

2023-24 PROVISIONAL FINANCIAL OUTTURN

Head of Service:	Brendan Bradley, Chief Finance Officer
Report Author	Sue Emmons, Chief Accountant
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 2023/24 and details the capital budgets to be carried forward for schemes where costs will be incurred in 2024/25.

Recommendation (s)

The Committee is asked to:

- (1) Receive the report on provisional financial outturn for 2023/24;
- (2) Approve the carry forward £2.387m budget for capital schemes to be added to the 2024/25 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 2023/24 outturn position. The Financial Regulations also require that the budget carry-forward requests be approved by Strategy & Resources Committee.

2 Background

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- 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.
- 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 2023/24 is:-

Table 1 - General Fund Summary	Original Budget	Current Approved Budget*	Provisional Outturn	Variance
	£'000	£'000	£'000	£'000
Strategy and Resources	869	(542)	(1,361)	(819)
Environment	4,573	5,189	5,588	399
Community & Wellbeing	4,829	5,533	5,983	450
Licensing & Planning Policy	688	780	871	91
Capital charges	(2,669)	(2,669)	(2,669)	0
Total Net Expenditure	8,290	8,290	8,412	121
Funded by:				
Collection fund precept	7,361	7,361	7,361	0
Revenue Support Grant, Services Grant & CSP	333	333	333	0
Minimum Guaranteed Funding				
Share of Business Rates	1,653	1,653	1,653	0
Transfer from Collection Fund	(1,058)	(1,058)	(1,058)	0
Total Funding (Budget Requirement)	8,290	8,290	8,290	0
Total General Fund	0	0	121	121

** 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.*

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- 2.5 The Council's £121,000 adverse variance for 23/24 will result in a contribution from the General Fund working balance reserve, as shown in the following table:

Table 2 - General Fund Working Balance	£'000
Working Balance at 1 April 2023	3,117
Deficit on General Fund for 2023/24	(121)
Working Balance at 31 March 2024	2,997

- 2.6 At Quarter 3, an equivalent probable outturn of £146,000 over budget had been forecast and reported to Strategic Leadership 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 2023/24 were as follows:

- Housing (£0.44m) - The adverse variance within Homelessness has increased from the quarter 3 forecast of £250,000, to £440,000 at year end. This increase is mainly due to a sharp rise in the number of households in nightly paid accommodation, with the figure standing at 91 at year end, up from 78 at quarter 3. Whilst work continues to identify and implement schemes to manage demand, external factors continue to put additional pressure on the service.
- Car parking (0.22m) - The net £218,000 adverse variance across car parks is mainly due to £298,000 underachievement of income at the Ashley Centre, which has not fully recovered since the temporary loss of its flagship store. Hook Road car park has also lagged behind expectations by £77,000. These income shortfalls were partially offset by a net favourable variance of £19,000 across the Epsom surface car parks, and £62,000 from Ewell car parks. Various other favourable variances totalling £76,000 were also achieved including higher than budgeted income from penalty notices.
- Domestic waste collection (£0.16m) - £42,000 of the adverse variance within Domestic Waste is due to the cost of hiring an additional refuse vehicle whilst an existing vehicle is impounded by the police. A further £34,000 relates to the cost of covering a vehicle damaged in a road traffic accident. The remaining variance relates to additional staffing costs incurred to cover sickness and ensure the continuing operation of the service.

- 2.8 The most significant favourable variances to budget in 2023/24 were as follows:

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- Corporate Financial Management (£0.33m) – The 2023/24 budget included a contingency to protect the Council against elevated energy and fuel prices and other inflationary pressures, which partially offsets the adverse variances within services.
- Treasury Management Income (£0.23m) - With the Bank of England's base rate remaining higher than anticipated when setting 2023/24's budget, the Council achieved £1.7m of interest income for the year, £995,000 higher than the budgeted target. £230,000 has been used to fund services in 2023/24, with the balance transferred to an interest equalisation reserve to help smooth interest returns and protect against lower interest rates in the future.
- Licensing (£0.2m) - 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.
- Employee Support Services (£0.1m) - The favourable variance of £105,000 is due to vacancies within central teams. In recent months, significant progress has been made in recruiting to vacant posts.
- The Council also benefitted from a one-off rebate of £256,000 following a successful appeal to the Valuation Office Agency regarding the level of business rates payable at the Town Hall site. This is in addition to £316,000 back rent received following favourable rent reviews at Longmead and Nonsuch Industrial Estate. These sums have been transferred to the Property Income Equalisation reserve to mitigate future property-related costs.

