

## REVENUE BUDGET MONITORING - QUARTER 3

<b>Head of Service:</b>	Brendan Bradley, 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 3, covering the period 01/04/2023 to 31/12/2023.

### Recommendation (s)

#### The Committee is asked to:

- (1) Receive the revenue budget monitoring report, which sets-out a projected deficit of £146,000 for 2023/24;
- (2) Note that specific reports have been taken to Licensing & Planning Policy Committee (November 2023) and Community & Wellbeing Committee (October 2023) to address the most significant adverse budget variances;
- (3) Note that the final outturn position will be reported to Strategy & Resources in July 2024, then to this committee alongside the Statement of Accounts in autumn.

## 1 Reason for Recommendation

- 1.1 To present the 2023/24 forecast revenue outturn position to members, as at Quarter 3.

## 2 Background/Executive Summary

- 2.1 In February 2023, Full Council agreed a net expenditure budget of £8.29m for 2023/24. The budget included a contribution of £2.4m from earmarked reserves to balance.

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- 2.2 At Quarter 1, the council had forecast to be £98,000 over budget at year-end. This report provides the latest forecast outturn, covering the period 01/04/2023 to 31/12/2023.
- 2.3 At Quarter 3, the Council is expected to be within 1.8% of the overall budget at year-end, with a £146,000 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.
- 2.4 Specific reports have already been taken to Licensing & Planning Policy Committee (Planning Fee Income/Budget, November 2023) and Community & Wellbeing Committee (Homelessness Half Year Update, October 2023) to address the most significant adverse budget variances.
- 2.5 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 the demand for temporary accommodation.
- 2.6 The budget position will continue to be monitored closely in the run-up to year-end, with the outturn position due to be reported to Strategy & Resources Committee in July 2024, then to this Committee alongside the 2023/24 Statement of Accounts in autumn 2024.

### **3 Forecast Position**

A summary of the forecast outturn position by service area for 2023/24 is shown in the following table:

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Forecast Outturn by Service	Current Approved Budget	Forecast Outturn	Forecast Variance
	£'000	£'000	£'000
<u>Strategy &amp; Resources Committee</u>			
Democratic & Civic	866	866	0
Corporate Functions	695	695	0
Corp Financial Management	1,256	696	(560)
Tax Collection & Benefits	147	147	0
Land Charges	19	19	0
Land & Property	(3,302)	(3,350)	(47)
Economic Dev. & Prosperity	74	74	0
Employee and Support Services	67	74	8
Building Control Contract	90	90	0
<b>Subtotal Strategy &amp; Resources</b>	<b>(88)</b>	<b>(688)</b>	<b>(600)</b>
<u>Environment Committee</u>			
Car Parking	(1,483)	(1,305)	178
Environmental Services	3,600	3,695	95
Community Safety	100	100	0
Contract Management	197	197	0
Environmental Health	335	365	30
Countryside, Parks & Open Spaces	2,235	2,235	0
<b>Subtotal Environment</b>	<b>4,984</b>	<b>5,287</b>	<b>303</b>
<u>Community and Wellbeing Committee</u>			
Housing	2,088	2,338	250
Community Services (Route Call, Meals from Home, Community Alarm)	482	482	0
Support for Voluntary Orgs.	246	246	0
Community Centre	495	548	53
Health & Wellbeing	233	233	0
Sports, Leisure & Cultural	1,371	1,371	0
Precepting & Levying Bodies (NJMC & EWDC)	388	388	0
<b>Subtotal Community &amp; Wellbeing</b>	<b>5,303</b>	<b>5,606</b>	<b>303</b>
<u>Licensing &amp; Planning Policy Committee</u>			
Place Development	887	1,137	250
Licensing	(127)	(237)	(110)
<b>Subtotal Licensing &amp; Planning Policy</b>	<b>760</b>	<b>900</b>	<b>140</b>
Capital Charges	(2,669)	(2,669)	0
<b>Total General Fund</b>	<b>8,290</b>	<b>8,436</b>	<b>146</b>

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- 3.1 The £146,000 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 £2.97m.
- 3.2 The following section of the report details the individual budget variances that make up the projected deficit of £146,000 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 remaining higher than anticipated when setting 2023/24's budget, finance officers project that with continued diligent cash management, at least £1,400,000 of interest income will be achieved for the year, £680,000 higher than the budgeted target. This is partly offset an anticipated transfer of £450,000 to an interest equalisation reserve to help smooth interest returns and protect against lower interest rates in the future.
Corporate Financial Management	(330)	There is a forecast favourable variance of £330,000 on the Council's corporate inflation contingency which assists to offset the adverse variances within services. This contingency was established to protect the Council against elevated energy and fuel prices and other inflationary pressures and is functioning as intended.
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.

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Other miscellaneous variances	7
<b>Total Strategy &amp; Resources Variance</b>	<b>(600)</b>

<b>Environment Committee</b>	<b>Adverse / (Favourable) Variance £'000</b>	<b>Detail</b>
Car Parking	178	Car parking income is currently tracking slightly behind budget at Q3, resulting in a forecast adverse variance of £178,000 at year-end. Once a new anchor tenant opens at the Ashley Centre, it is anticipated it will provide a favourable benefit to the town centre and associated car park utilisation. Car parking usage is reviewed by the Council's Car Park Working Group and the 2024/25 budget has been set to take account of latest projected volumes.
Domestic Waste <i>(Environmental Services)</i>	95	High rates of staff sickness and a tight supply of staff in the labour market have resulted in a forecast adverse variance of £90,000 on employee costs, due to elevated use of agency staff in the winter months. This is partly offset by a favourable variance of £40,000 on garden waste income. There is also an adverse variance of £45,000 to hire a replacement vehicle for the refuse vehicle which remains impounded, resulting in an overall adverse variance of £95,000.
Cemetery <i>(Environmental Services)</i>	30	Cemetery income is forecast to under recover by £30,000 as usage of cemetery services is affected by a number of factors outside the Council's control.
<b>Total Environment Variance</b>	<b>303</b>	

