

## REVENUE BUDGET MONITORING - QUARTER 1

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

### Summary

This report presents the forecast revenue outturn position for the current financial year 2023/24, 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 deficit of £98,000 for 2023/24;
- (2) agree that a report should be prepared for Community & Wellbeing Committee to consider long-term mitigation options for the increased costs of nightly paid accommodation within the Homelessness service;
- (3) agree that a report should be prepared for Licensing & Planning Policy Committee to consider long-term mitigation options for the projected shortfall on planning income and the impact of government's review of planning fees;
- (4) 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 2023/24 forecast revenue outturn position to members, as at Quarter 1.

# Audit and Scrutiny Committee

## 28 September 2023

### **2 Background/Executive Summary**

- 2.1 In February 2023, Full Council agreed a net expenditure budget of £8.289m for 2023/24. The budget included a contribution of £2.4m from earmarked reserves to balance.
- 2.2 At Quarter 1, the Council is expected to be within 1.2% of the overall budget at year-end, with a £98,000 deficit forecast. The projected deficit is mainly due to the combined impact of higher demand for housing/homelessness services and reduced planning income. These adverse variances are partially offset by increased licensing income and higher treasury management income on the Council's investments.
- 2.3 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.
- 2.4 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 2023/24 is shown in the following table:

Audit and Scrutiny Committee  
28 September 2023

Forecast Outturn by Service	Current Approved Budget	Forecast Outturn	Forecast Variance
	£'000	£'000	£'000
<u>Strategy &amp; Resources Committee</u>			
Democratic & Civic	862	862	0
Corporate Functions	693	693	0
Corp Financial Management	1,878	1,648	(230)
Tax Collection & Benefits	212	212	0
Land Charges	19	19	0
Land & Property	(3,350)	(3,398)	(47)
Economic Dev. & Prosperity	74	74	0
Employee and Support Services	(147)	(140)	8
Building Control Contract	90	90	0
<b>Subtotal Strategy &amp; Resources</b>	<b>331</b>	<b>61</b>	<b>(270)</b>
<u>Environment &amp; Safe Communities Committee</u>			
Car Parking	(1,544)	(1,466)	78
Environmental Services	3,635	3,635	0
Community Safety	93	93	0
Contract Management	197	197	0
Environmental Health	333	333	0
Countryside, Parks & Open Spaces	2,206	2,206	0
<b>Subtotal Environment &amp; Safe Communities</b>	<b>4,920</b>	<b>4,998</b>	<b>78</b>
<u>Community and Wellbeing Committee</u>			
Housing	1,874	2,074	200
Community Services (Route Call, Meals from Home, Community Alarm)	482	482	0
Support for Voluntary Orgs.	246	246	0
Community Centre	470	470	0
Health & Wellbeing	233	233	0
Sports, Leisure & Cultural	1,256	1,256	0
Precepting & Levying Bodies (NJMC & EWDC)	388	388	0
<b>Subtotal Community &amp; Wellbeing</b>	<b>4,948</b>	<b>5,149</b>	<b>200</b>
<u>Licensing &amp; Planning Policy Committee</u>			
Place Development	887	1,087	200
Licensing	(127)	(237)	(110)
<b>Subtotal Licensing &amp; Planning Policy</b>	<b>760</b>	<b>850</b>	<b>90</b>
Capital Charges	(2,669)	(2,669)	0
<b>Total General Fund</b>	<b>8,289</b>	<b>8,388</b>	<b>98</b>

# Audit and Scrutiny Committee

## 28 September 2023

- 3.2 The £98,000 projected budget deficit across services for 2023/24 would result in a contribution from the General Fund reserve at year-end, decreasing the balance from £3.12m to £3.02m.
- 3.3 The following section of the report details the individual budget variances that make up the projected deficit of £98,000 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	(230)	With the Bank of England's base rate path now higher than anticipated when setting 2023/24's budget, finance officers project that with continued diligent cash management, at least £950,000 of interest income will be achieved for the year, £230,000 higher than the budgeted target.
Land & Property	(47)	The favourable variance in Land & Property relates to additional income following a rent review that was not agreed until after the 2023/24 budget setting period. The increased income will be factored into the 2024/25 budget setting process.
Other miscellaneous variances	7	
<b>Total Strategy &amp; Resources Variance</b>	<b>(270)</b>	

Audit and Scrutiny Committee  
28 September 2023

<b>Environment Committee</b>	<b>Adverse / (Favourable) Variance £'000</b>	<b>Detail</b>
Car Parking	78	Car parking income is currently tracking slightly behind budget at Q1, resulting in a forecast adverse variance of £78,000 at year-end. However, the first quarter is typically quieter compared to the busiest Christmas quarter. Income will continue to be monitored as busier periods approach and a more detailed update will be provided at Q2 monitoring.
<b>Total Environment Variance</b>	<b>78</b>	

