

OVERVIEW AND SCRUTINY COMMITTEE – 29 JANUARY 2024

FINANCIAL MONITORING REPORT - BUDGET MONITORING AND FORECAST 2023-24 - QUARTER 3

Executive Summary

Attached is the Financial Monitoring Report - Budget Monitoring and Forecast 2023-24 - Quarter 3 as included on the agenda of the Executive meeting 1 February 2024.

Recommendations

The Committee is requested to:

RESOLVE That the report be noted.

The Committee has the authority to determine the recommendation(s) set out above.

Background Papers: None.

Reporting Person: Eugene Walker, Interim Finance Director & Section 151 Officer
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Date Published: 26 January 2024

FINANCIAL MONITORING REPORT
BUDGET MONITORING AND FORECAST 2023-24 – QUARTER 3

Executive Summary

This report sets out the material financial issues identified since the 2023/24 budget was set, based on the income and expenditure as at the end of December 2023 (Quarter 3) and reflects the views of budget managers within the Council’s Directorates.

Recommendations

The Executive is requested to:

RESOLVE That

- (i) the Council’s forecast General Fund outturn position for 2023/24 be noted; and
- (ii) it be noted that the Corporate Leadership Team will continue to identify mitigations to enable the net expenditure for 2023/24 to be contained within budget approved by Council on 23 February 2023.

Reasons for Decision

Reason: Controlling the outturn within budget is essential to maintain financial control.

The Executive has the authority to determine the recommendation(s) set out above.

Background Papers: None.

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Financial Monitoring Report – Budget Monitoring and Forecast 2023-24 – Quarter 3

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Financial Monitoring Report – Budget Monitoring and Forecast 2023-24 – Quarter 3

1.0 Introduction

- 1.1. The 2023/24 Revenue Budgets and Medium-Term Financial Strategy for Woking Borough Council's General Fund and Housing Revenue Account were approved by Council at its meeting on 23rd February 2023.
- 1.2. On 7 June 2023 the Section 151 Officer issued a Section 114 Notice to the Council which estimated a General Fund deficit ('the Deficit') of £1.200 billion by 31 March 2024. This means that on estimates made at that time the Council required £1.200 billion of financial support to enable the General Fund to be balanced as required by law at that date.
- 1.3. An updated Medium Term Financial Strategy (MTFS), covering 2024/25 to 2027/28, was prepared in June 2023, and has been updated on a regular basis since then.
- 1.4. The purpose of this report is to set out the forecast outturn position for 2023/24 for the Council's General Fund and Housing Revenue Account (HRA). Future reports will be further developed to incorporate the Capital Programme and to update on progress in delivering the savings programme.
- 1.5. This monitoring report sets out the material financial issues identified since the 2023/24 budget was set, based on the income and expenditure as at end of December 2023 (Period 9) and reflects the views of budget managers within the Council's Directorates.
- 1.6. As part of the ongoing monitoring process, work will continue to examine income and expenditure and activity data against the available budgets to support the position presented and help in shaping the Medium-Term Financial Plan.

2.0 Executive Summary

- 2.1 This report provides commentary on the Council's forecast revenue outturn position for 2023/24, which, for the General Fund, is indicating a projected overspend of £3.277m based on the information available as at Period 9 (December 2023). This is compared with a projected £7.5m at the end of Q2. The Housing Revenue Account forecast is presented in Table 6. It shows a forecast increase in the HRA deficit for the year, from a budgeted £1,336,000 deficit to a forecast £2,571,000 deficit at the end of December 2023, a worsening in the deficit (overspend) of £1,234,000 since the budgets were set.
- 2.2 The HRA position includes the adjustment to correct costs incorrectly recharged to the HRA of £380k for 2023/24 and £1.379m for prior years. The significant change in the General Fund position between Q2 and Q3 largely relates to an error discovered in not making an accrual for group company interest of £4.928m in the 2022/23 accounts, which has now been corrected. In April 2023 the Section 151 Officer suspended debt service charges into the profit and loss accounts of the Council's Group Companies: this was because the revenue charges were being financed by loans for capital purposes which is not permitted under the relevant regulations. For the time being, those charges will need of necessity to remain on the Council's revenue ledger; the alternative is to pass these charges to the companies, and it is likely that the companies would not remain financially viable if this action were to be taken. The costs arising from this suspension are included in the Capitalisation Directive request submitted to Government on 12 January and explained in the 2024/25 report on this agenda.
- 2.3 A significant exercise has been undertaken to adjust HRA/General Fund recharges to a more accurate apportionment of costs. The total adjustments are:

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Year	£'000
2019/20	292
2020/21	283
2021/22	286
2022/23	518
2023/24	380
TOTAL	1,759

2.4 The Council will continue to assess and refine the forecasts on a regular basis using the latest information available. The forecast presented in the report is based on the best available data and information acquired in discussions with budget managers.