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Community & Wellbeing Committee	Adverse / (Favourable) Variance £'000	Detail
Housing/Homelessness	250	<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 78 households to date in nightly paid accommodation.</p> <p>Although government has awarded EEBC an additional £165,000 of Homelessness Prevention Grant to assist with the demand pressures, based on the current run-rate of households requiring support, an adverse variance of £250,000 is still forecast for the year, £50,000 higher than reported at Q1.</p> <p>The Council holds a Homelessness Grant Reserve which may be applied to mitigate the budget pressure in the short term, and a report was taken to Community &amp; Wellbeing Committee in October to consider progress against the Homelessness Action Plan and options for how elevated demand can be managed. A further report is due to be taken to Community &amp; Wellbeing Committee in March.</p>
Wellbeing Centre	53	<p>The Wellbeing Centre is forecast to under achieve income by £53,000 on its higher needs service. Officers are undertaking an advertising campaign to promote the service and continue to work on initiatives to share resource across the council's venues to maximise efficiencies and increase income.</p>
<b>Total Community &amp; Wellbeing Variance</b>	<b>303</b>	

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Licensing & Planning Policy Committee	Adverse / (Favourable) Variance £'000	Detail
Place Development	250	The adverse variance is due to a forecast under-recovery of income. £74,000 of this relates to planning applications, the balance relates to advisory services. The Government increased planning application fees from December 2023 which is expected to help the position for the next financial year. A report has been taken to LPPC Committee in November 2023 to analyse the income achievable in this service area, and the income shortfall has been addressed in 2024/25's budget.
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>140</b>	

## 5 Employee Costs

- 5.1 At the end of Quarter 3, the Council is tracking broadly in line with its year-to-date employee budget, with committed spend of £10.46m compared to the budget of £10.53m, resulting in a small favourable variance of £75,000.
- 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 2023, 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.

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### 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	-	45	178
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>647</b>	<b>599</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 acquired in March 2020 generates £326,000 income per year and contributes towards the income target.



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- 7.2.2 The £243,000 targeted reduction in the cost of managing homelessness will not 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. A report was prepared for Community & Wellbeing Committee in October 2023 to consider progress against the Homelessness Action Plan and options for how elevated demand and costs can be managed and mitigated. A further report is due to be taken to Community & Wellbeing Committee in March 2024. The 2024/25 budget has been set to take account of
- 7.2.3 Car parking income is currently forecast to be net £178,000 under target at year end, meaning the additional income target is currently only partially forecast to be achieved during the year. It is anticipated that a new anchor tenant at the Ashley Centre in the new year will increase car park usage in the town and assist in delivery of this saving in 2024/25.
- 7.2.4 The target for £100,000 additional income from EEPIC was set in February 2023, prior to S&R Committee agreeing a lease amendment with a commercial property tenant in March 2023. This 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 amended lease period. 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 £53,000 from the Higher Needs service at the Wellbeing Centre is no longer expected to be achieved in this financial year. Capacity issues leading to a later start of the proposed advertising campaign have led to a delay in boosting numbers at the centre. With the campaign now underway numbers are expected to increase in the 2024/25 financial year.
- 7.2.6 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 produced to identify mitigating options for the reduced planning income.

## 8 Revenue Reserves

- 8.1 At Q1, the general fund balance is forecast to reduce to £2.97m (from £3.12m) by the end of this year.

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8.2 Other uncommitted revenue reserves are projected to stand at £12.7m at 31 March 2024, however, £9.8m 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 is due to be reported to Financial Strategy Advisory Group in June 2024.

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	2,974
Corporate Projects Reserve	4,148	1,538
Contingencies unavailable for general use	17,145	9,779
Ringfenced funds/grants for specific use	3,406	1,828
<b>Total</b>	<b>27,816</b>	<b>16,119</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 £1 million 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 A report to Licensing & Planning Policy Committee in November considered the reduced forecast planning income and identified mitigation options, including the impact of government's review of planning fees. The 2024/25 budget setting process addresses the expected fee income level for the next financial year.

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9.1.2 A report to Community & Wellbeing Committee in October 2023 considered the increased level of expenditure on meeting the Council's homelessness obligations and set out the actions to minimise the uplift and identified funding to cover additional expenditure. A further update to C&W Committee is scheduled for March 2024, to update members on the latest homelessness reduction initiatives.

9.1.3 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.

9.2 The Council's budget position is continuously monitored by the finance team and budget managers. It is expected that the provisional outturn position will be reported to Strategy & Resources Committee in July, followed by the audited outturn position and Statement of Accounts to Audit & Scrutiny in the autumn.

## 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.

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- 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 2024/25 budget plans presented to Full Council in February will include additional income/savings targets agreed by policy committees to mitigate budget pressures.

### 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
- Quarter 1 Revenue Budget Monitoring – Audit & Scrutiny Committee, September 2023.

#### **Other papers:**

- 2024-25 Strategic Financial Planning – July 2023
- Planning Fee Income/Budget Report – Licensing & Planning Policy Committee, November 2023)
- Homelessness Half Year Update Report, Community & Wellbeing Committee, October 2023