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.

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 2023	Provisional Balance at 31 March 2024	Commitments & Forecast Transfers	Forecast Balance
	£'000	£'000	£'000	£'000
General Fund Working Balance	3,118	2,997	0	2,997
Corporate Projects Reserve	4,148	4,128	(2,561)	1,568

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Sub-Total - Reserves available for general use	7,266	7,125	(2,561)	4,565
Repairs and Renewals	532	596	(5)	592
Insurance	434	434	0	434
Property Maintenance	650	515	(332)	183
VAT Reserve	206	206	0	206
Collection Fund Equalisation Reserve	4,002	3,824	(1,486)	2,338
Commuted Sums	1,439	1,439	0	1,439
Interest Equalisation Reserve	0	784	0	784
Property Income Equalisation Reserve	9,882	7,224	(1,400)	5,824
Sub-Total - Contingencies unavailable for general use	17,145	15,022	(3,223)	11,800
Residential Property Acquisition Fund	978	978	(828)	150
Community Safety	140	116	(20)	96
Sports & Leisure Development Projects Fund	142	123	(61)	62
Place Development Grants	681	772	(762)	10
Personalisation, Prevention & Partnership	111	125	(56)	69
Housing/Homelessness Support Grants	1,032	910	(786)	124
HIA Hardship Fund	124	124	0	124
Basic Payments Scheme	142	136	0	136
Other smaller grants	28	28	0	28
Sub-Total - Ringfenced funds/grants for specific use	3,379	3,312	(2,513)	799
Total Revenue Reserves	27,790	25,460	(8,296)	17,164

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

- (a) Corporate Projects Reserve – New Homes Bonus funding from government totalling £135,000 has been transferred into the reserve as planned, as has £271,000 of contingency budgets from 2023/24. A planned contribution of £166,000 has been used to fund Council services in 2023/24; £146,000 has been withdrawn from the reserve to fund planning staff and local plan work streams, as previously agreed by S&R Committee. £20,000 of the legal services underspend in 2023/24 has been transferred into the reserve to fund future reviews of the Constitution when required, as reported to Audit & Scrutiny Committee.
- (b) Collection Fund Equalisation Reserve – As planned, £1.09m was withdrawn from the reserve to fund the prior year collection fund deficit. £853,000 was contributed back to the reserve in 2023/24 relating to government compensation for under-indexing the business rates multiplier and S31 grants for business rates reliefs; and £59,000 of additional income from the Surrey Business Rates Pool, over and above the £150,000 budgeted gain. The reserve balance will be required in future years to fund the accumulated collection fund deficit of £1.04m at 31 March 2024, and to offset potential future reductions in business rates income following central

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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) Interest Equalisation Reserve – as reported at Quarter 3, surplus interest income of £784,000 has been transferred to an earmarked reserve to enable the Council to smooth interest returns in future years.
- (d) Property Income Equalisation Reserve – During 2023/24, the Council received £316,000 in back rent following rent reviews at Longmead and Nonsuch Industrial Estates, and a £256,000 business rates rebate on the Town Hall, which have been set-aside in the reserve to fund known future property commitments. £661,000 was drawn down to compensate for a reduced dividend from EEPIC for 2023/24; and £1.03m was used to replace reduced income at Parkside House and 70 East Street. £54,000 was used to fund a feasibility study for 70 East Street; and £1.5m was drawn down from the reserve to fund a landlord contribution to secure the tenant lease at Parkside House.
- (e) Sports & Leisure Development Projects Fund – A £47,000 budget to support the re-tendering of the leisure centre contract has been carried forward through this reserve to 2024/25, as the work is now due to take place in 2024/25. £66,000 of ringfenced funding was withdrawn from this reserve in 2023/24, mainly funding for the Community Hub.
- (f) Place Development Grants – Ringfenced DLUHC grants totalling net £110,000 were transferred to the reserve to fund planning skills improvement and a land charges migration project in 2024/25. Prior year funding of £19,000 was withdrawn from the reserve to cover agreed Local Plan workstreams.
- (g) Housing/Homelessness Grants – Government funding of £71,000 to support Afghan refugees has been transferred into the reserve to fund anticipated housing and resettlement related costs in 2024/25 and beyond. £113,000 of flexible housing support grant was used to support services, and £81,000 of ring-fenced grants were used to support Syrian and Ukrainian refugee schemes and to fund supporting housing initiatives.

