

REVENUE BUDGET MONITORING - QUARTER 2

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Wards affected:	(All Wards);
Appendices (attached):	None

Summary

This report presents the forecast revenue outturn position for the current financial year 2024/25, as at Quarter 2 (30 September).

Recommendation (s)

The Committee is asked to:

- (1) Receive the revenue budget monitoring report, which sets-out a projected deficit of £95,000 for 2024/25;
- (2) Note that the forecast includes an adverse variance of £475,000 within Homelessness and that regular reports will continue to be prepared for Community & Wellbeing Committee to update members on progress against the Homelessness Strategy and Action Plan;
- (3) Agree that the updated Quarter 3 position will be reported back to Audit and Scrutiny Committee in February 2025.

1 Reason for Recommendation

- 1.1 To present the 2024/25 forecast revenue outturn position to members, as at Quarter 2.

2 Background

- 2.1 In February 2024, Full Council agreed a net expenditure budget of £8.905m for 2024/25. The budget included a contribution of £1.65m from earmarked reserves to balance.

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- 2.2 At Quarter 2, the Council is expected to be within 1.1% of the overall budget at year-end, with a £95,000 deficit forecast. The projected deficit is mainly due to the combined impact of principally higher demand for housing/ homelessness services (£475,000) and underachieved income from Community Services (£123,000). These adverse variances are partially offset by higher treasury management income on the Council's investments (£325,000) and ringfencing £200k of the contract inflation contingency to address pressures in Environment and Community and Wellbeing Committees.
- 2.3 It is important to acknowledge that uncertainty remains heightened around future projections, with inflation and interest rates less stable than pre-pandemic years, and the new UK government's policies on local government funding still unknown, until the budget announcements at the end of October.
- 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 2024/25 is shown in the following table:

Forecast Outturn by Service	Current Approved Budget	Forecast Outturn	Forecast Variance
	£'000	£'000	£'000
<u>Strategy & Resources Committee</u>			
Democratic & Civic	752	752	0
Corporate Functions	855	855	0
Corp Financial Management	(157)	(682)	(525)
Tax Collection & Benefits	238	238	0
Land Charges	19	19	0
Land & Property	(2,977)	(2,977)	0
Economic Dev. & Prosperity	74	74	0
Employee and Support Services	26	(9)	(35)
Building Control Contract	106	106	0
Subtotal Strategy & Resources	(1,064)	(1,624)	(560)
<u>Environment Committee</u>			
Car Parking	(2,359)	(2,359)	0
Environmental Services	3,936	4,018	82
Community Safety	121	121	0
Contract Management	(11)	(11)	0
Environmental Health	665	665	0
Countryside, Parks & Open Spaces	2,459	2,474	15
Subtotal Environment	4,813	4,910	97

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<u>Community and Wellbeing Committee</u>			
Housing	2,731	3,206	475
Community Services (Route Call, Meals from Home, Community Alarm)	442	497	55
Support for Voluntary Orgs.	243	243	0
Community Centre	480	548	68
Health & Wellbeing	318	318	0
Sports, Leisure & Cultural	1,186	1,146	(40)
Precepting & Levying Bodies (NJMC & EWDC)	412	412	0
Subtotal Community & Wellbeing	5,811	6,370	558
<u>Licensing & Planning Policy Committee</u>			
Place Development	1,252	1,252	0
Licensing	34	34	0
Subtotal Licensing & Planning Policy	1,285	1,285	0
Capital Charges	(1,941)	(1,941)	0
Total General Fund	8,904	9,000	95

3.2 The £95,000 projected budget deficit across services for 2024/25 would result in a contribution from the General Fund reserve at year-end, decreasing the balance from £2.997m to £2.9m.

3.3 The following section of the report details the individual budget variances that make up the projected net deficit of £95,000 within services.

4 Budget Variances

4.1 The table below shows the movement in the year-end forecast from the quarter 1 position to quarter 2.

Forecast Outturn by Service	Q1 Forecast Variance	Q2 Forecast Variance	Movement
	£'000	£'000	£'000
<u>Strategy & Resources Committee</u>			
Corp Financial Management	(325)	(525)	(200)
<u>Environment Committee</u>			
Environmental Services	33	82	49
Countryside, Parks & Open Spaces	0	15	15
<u>Community & Wellbeing Committee</u>			
Housing	375	475	100
Community Services (Route Call, Meals from Home, Community Alarm)	19	55	36
Community Centre	50	68	18
Total movement			18

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4.2 The main variances to budget are shown by Committee in the following tables.

