REVENUE BUDGET MONITORING - QUARTER 3

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Services (S151)

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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 3 (31 December).

Recommendation (s)

The Committee is asked to:

- (1) Receive the revenue budget monitoring report, which sets-out a projected deficit of £230,000 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) Note that the final outturn position will be reported to Strategy & Resources Committee in July 2025, then to this committee alongside the Statement of Accounts in autumn.

1 Reason for Recommendation

1.1 To present the 2024/25 forecast revenue outturn position to members, as at Quarter 3.

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.

- 2.2 At Quarter 3, the Council is expected to be within 2.6% of the overall budget at year-end, with a £230,000 deficit forecast. The projected deficit is mainly due to the combined impact of principally higher demand for housing/ homelessness services (£475,000); underachieved income from Community Services (£133,000) and agency costs within Waste Services caused by long-term sickness. These adverse variances are partially offset by higher treasury management income on the Council's investments (£325,000) and ringfencing £200,000 of the contract inflation contingency to address pressures in Environment and Community and Wellbeing Committees.
- 2.3 It is important to acknowledge that there is some uncertainty around future projections, with inflation, government policy and interest rates being less stable than pre-pandemic years.
- 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
Strategy & Resources Committee			
Democratic & Civic	752	752	0
Corporate Functions	854	854	0
Corp Financial Management	(152)	(677)	(525)
Tax Collection & Benefits	234	234	0
Land Charges	19	19	0
Land & Property	(2,977)	(2,977)	0
Economic Dev. & Prosperity	74	74	0
Employee and Support Services	18	(17)	(35)
Building Control Contract	106	106	0
Community Safety	121	121	0
Subtotal Strategy & Resources	(953)	(1,513)	(560)
Environment Committee			
Car Parking	(2,359)	(2,439)	(80)
Environmental Services	3,956	4,173	217
Contract Management	(4)	(4)	0
Environmental Health	664	664	0
Countryside, Parks & Open Spaces	2,457	2,472	15
Subtotal Environment	4,714	4,866	152

Community and Wellbeing Committee Housing	2,728	3,203	475
Community Services (Route Call, Meals from	_,,,	0,200	.,,
Home, Community Alarm)	441	496	55
Support for Voluntary Orgs.	243	243	0
Wellbeing Centre	342	420	78
Health & Wellbeing	318	318	0
Sports, Leisure & Cultural	1,320	1,300	(20)
Precepting & Levying Bodies (NJMC & EWDC)	412	412	0
Subtotal Community & Wellbeing	5,802	6,391	588
Licensing & Planning Policy Committee			
Place Development	1,249	1,299	50
Licensing	33	33	0
Subtotal Licensing & Planning Policy	1,282	1,332	50
Capital Charges	(1,941)	(1,941)	0
Total General Fund	8,904	9,135	230

- 3.2 The £230,000 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 £2.77m.
- 3.3 The following section of the report details the individual budget variances that make up the projected net deficit of £230,000 within services.

4 Budget Variances

4.1 The table below shows the movement in the year-end forecast from the quarter 2 position to quarter 3.

Forecast Outturn by Service	Q2 Forecast Variance	Q3 Forecast Variance	Movement
	£'000	£'000	£'000
Strategy & Resources Committee			
Corp Financial Management	(525)	(525)	0
Employee and Support Services	(35)	(35)	0
Environment Committee			
Vehicle Parking	0	(80)	(80)
Environmental Services	82	217	135
Countryside, Parks & Open Spaces	15	15	0
Community & Wellbeing Committee			
Housing	475	475	0
Community Services (Route Call, Meals			
from Home, Community Alarm)	55	55	0
Community Centre	68	78	10
Sports leisure and cultural	(40)	(20)	20

Licensing and Planning Policy Committee			
Place Development	1,249	1,299	50
Total movement			135

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
Vehicle Parking	(80)	Car parking income is forecast to be £80,000 above budget at year end. Fees for 2025/26 have been held broadly at 2024/25 prices.

Environmental Services (Cemetries)	83	£33k of the adverse variance relates to an unbudgeted staffing cost due to the passing of a member of staff. The balance of £50k relates to a forecast shortfall on income due to a large number of burials for those with pre-purchased plots, for which the burial plot income was received in a previous year. It is expected that this issue will reduce over time as Environment Committee agreed to stop the sale of future plots at its meeting in January 2025.
Environmental Services (Waste Services)	134	The adverse variance relates to £49,000 to hire a replacement for a refuse vehicle, and a further £85,000 on agency staff as a result of long-term sickness within the service equating to two members of staff requiring cover. Pressures on agency staff costs have been increasing over the past few years and the proposed budget for 2025/26 includes an increase of 40%. The budget will be looked at further in 2025/26 to determine whether the level is sufficient to deliver services.
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	152	

Community & Wellbeing Committee	Adverse / (Favourable) Variance £'000	Detail
Housing/Homelessness	475	The forecast adverse variance within Homelessness remains at £475,000 for Q3, as the forecast had been based on an average number of households in nightly paid accommodation of 90. At the end of quarter 3 the number was 92.