2.5 Moving forward, the Corporate Leadership Team (CLT) are asked to continue to engage with their respective management teams to identify available mitigations to reduce the service overspends.

3.0 Monitoring Frequency

3.1 Budget monitoring will be reported to the Executive on a quarterly basis.

3.2 The timetable for the remainder of the financial year is attached at Appendix A for information.

4.0 General Fund Forecast Outturn - Overview

4.1 The December 2023 outturn forecast is summarised in Table 1 below, and indicates a projected overspend of £3.277m for the year compared with £7.5m reported for September 2023 (Q2). The most significant change between Q2 and Q3 monitoring relates to Treasury Management and is referenced at points 8.1-8.2 later in this report.

4.2 The monitoring is showing overspends of:

- £4.805m against net Service Budgets of £8.872m. This represents a variance of 55%.
- (£1.528m) is an underspend against net corporate items Budgets of £15.603m. This represents a variance of (10%).
- £380k correction for costs incorrectly recharged to the HRA.
- £3.277 combined variance against a net budget of £24.475m. This represents a combined variance of 13%.

4.3 This forecast overspend is on a budget for 2023/24 that had planned to utilise £8.346m from reserves to provide a balanced budget. The forecast variance of £3.277m is in addition to the planned £8.346m from reserves.

4.4 To put the Q3 2023/24 financial monitoring position in context, the amount the Council had planned to be met from local taxation and government grant is £16.128m. The 2023/24 in-year projected variance when added to the one-off use of reserves is equal to a budget shortfall for 2024/25 purposes of circa £12m over 70% more than the funds available from grants and local taxation to fund these services.

4.5 This shows the extent of the financial challenges for the Council and the impact of the current financial monitoring position.

4.6 The detailed variance monitoring is shown at Tables 2, 3 and 4, and the following provides a high-level overview of the key variances:

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Major Service Items

Commercial, Regeneration and Development:

Reduced Car Park Income	£1.823m	
Development Management & Building Control	£0.316m	
Investment property assets trading performance	<u>£0.363m</u>	<u>£2.502m</u> (1)

Significant Service Overspends:

Communities:

Leisure	£0.219m	
Unachievable budget savings	£0.411m	
Centres for Communities	£0.074m	
Housing Options	£0.825m	
Homeless	£0.168m	
Proposed transfer from HRA	£0.380m	

Corporate Services:

Finance and Audit	£0.579m	
Revenues	£0.101m	
Corporate Management	£0.478m	
Procurement Savings Holding Budget	£0.550m	<u>£3.785m</u> (2)

Other service Overspends:

Place	£0.059m	
Communities	£0.036m	
Corporate Resources	£0.094m	£0.189m (3)

Savings mitigations (savings):

Place	(£0.538m)	
Communities	(£0.712m)	
Corporate Resources	(£0.421m)	(£1.671m) (4)

Sub Total		£4.805m
Corporate Items		(£1.528m) (5)
Total		£3.277m

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As can be seen from the above analysis:

Note (1) £2.186m of the £4.805m service variance (45%) are due to car parking and investment property reduced income forecasts. The Council budget has a dependency of c£30m income from the trading of car parks and the Investment Property (Commercial) estate and does not have the resilience or flexibility in other council budgets to be able to deal with variances in the generated income from these investments. Also due to the council's financial position, there are no "reserves" to manage any volatility in the economic performance of these assets and in-year variances have to be managed within the overall council general fund budgets.

The Development Management and Building Control variance equally relates to the downturn in the economy and stalled levels of investment and building development activity.

Note (2) There are £3.785m of in year forecast significant service overspends which have been listed. Service managers have identified and taken actions to find savings of £1.671m (see note 4) that mitigate these forecasted overspends by approximately 50%.