4 2023/24 Additional Income/Savings Delivery

- 4.1 The 2023/24 budget required £1,246,000 of new additional income and savings to be delivered during the year. The delivery status of these is summarised in the following table:

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Table 4 - Summary of Budgeted Savings - 2023/24	Committee	Achieved	In progress	Not Achieved
		£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	5	-	218
Additional EEPIC Dividend Income	S&R	-	-	100
Reduce Subsidy of Community & Wellbeing Centre	C&W	0	-	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
Total Savings - £1,246k		577	0	669

- 4.2 As reported at Quarter 3, while £577,000 of planned savings have been successfully delivered in 2023/24, a significant portion totalling £669,000 have not been deliverable during the year. An update on the highest value savings that were not achieved in year is provided as follows:
- 4.3 As reported in the quarter 3 budget monitoring report, the £243,000 targeted reduction in the cost of managing homelessness was not achieved, mainly due to the cost-of-living crisis creating elevated resident demands on the service. The 2024/25 budget has been set to take account of a higher level of demand for the service and the Council is progressing the Homelessness Action Plan to mitigate additional cost pressures.
- 4.4 The bulk of the car park additional income target was not achieved. 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. The Council's car park working group meet on a regular basis to consider parking in the borough and the strategic direction for the Council.

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- 4.5 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 temporarily reduces income received by the Council from EEPIC until 2025/26. The originally targeted additional income therefore was not achieved in the 2023/24. It is expected that the additional income will now become achievable from 2025/26 onwards, on expiry of the amended lease period. The reduced income was mitigated by an appropriation from the Property Income Equalisation Reserve.
- 4.6 The additional targeted income of £53,000 from the Higher Needs service at the Wellbeing Centre was not achieved in 2023/24 due to capacity issues leading to a later start of the proposed advertising campaign. With the campaign now successfully launched, numbers are expected to increase in the 2024/25 financial year, however, utilisation of the centre remains below pre-pandemic levels.
- 4.7 The targeted additional planning service income of £25,000 has not been achieved while demand for planning advisory services remains depressed, as set-out in the committee variance table. A report to Licensing & Planning Policy Committee in November 2023 set out mitigating options for the reduced planning income, and the budget for 2024/25 has been set using Planning officer estimations for anticipated demand for services.

5 Provisions

- 5.1 Following an analysis of general debtors, the associated bad debt provision has decreased by £114,000, from £373,000 to £259,000 at 31 March 2024. The £114,000 decrease consists £23,000 write-offs charged against the provision and a £91,000 reduction in the provision overall to reflect the current profile and balance of outstanding debtors. Outstanding debtors will be monitored and managed during 2024/25 in accordance with the Council's debtor procedures.
- 5.2 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 2023/24 totals £1.36m (£1.49m at 31 March 2023). The balance of the provision stands at £1.35m, meaning that 99% of the outstanding debt has been provided for at 31 March 2024 (also 99% prior year).

6 Pensions

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- 6.1 Pensions have been treated within the accounts in accordance with recommended financial reporting standards for local authorities. The movement for accounting purposes has gone from a net liability of £5.4m at 31 March 2023 to a net asset of £2.3m at 31 March 2024. The favourable movement is principally due to strong returns and interest income from plan assets.
- 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 2023/24

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	2023/24 Approved Budget	2023/24 Outturn	Variance
	£'000	£'000	£'000
Strategy & Resources	1,318	302	(1,016)
Environment	1,154	274	(880)
Community & Wellbeing	2,648	1,673	(975)
Licensing & Planning Policy	0	0	0
Total budget requirement	5,120	2,249	(2,871)

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- 7.2 On the core capital programme, actual expenditure was £2.249m which is £2.871m less than the current approved budget. The main projects contributing to the underspend are the Disabled Facilities Grant (664k); Stoneleigh Station Step Free Access (£400k); Replacement of EEBC Lamp Columns (£369k); Plan E (£335k); ICT Programme of Works (£331k); the CRM and Data Warehouse project (£185k); Alex Rec Dojo (£170k), which is awaiting the outcome of additional funding; and Poole Road Pavilion roof replacement (£109).
- 7.3 The following 2023/24 projects remain in progress and it is requested that the budgets be carried forward to 2024/25:

Table 6 - 2023/24 Capital Projects still in progress at 01/04/24	Remaining Budget £'000s	Funding Source
Disabled Facilities Grant	664	External Grant
Bourne Hall- Patio for outside seating area for café	16	Capital Receipts
Flat 1 Ewell Court House refurb	56	S106 Affordable Housing contributions
Ashley Centre Car Park Expansion Joints - Phase 2	37	Capital Receipts
Poole Road Pavilion - Roof replacement	109	Capital Receipts
Ashley centre Car Park - Waterproofing joint to level 4D	50	Capital Receipts
Stoneleigh Station Step free access	400	Community Infrastructure Levy
ICT Programme of works	331	Capital Receipts
Replacement of CRM and Data Warehouse	285	Capital Receipts
Replacement of EEBC lamp columns	369	Community Infrastructure Levy
Alex Rec Dojo	170	Capital Receipts
Total budget carried forward into 2023/24	2,387	

- 7.4 Budgets totalling £2.387m are requested to be carried forward into 2024/25 for schemes not completed in 2023/24.
- 7.5 The £484k difference between the £2.871m underspend and £2.387m requested carry forward is mainly related to £335k of Plan E funding. The scheme concluded in 2021/22 and it is proposed not to carry forward the outstanding budget, as no further costs are expected. The remaining £49k balance comprises favourable variances on the Playhouse schemes to install solar PV panels (£63k) and new carpets (£6k), offset by an adverse variance of £20k on the new fence enclosure to the Court Rec Astro turf facility.

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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 2023/24, 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 2023/24. The future commitments includes £828k earmarked for the proposed purchase of a public sector leasing property which has come to the market recently.
- 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) £0	Residential Property £0	Total £0
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)
Purchases during 2023/24	0	0	0
Current commitments	0	(828)	(828)
Fund balances at 31/03/2024	49,569	150	49,719

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7.10 The financing of capital expenditure in 2023/24 is summarised in the following table:

Table 8 - Financing of Capital	2023/24 Approved Budget £'000s
<u>Expenditure</u>	
Core Programme	2,249
CIL Neighbourhood 15% Schemes	65
Horton Chapel*	43
Vehicle Finance Leases	126
Total Expenditure	2,483
<u>Financing</u>	
Capital Receipts Reserve	132
Capital Grants - DFG	1,079
Budgeted Revenue Contributions	467
Revenue Reserves	90
S106 Receipts	397
Community Infrastructure Levy	192
Total Financing	2,357
Vehicle Finance Lease - to be financed in future years	126
Total	2,483

*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, and has now been fully expended.

8 Capital Receipts

8.1 No new capital receipts were received for the 2023/24 financial year. Capital receipt balances are summarised in the following table:-

Table 9 - Capital Receipts Reserve	2023/24 £'000s
Balance brought forward at 1 April 2023	3,940
Used to fund the 2023/24 capital programme	(132)

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Capital Receipts received in 2023/24	0
Closing balance as at 31 March 2024	3,808
Earmarked for previous schemes not yet complete (balance rolled forward to be agreed by S&R Committee in July 2024)	(998)
Estimated capital receipts expected in 2024/25	130
Planned use for 2024/25 programme	(666)
Estimated balance at 31 March 2025	2,274

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 Equality Impact Assessment

9.1.1 None arising from the contents of this report.

9.2 Crime & Disorder

9.2.1 None arising from the contents of this report.

9.3 Safeguarding

9.3.1 None arising from the contents of this report.

9.4 Dependencies

9.4.1 None arising from the contents of this report.

9.5 Other

9.5.1 A risk assessment was included in the 2023/24 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.

9.5.2 An updated risk assessment was included in the 2024/25 budget report. Further budget monitoring will be carried out on any specific service where the financial position was materially worse than anticipated.

10 Financial Implications

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

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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 2025/26 Strategic Financial Planning report.

11 Legal Implications

11.1 **Legal Officer's comments:**

11.2 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:

- 2023/24 Budget Report to Full Council, February 2023.
- Quarterly Budget Monitoring Reports to Audit & Scrutiny Committee.

Other papers:

- Provisional outturn reports issued to all councillors via Members News in July 2024.