		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.
Community Services	55	The adverse position on the community alarm service of £25k 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. 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. Both of these adverse positions have been taken into account for the 2025/26 budget with a net reduction of £35k compared with 2024/25 budgeted income.
Wellbeing Centre	78	The adverse position at the Wellbeing Centre has increased by £10k as a result of a drop in lettings income. This is in addition to the £68k shortfall of income from the Higher Needs clients reported at Q2. The position has been impacted by an increase in antisocial behaviour in the vicinity of the centre is deterring people from attending the centre. This adverse position has been taken into account for the 2025/26 budget with a net reduction of £60k compared with 2024/25 budgeted income.
Sports Leisure & Cultural (Bourne Hall)	(20)	The favourable variance of £40k reported at Q2 for Bourne Hall due to increased income has been partially offset in Q3 by a £20k cost from prior years as a result of an invoicing issue with a supplier. The issue has now been resolved and is not expected to recur.
Total Community & Wellbeing Variance	588	

Licensing & Planning Policy Committee	Adverse / (Favourable) Variance £'000	Detail
Place Development (Development Management)	50	Planning application income is forecast to be £50k below budget by year end. The position is expected to improve in 2025/26 as a proposed increase to planning fees from 1 April 2025 has recently been announced.
Total Licensing & Planning Policy Variance	50	

5 Employee Costs

- 5.1 At the end of Quarter 3, the Council is tracking in line with its year-to-date employee budget of £11.2m.
- 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 204/25 Savings/Additional Income Delivery

7.1 The 2024/25 budget requires new savings/additional income totalling £356,000 to be delivered during the year. The delivery status of these savings is summarised in the following table.

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 £78k, therefore the current expectation is that this savings target will not be met at year end.

8 Revenue Reserves

- 8.1 At Q3, the general fund balance is forecast to reduce to £2.772m (from £2.902m) by the end of this year, as a result of the increase in the adverse variance of £135,000 reported above.
- 8.2 Other revenue reserves are projected to stand at £13.63m at 31 March 2025, however, £11.95m 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	31 March 2025 Forecast Uncommitted Balance at Q2	31 March 2025 Forecast Uncommitted Balance at Q3	Movement from Q2 to Q3
	£'000	£'000	£'000	£'000
General Fund	2,997	2,902	2,767	(135)
Corporate Projects Reserve	4,628	1,828	1,678	(150)
Total un-ringfenced reserves	7,625	4,730	4,445	(285)
Contingencies unavailable for general use	14,522	11,206	11,331	125
Ringfenced funds/grants for specific use	3,312	772	622	(150)
Total ringfenced reserves	17,834	11,978	11,954	(25)
Total of all reserves	25,460	16,709	16,399	(310)

8.4 At quarter 3 the uncommitted reserve balance stands at £16.4m. The £310,000 fall in forecast uncommitted reserve balances since quarter two is detailed in the table below:

General Fund Revenue Reserves	Movement from Q2 to Q3	Explanation
	£'000	
General Fund	(135)	Increase in forecast deficit from Q2 to Q3
Corporate Projects Reserve	(150)	Agreed at S&R Committee in November 2024 to cover the initial costs of the appraisal and feasibility work on the Hook Road Car Park and SGN site.
Total un-ringfenced reserves	(285)	
	(5) (20)	(5) – to fund essential equipment at the Playhouse (repairs & renewals reserve); (20) – to fund winter repairs to the boiler at
Contingencies unavailable for general use	150	Bourne Hall (Planned Maintenance reserve); 150 - a transfer from the residential property acquisition fund to create a residential property repair and maintenance fund following a decision
	Total: 125	at S&R Committee in November 2024.
Ringfenced funds/grants for specific use	(150)	Transferred from the residential property acquisition fund to create a residential property repair and maintenance fund following a decision at S&R Committee in November 2024.
Total ringfenced reserves	(25)	
Total of all reserves	(310)	

- 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 £0.9 million of available reserves, the Council allocates these on a business case basis, to ensure limited resources are utilised in line with corporate priorities.

9 Action and Next Steps

- 9.1 To address projected budget deficits in future years, the Council's senior management will be progressing and reviewing existing service review initiatives, conduct a review and use of reserves though these may be reset due to Local Government Reorganisation and the impact on the MTFP.
- 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.
 - 10.5.2A 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 2024/25, the Council currently expects to remain very close to its overall budget and be balanced.
- 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.

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.
- Revenue Budget Monitoring Quarter 2 Audit & Scrutiny Committee, 14 November 2024.

Other papers:

- 2025/26 Strategic Financial Planning Strategy & Resources, July 2024.
- Review of Reserves Financial Strategy Advisory Group, July 2024.
- Nightly Paid Accommodation Expenditure Update 2024/25 Community & Wellbeing Committee, October 2024.