Over £1m of the Corporate Resources overspend relates to additional in year activity that has had to be resourced to provide the required additional strategic and finance capacity to get core Council reporting, management and monitoring arrangements in place for both business as usual activity and relating to best value interventions.

A £0.550m saving was set for 2023/24 against targeted procurement savings. The mobilisation of the service to support this target slipped by approximately 5 months which has impacted on the development of a procurement pipeline of savings. Some savings are being delivered. These are included in the overall mitigation savings being delivered by Directorates and are not recorded against the budget code holding the procurement savings budget target.

Note (3) Represents an aggregate of many small service variations that are not material to warrant specific reference in this summary.

Note (4) As referenced in Note (2) Service managers have identified savings of £1.671m that mitigate the forecasted service overspends by approximately 44%. Whilst service managers will continue to seek further savings it has not been possible to fully mitigate the overspend position, largely due to the challenges posed by the reductions in car park and commercial income.

Note (5) There has been a (£4.928m) change in the forecast position between Q2 and Q3 due to an error discovered in not making an accrual for group company interest in the 2022/23 accounts. This error has now been corrected.

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- 4.7 In addition to highlighting the forecasted budget overspends and mitigations in 4.6 above, it is also relevant to review the changes in forecasts between periods (Q2 and Q3 in this instance). Changes between forecasting periods can include, but are not limited to, management actions to reduce to mitigate budget pressures, changes in the price of and demand for services and better forecasting and monitoring. The major significant changes between Q2 and Q3 monitoring are highlighted below:

Service	Change Q2-Q3	Reason
PLACE:		
Development Management	£0.128m	Improved forecasting of traded income
Waste & Recycling	£0.120m	Mitigations off-setting budget pressures
COMMUNITIES:		
Moorcroft	£0.077m	Better budget monitoring & reporting
Theatre Contribution	£0.075m	Better budget monitoring & reporting
Homelessness	£0.382m	Better budget monitoring & reporting
Minor budget mitigations	(£0.243m)	Mitigations off-setting budget pressures
Recharges from HRA	£0.380m	Better budget monitoring & reporting
CORPORATE RESOURCES:		
Property Commercial Estate	(£0.761m)	Improved forecasting of traded income
Finance & Audit	£0.434m	Additional demand for support
Corporate Management	£0.096m	Additional demand for support
Procurement Savings	£0.550m	Non achievement of planned savings
ICT	(£0.199m)	Mitigations off-setting budget pressures
Minor budget mitigations	(£0.212m)	Mitigations off-setting budget pressures

There are other small variations between Q2 and Q3. The above captures c£0.830m of the £0.675m Total budget service variations highlighted in Table 1 below.

Service	Change Q2-Q3	Reason
CORPORATE ITEMS		
Treasury Management	(£4.928m)	Error in accrual for interest in 2022/23

Table 1

	NET BUDGET £'000	FORECAST OUTTURN £'000	Q3 OVER SPEND £'000	Q2 OVER SPEND £'000	Change Q2-Q3 £,000
Place	4,411	6,072	1,661	1,418	243
Communities	5,136	6,157	1,401	901	500
Corporate Resources	(675)	1,068	1,743	1,811	(68)
TOTAL SERVICE BUDGETS	8,872	13,297	4,805	4,130	675
Corporate Items	15,603	14,075	(1,528)	3,400	(4,928)
NET TOTAL	24,475	27,372	3,277	7,530	(4,253)

- 4.8 The key variations are set out in tables 2-4 below, with an indication of any mitigating actions which are proposed or already underway. The previous quarter's figures are included against each of the key variations in these tables to indicate 'direction of travel'. Any major items that are new this quarter are marked as such.