<b>Community &amp; Wellbeing Committee</b>	<b>Adverse / (Favourable) Variance £'000</b>	<b>Detail</b>
Housing/Homelessness	200	<p>The Council budgeted to accommodate an average of 58 households in nightly paid accommodation. Due to ongoing elevated demand, the Council is currently supporting an average of 72 households to date in nightly paid accommodation.</p> <p>Although government has awarded EEBC an additional £165,000 of Homelessness Prevention Grant to assist the with demand pressures, based on the current run-rate of households requiring support, an adverse variance of £200,000 is still forecast for the year.</p> <p>The Council holds a Homelessness Grant Reserve which may be applied to mitigate the budget pressure in the short term, however it is recommended that a report be prepared for Community &amp; Wellbeing Committee to consider progress against the Homelessness Action Plan and options for how elevated demand can be managed.</p>

Audit and Scrutiny Committee  
28 September 2023

<b>Total Community &amp; Wellbeing Variance</b>	<b>200</b>
---	------------

<b>Licensing &amp; Planning Policy Committee</b>	<b>Adverse / (Favourable) Variance £'000</b>	<b>Detail</b>
Place Development	200	The adverse variance is due to a forecast under-recovery of income. £24,000 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.
Licensing	(110)	The £110k favourable variance is due to the acquisition of several new taxi operators that have chosen to licence their drivers and vehicles with EEBC.
<b>Total Licensing &amp; Planning Policy Variance</b>	<b>90</b>	

## 5 Employee Costs

- 5.1 At the end of Quarter 1, the Council is tracking broadly in line with its year-to-date employee budget of £3.50m.
- 5.2 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.

## 6 Epsom & Ewell Property Investment Company (EEPIC)

- 6.1 The Council's original budget included £1.29m expected dividend income from Epsom and Ewell Property Investment Company, generated from its two commercial properties. However, as approved at S&R Committee in March, a lease amendment at one of the properties is expected to reduce this dividend income by £700k in both 2023/24 and 2024/25. The reduction in dividend income will be mitigated by an appropriation from the Property Income Equalisation Reserve.

# Audit and Scrutiny Committee

## 28 September 2023

### 7 Update on 2023/24 Savings/Additional Income Delivery

7.1 The 2023/24 budget requires new savings/additional income totalling £1.25m to be delivered during the year. The delivery status of these savings is summarised in the following table.

Summary of Budgeted Additional Income/Savings - 2023/24	Committee	Achieved	In progress	Unlikely to be Achieved in Current Year
		£000	£000	£000
Review of Commercial Estate	S&R	-	321	-
Income from Commercial Property	S&R	-	96	-
Reduction in cost of managing homelessness	C&W	-	-	243
Additional Car Parking Income	Env	-	223	-
Additional EEPIC Dividend Income	S&R	-	-	100
Reduce Subsidy of Community & Wellbeing Centre	C&W	-	53	-
Operational efficiencies	All	-	46	-
Additional Licensing Income	LPPC	-	40	-
Other Service Efficiencies	All	-	36	-
Review of Playhouse Opportunities	C&W	-	30	-
Reduce Benefits Administration Costs	S&R	-	33	-
Additional Planning Income	LPPC	-	-	25
<b>Total Savings</b>		<b>0</b>	<b>878</b>	<b>368</b>

7.2 The RAG rating indicates whether the additional income/saving is considered at either low risk of non-delivery (green), medium risk (amber), or high risk of not being delivered in year (red). Commentary on the highest value and highest risk savings is provided in the following paragraphs:

7.2.1 The Review of Commercial Estate (£321,000) and Income from Commercial Property (£96,000) targets are on track to be achieved, through higher rental income at industrial estate plots following rent reviews agreed in 2022/23. In addition, the commercial property Emerald House (on East Street), acquired in March 2020, generates £326,000 income per year and contributes towards the income target. The first quarter's rent has been collected, with no issues currently anticipated for the remainder of the year.

# Audit and Scrutiny Committee

## 28 September 2023

- 7.2.2 The £243,000 targeted reduction in the cost of managing homelessness is unlikely to be achieved in the year, mainly due to the cost-of-living crisis placing elevated demands on this service, as explained in the budget variance table in section 4. It is recommended that a report be prepared for Community & Wellbeing Committee to consider progress against the Homelessness Action Plan and options for how elevated demand and costs can be managed and mitigated.
- 7.2.3 Car parking income is currently forecast to be net £78,000 under target at year end, meaning the additional income target is currently only partially forecast to be achieved during the year. However, the first quarter is typically quieter compared to the busiest Christmas quarter. Income will continue to be monitored as busier periods approach and a more detailed update will be provided at Q2 monitoring.
- 7.2.4 The target for £100,000 additional income from EEPIC was set in February 2023, prior to S&R Committee having to agree a lease amendment with a commercial property tenant in March 2023. The lease amendment was considered necessary to retain the tenant, but will temporarily reduce income received by the Council from EEPIC until 2025/26. As such, the originally targeted additional income will not be delivered in the current year. It is expected that the additional income will now become achievable from 2025/26 onwards, on expiry of the reduced rent period in the amended lease. In the meantime, the reduced income will be mitigated by an appropriation from the Property Income Equalisation reserve.
- 7.2.5 The additional targeted income of £25,000 from the planning service is no longer expected to be achieved in the year, while demand for planning advisory services remains depressed, as set-out in the committee variance table. A report to Licensing & Planning Policy Committee has been recommended to identify mitigating options for reduced planning income.
- 7.2.6 Other savings remain in progress at this early stage of the financial year. A more detailed update will be provided in the Q2 monitoring report.

