:

Table 6 – 2022/23 Capital Projects still in progress at 01/04/23	Remaining Budget £'000s	Funding Source
Disabled Facilities Grant	957	External Grant
Ashley Centre Car Park Expansion Joints - Phase 2	37	Capital Receipts
Wellbeing Centre - Replacement of Boilers and Controls	21	Capital Receipts
ICT Programme of Works	6	Capital Receipts
Plan E - Marketplace	335	CIL
Replacement of EEBC lamp columns	396	CIL
Playhouse Refurbishment	94 34	Capital Receipts Repairs & Renewals Reserve
Replacement of CRM and Data Warehouse	312	Capital Receipts
Total carry forward for approval	2,192	
Previously agreed – ICT Programme of Works	215	Capital Receipts
Total budget carried forward into 2023/24	2,407	

- 7.4 Budgets totalling £2.192m are requested to be carried forward into 2023/24 for schemes not completed in 2022/23. This is in addition to the £215k being carried forward for the ICT Programme of Works, as agreed by this Committee at its meeting on 28 March 2023. The total underspend on this scheme was £221k, therefore the carry forward of the balance of £6k is being requested at this meeting.
- 7.5 The total balance of budget being carried forward is £2.407m, leaving a balance of £70k which is the budget variance of projects which have now completed.

Strategy and Resources Committee

13 July 2023

Property Acquisition Funds – Commercial Property

- 7.6 The Council retains one in-Borough commercial property acquisition fund, which has a remaining balance of £49.6m available for investment. The fund can be financed from prudential borrowing. No commercial properties were acquired during 2021/22, although should opportunities arise in future, these will be explored as appropriate.
- 7.7 The Council formally closed its out-of-Borough commercial property acquisition fund in February 2020, as part of agreeing the Medium Term Financial Strategy 2020-24, in order to comply with government's Statutory Guidance on Investments.

Property Acquisition Funds – Residential Property

- 7.8 In 2016/17, the Council established a £3m fund to purchase residential property, principally to assist the Council to manage homelessness and reduce associated costs. No new purchases were made during 2022/23, but £39k was incurred on completing the works to 24 South Street.
- 7.9 The remaining balances on the Property Acquisition Funds are shown in the following table. Please note that the £49.6m funds are not reserves that the Council holds; they are limits (approved by Full Council) up to which borrowing could be undertaken.

Table 7 - Property Acquisition Funds	Commercial Property (in-Borough)	Residential Property	Total
	£000	£000	£000
Opening fund balance	80,000	3,000	83,000
Purchases during 2016/17	(19,206)	(811)	(20,017)
Purchases during 2017/18	(5,148)	(562)	(5,710)
Purchases during 2018/19	0	(257)	(257)
Purchases during 2019/20	(6,077)	(20)	(6,097)
Purchases during 2020/21	0	(95)	(95)
Purchases during 2021/22	0	(238)	(238)
Purchases during 2022/23	0	(39)	(39)
Fund balances at 31/03/2023	49,569	978	50,547

- 7.10 The financing of capital expenditure in 2022/23 is summarised in the following table:

Strategy and Resources Committee
13 July 2023

Table 8 - Financing of Capital	2022/23 Approved Budget £'000
<u>Expenditure</u>	
Core Programme	1,548
Property Acquisition Funds	39
CIL Neighbourhood 15% Schemes	242
Horton Chapel*	144
Vehicle Finance Lease	13
Total Expenditure	1,986
<u>Financing</u>	
Capital Receipts Reserves	270
Capital Grants-DFG	616
Budgeted Revenue Contributions	400
Revenue Reserves	202
S106 receipts	176
Community Infrastructure Levy	309
Total Financing	1,973
Vehicle Finance Lease - to be financed in future years	13
Total	1,986

*This Horton Chapel expenditure represents part-payment of the original £1.45m grant, which as per the grant agreement, is paid in instalments to Horton Chapel Arts & Heritage Society. For clarity, this expenditure is not a new grant, but an instalment of the original grant award.

8 Capital Receipts 2022/23

8.1 The Council received £389k of new capital receipts in 2022/23; £340k relating to properties at South Street transferred to Transform Housing Association; £22k relating to the disposal of a residential property by Rosebery Housing Association; and £27k relating to the early disposal of leased vehicles. Capital receipt balances are summarised in the following table:-

Strategy and Resources Committee

13 July 2023

Table 9 - Capital Receipts Reserve	£'000
Balance brought forward at 1 April 2022	3,821
Used to fund the 2022/23 capital programme	(270)
Capital receipts received in 2022/23	389
Closing balance at 31 March 2023	3,940
Earmarked for previous schemes not yet complete (balance rolled forward to be agreed by S&R Committee in July 2023)	(685)
Estimated capital receipts expected in 2023/24	0
Planned use for 2023/24 programme	(348)
Estimated balance at 31 March 2024	2,907

8.2 The level of reserves will be re-assessed during this year's capital programme review.

9 Risk Assessment

Legal or other duties

9.1 Impact Assessment

9.1.1 A risk assessment was included in the 2022/223 budget report. Monitoring arrangements during the year have allowed some corrective action to be taken on a number of budget variances, either during the year or as part of the Council's longer-term service and financial planning.

9.1.2 An updated risk assessment was included in the 2023/24 budget report. Further budget monitoring will be carried out on any specific service where the financial position was materially worse than anticipated.

9.2 Equality Impact Assessment

9.2.1 None arising from the contents of this report.

9.3 Crime & Disorder

9.3.1 None arising from the contents of this report.

9.4 Safeguarding

9.4.1 None arising from the contents of this report.

9.5 Dependencies

Strategy and Resources Committee

13 July 2023

9.5.1 None arising from the contents of this report.

9.6 Other

9.6.1 None arising from the contents of this report.

10 Financial Implications

10.1 Financial implications are included in the body of the report.

10.2 **Section 151 Officer's comments:** The reported outturn position is not expected to change, however, should there be any changes following completion of the external audit, these will be reported to members with the external audit report.

10.3 The Council's financial position is continually monitored and future budget plans are presented as a separate agenda item to this Committee - see 2024/25 Strategic Financial Planning report.

11 Legal Implications

11.1 None arising from the contents of this report.

11.2 **Legal Officer's comments:** None arising from the contents of this report.

12 Policies, Plans & Partnerships

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

12.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

12.3 **Climate & Environmental Impact of recommendations:** None arising from the contents of this report.

12.4 **Sustainability Policy & Community Safety Implications:** None arising from the contents of this report.

12.5 **Partnerships:** None arising from the contents of this report.

13 Background papers

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

Previous reports:

- 2022/23 Budget Report to Full Council, February 2022
- Quarterly Budget Monitoring Reports to Audit & Scrutiny Committee

Other papers:

Strategy and Resources Committee

13 July 2023

- Provisional outturn reports issued to all councillors via Members News in July 2023