Strategy & Resources Committee	Adverse / (Favourable) Variance £'000	Detail
Corporate Financial Management (Treasury Management)	(325)	Despite the Bank of England's base rate cut at the end of July 2024, finance officers project that with continued diligent cash management, at least £1.4m of interest income will be achieved for the year, £325,000 higher than the budgeted target.
Corporate Financial Management (Contingency)	(200)	The Council set aside a £500k contingency to cover price and contract inflation in 2024/25. It is proposed to ringfence £200k of the remaining balance of £220k to cover the £49k adverse position in Waste Services due to the impounded waste vehicle, and £151k against the adverse position on Homelessness cost escalation.
Employee and Support Services	(35)	The favourable variance in Employee and Support Services relates staff vacancies within central teams not covered by agency.
Total Strategy & Resources Variance	(560)	

Environment Committee	Adverse / (Favourable) Variance £'000	Detail
Environmental Services (Cemetries)	33	The adverse variance relates to an unbudgeted staffing cost due to the passing of a member of staff.
Environmental Services (Waste Services)	49	There is an adverse variance of £49,000 to hire a replacement for a refuse vehicle.

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Countryside, Parks & Open Spaces	15	Forecast income from a building within Alexandra Recreation ground (prior martial arts let) will not be realised due to the capital project to rebuild the demolished building having stalled due to costs exceeding budget.
Total Environment Variance	97	

Community & Wellbeing Committee	Adverse / (Favourable) Variance £'000	Detail
Housing/Homelessness	475	<p>During the first quarter, the number of households in nightly paid accommodation was consistently above 90, exceeding the 70 households budgeted for within the 2024/25 budget. The quarter 1 forecast of £375,000 adverse was based on the expectation that this figure would steadily drop throughout quarter 2 closer to 80, however, despite a brief drop below 90 during September, the number in nightly paid has remained at 90 or above and the quarter 2 forecast of £475,000 adverse is based on the assumption that this continues throughout the remainder of year.</p> <p>The Council holds a Homelessness Grant Reserve which may be applied to mitigate the budget pressure in the short term, and officers continue to progress the Homelessness Action Plan to mitigate and manage demand.</p>
Community Services	55	<p>The adverse position on the community alarm service is forecast to increase to £25k from the Q1 position of £19k adverse. This results from underachieved income of £37k, partly offset by reduced expenditure. The service is limited in how much it can increase prices due to external competition.</p> <p>In addition, the Meals at Home service has seen a drop off of meal orders and is forecasting an under-recovery of income of £30k by the end of the year.</p>

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Community Centre	68	<p>The adverse position of £50k under-recovered income reported at Q1 has now increased to £68k adverse. In addition to the reasons explained in the Q1 report, staff are reporting that increase antisocial behaviour in the vicinity of the centre is deterring people from attending the centre.</p> <p>The Head of Service is currently undertaking a review of Community Services, due to report to C&W Committee in March 2025, which will address the level of income from higher needs service.</p>
Sports Leisure & Cultural	(40)	<p>Following the successful café launch last year at Bourne Hall, the venue is forecasting a favourable variance of £40k due to increased income generated.</p>
Total Community & Wellbeing Variance	558	

5 Employee Costs

- 5.1 At the end of Quarter 2, the Council is tracking in line with its year-to-date employee budget of £7.8m.
- 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 2024/25 budget includes £0.6m expected dividend income from Epsom and Ewell Property Investment Company, generated from its two commercial properties. Due to a lease amendment at one of the properties (at Bracknell), agreed by S&R Committee in March 2023, the dividend income was reduced by £700k in both 2023/24 and 2024/25 from a previous figure of £1.3m. The reduction in dividend income is mitigated by an appropriation from the Property Income Equalisation Reserve to maintain the contribution to fund Council services.

7 Update on 2024/25 Savings/Additional Income Delivery

- 7.1 The 2024/25 budget requires new savings/additional income totalling £326,000 to be delivered during the year. The delivery status of these savings is summarised in the following table.