## 8 Revenue Reserves

- 8.1 At Q1, the general fund balance is forecast to reduce to £3.02m (from £3.12m) by the end of this year.



# Audit and Scrutiny Committee

## 28 September 2023

8.2 Other uncommitted revenue reserves are projected to stand at £14.1m at 31 March 2024, however, £8.8m of this balance is to manage specific risks and contingencies, including the loss of commercial property income and business rates income in future years. These reserves have enabled the council to temporarily endure the loss of two key tenants in recent years, without having to make urgent, short-term cuts to services to reflect the loss of income. A full review of revenue reserves and commitments was reported to Financial Policy Panel in January 2023.

8.3 The following table shows a breakdown of the council's revenue reserves, with only the General Fund working balance and corporate projects reserve available for general use:

### 8.4 Summary of Revenue Reserves

General Fund Revenue Reserves	01 April 2023 Opening Balance	31 March 2024 Forecast Uncommitted Balance
	£'000	£'000
General Fund	3,117	3,019
Corporate Projects Reserve	4,148	2,883
Contingencies unavailable for general use	17,145	8,808
Ringfenced funds/grants for specific use	3,406	2,438
<b>Total</b>	<b>27,816</b>	<b>17,148</b>

8.5 Council has committed to hold a minimum balance of £1 million in the corporate projects reserve and £2.5 million in the general fund working balance to manage unforeseen risks.

**8.6 This leaves just £2.4million of available reserves, which the Council allocates on a business case basis, to ensure limited resources are utilised in line with corporate priorities.**

8.7 A full table of revenue reserves was reported to Strategy & Resources Committee in July 2023.

## 9 Actions and Next Steps

9.1 To address the projected budget deficit for 2023/24, the Council's senior management is progressing the following key initiatives:

9.1.1 The Head of Service will prepare a report to Licensing & Planning Policy Committee to consider the reduced forecast planning income and identify mitigation options, including the impact of government's review of planning fees;

# Audit and Scrutiny Committee

## 28 September 2023

- 9.1.2 The Head of Service will prepare a report for Community & Wellbeing Committee to consider mitigation options for the increased costs of nightly paid accommodation within the Homelessness service;
- 9.1.3 Strategy & Resources Committee agreed in July 2023 a budget setting framework for 2024/25 which is being progressed by officers accordingly;
- 9.1.4 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.

9.2 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 2023.

## 10 Risk Assessment

### Legal or other duties

#### 10.1 Equality Impact Assessment

10.1.1 None arising directly from the contents of this report.

#### 10.2 Crime & Disorder

10.2.1 None arising directly from the contents of this report.

#### 10.3 Safeguarding

10.3.1 None arising directly from the contents of this report.

#### 10.4 Dependencies

10.4.1 None arising directly from the contents of this report.

#### 10.5 Other

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

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

## 11 Financial Implications

11.1 Financial implications are set out in the body of the report.

11.2 **Section 151 Officer's comments:** For 2023/24, the Council currently expects to remain relatively close to its overall budget.

# Audit and Scrutiny Committee

## 28 September 2023

- 11.3 However, there are clear pressures in some services that can be linked to the cost-of-living crisis, particularly within the housing/homelessness team. It is important that the Council continues to pursue initiatives to enable the service to be managed within budget.
- 11.4 Looking ahead to 2024/25, a budget setting framework was agreed by S&R in July, which officers are progressing accordingly.
- 11.5 Quarter 2 forecasts for 2023/24 will be brought back to Audit & Scrutiny Committee in November.

### 12 Legal Implications

- 12.1 There are no direct legal implications arising from this report.
- 12.2 **Monitoring Officer's comments:** None arising from the contents of this report.

### 13 Policies, Plans & Partnerships

- 13.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.
- 13.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 13.3 **Climate & Environmental Impact of recommendations:** None arising directly from the contents of this report.
- 13.4 **Sustainability Policy & Community Safety Implications:** None arising directly from the contents of this report.
- 13.5 **Partnerships:** None arising directly from the contents of this report.

### 14 Background papers

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

**Previous reports:**

- Budget Report to Full Council – February 2023

**Other papers:**

- 2024-25 Strategic Financial Planning – July 2023