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Summary of Budgeted Additional Income/Savings - 2024/25	Committee	Achieved	In progress	At risk of not being achieved in current year
		£000	£000	£000
Income from Commercial Property	S&R		249	
Income from Licensing	LPPC		50	
Community & Wellbeing Centre - Higher Needs Income	C&W			30
Other Operational Efficiencies	All		27	
Total Savings		0	326	30

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 Income from Commercial Property target is on track to be achieved, through higher rental income at industrial estate plots following further rent reviews agreed in 2023/24. Officers closely monitor the quarterly rental income due for collection, with no issues currently anticipated for the remainder of the year.

7.2.2 Income from Licensing activities is currently forecast to be on budget by year end and therefore the expectation is that this target will be achieved.

7.2.3 As detailed in section 4, income from the Higher Needs service is forecast to underachieve by £68k, therefore the current expectation is that this savings target will not be met at year end. This will be considered further in the Head of Service's Review of Community Services due to report to C&W Committee in March 2025.

7.2.4 Other savings remain in progress at this early stage of the financial year.

8 Revenue Reserves

8.1 At Q2, the general fund balance is forecast to reduce to £2.902m (from £2.997m) by the end of this year, as a result of the adverse variance of £95,000 reported above.

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- 8.2 Other revenue reserves are projected to stand at £13.81m at 31 March 2025, however, £11.98m of this balance is to manage specific risks and contingencies, including the risk of 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 Strategy Advisory Group in July 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.

General Fund Revenue Reserves	01 April 2024 Opening Balance £'000	31 March 2025 Forecast Uncommitted Balance £'000
General Fund	2,997	2,902
Corporate Projects Reserve	4,628	1,828
Total un-ringfenced reserves	7,625	4,730
Contingencies unavailable for general use	14,522	11,206
Ringfenced funds/grants for specific use	3,312	772
Total ringfenced reserves	17,834	11,979
Total of all reserves	25,460	16,708

- 8.4 At quarter 1 the uncommitted reserve balance stood at £16.824m. The £116,000 fall in forecast uncommitted reserve balances since quarter one comprises: a decrease in general fund reserve of the £18,000 increase in adverse year-end variance; a decrease in corporate projects reserve of £55,000 following a decision at S&R Committee in September; and a reduction of the repairs and renewals reserve of £43,000 to fund essential works at the Playhouse.
- 8.5 The 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. Headroom in these reserves is minimal and therefore continued savings should be identified to balance in year budgets.
- 8.6 With £1.1 million of available reserves, which the Council allocates these on a business case basis, to ensure limited resources are utilised in line with corporate priorities.

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9 Action and Next Steps

- 9.1 To address the projected budget deficit for 2024/25, the Council's senior management is progressing the following key initiatives:
- 9.1.1 The Head of Service is preparing a report for Community & Wellbeing Committee to consider options for Community Services;
 - 9.1.2 Strategy & Resources Committee agreed in July 2024 a budget setting framework for 2025/26 which is being progressed by officers accordingly;
 - 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 next budget monitoring report to members will be the updated quarter three forecast to Audit & Scrutiny Committee in February 2025.

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.

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- 11.2 **Section 151 Officer's comments:** For 2024/25, the Council currently expects to remain relatively close to its overall budget.
- 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 this service to be managed within budget.
- 11.4 Looking ahead to 2025/26, a budget setting framework was agreed by S&R in July, which officers are progressing accordingly.
- 11.5 Quarter 3 forecasts for 2024/25 will be brought back to Audit & Scrutiny Committee in February.

12 Legal Implications

- 12.1 There are no direct legal implications arising from this report.
- 12.2 **Legal 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 2024.](#)
- [Revenue Budget Monitoring – Quarter 1 – Audit & Scrutiny Committee, 26 September 2024.](#)

Other papers:

- [2025/26 Strategic Financial Planning – Strategy & Resources, July 2024.](#)

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- [Review of Reserves – Financial Strategy Advisory Group, July 2024.](#)
- [Nightly Paid Accommodation Expenditure Update 2024/25 – Community & Wellbeing Committee, October 2024.](#)