5.0 Place Directorate

5.1 The key variations within the Place Directorate are set out in Table 2.

Table 2

Place Directorate	Q2 Over / (Under) Spend £	Q3 Over / (Under) Spend £	Impact on deficit - change from Q2 to Q3 £
Development Management			
<p>Fee income now looks likely to be some £100k below target for the year. A national fee increase was introduced in December, it is unlikely to have a significant impact in this financial year.</p> <p>The costs involved in defending the Council's decision, at public inquiry, to refuse the planning application at Technology House, are likely to cost a further £10,000 over and above the previously reported cost of £40,000. This is because the design consultant originally employed is not available for the inquiry due to a hospital procedure and we have had to secure the services of another design consultant whilst still incurring some costs of the first one.</p> <p>The Appeals budget of £4,750 is currently not spent.</p>	16,799	145,250	128,451
Building Control			
<p>There is a significant shortfall due to the effects of high interest rates on the construction sector (mainly due to the loss of town centre development). However, the domestic sector began to recover in the third quarter.</p> <p>Mitigating actions; Retirement of the current chief surveyor and appointment from within will reduce a post and give a saving of approximately £65K in 2024/25.</p>	176,085	171,085	(5,000)
Parking Services			
<p>A vacant post in Parking Services contributes savings of £17,000. There are overspends on business rates of £705,000 mainly due to under-provision of budgets for Red and Green Car Parks and over-provision of savings from appeals on business rates. Electricity costs had not been budgeted for Red Car Park and are under budget for car park at Heathside Crescent resulting in an estimated overspend of £287,000. Also, water at Victoria and Red Car Parks are over budget by £13,000. Estimated additional works on repairs, maintenance and facilities management at car parks result in a overspend of £44,000. There is an</p>	1,853,000	1,823,000	(30,000)

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<p>overspend of £12,000 on cash collection and card handling fee for receipts of parking income. Newly signed cleaning contract enables a saving of £34,000 in Red and Green car parks which can offset partly the overspends.</p> <p>The forecast outturn for car park incomes including parking fees, season tickets and PCNs are less than the estimated income target by £813,000. When compared to December 2022, income across the three key measures is up by £670,000. Despite the impact of a loss of income due to two separate service faults in cash and card payments during August and September 2023, Day Tariffs are around £568,000 more than the same period last year. The Permits and Off-street PCN's are up by £58,000 and £44,000 respectively. Officers sought and obtained approval from SCC to continue to recover FPN debt for on-street enforcement undertaken up to 31 March 2023. This was estimated to be up to £270,000 split across the bus lane, Woking on-street and Surrey Heath on-street. So far, we have recovered £122K. Arguably, this estimated income should have been split across 2023/24 and 2024/25 as debt recovery can take time. So, whilst this is recorded as an underspend it is income which will continue to be pursued. In addition, the review on Parking strategy is in progress. We anticipate introducing a new tariff structure early in 2024 which could see an increase in income for the final two months.</p>			
<p>Environmental Health and Housing Standards</p>			
<p>A vacant post contributes a gateway saving of £11,000. An estimated reduction in the number of inspections for animal welfare licences will reduce income of £14,000. The removal of internal contributions from Parks, Countryside and Housing Revenue Account for patrols and dog control reduce income by £58,000. The additional costs for security out of hours handling covered partly by recharge and expenses in stray dog and kennelling result in an overspend of £10,000. However, there are savings of £12,000 from less estimated expenditure on equipment, marketing, and land registry fees. Income from penalty charges on HMO licenses is expected to increase by £19,000. A recharge of £24,000 from the Homes For Ukraine income to fund the time spent completing essential housing checks enhances further savings. In addition, the recharges from Primary Authority work and Licence inspection enable savings of £15,000 to partly cover the overspends.</p>	10,000	1,000	(9,000)

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Licensing			
There are overspends of £8,000 in Employee costs. The projected income is reduced by £21,000 mainly due to less fees from Private Car Hire and Taxi Licences and removal of recharge from CRB fees.	29,000	29,000	0
HIF project			
There are overspends of £14,000 in Employee costs. We are seeking to recover these costs from Homes England. Progress will be reported in a future Budget Monitoring Report.	16,000	14,000	(2,000)
Total Projected Overspends	2,100,884	2,183,335	82,451
Planning Strategy			
A Planning Policy post is vacant, and there are currently no plans to recruit. A temporary member of staff was used to cover the Planning Policy Manager's post, which was filled permanently from October. CIL administrative costs will be charged to CIL receipts at year end in line with legislation.	(71,303)	(46,981)	24,322
Economic Development			
Underspend of £103,055 is mainly due to cancellation of Celebrate Woking activities of £100,000, Overspend of £23,620 on staff not budgeted for and £26,675 underspend on Business liaison project.	(103,055)	(101,605)	1,450
Waste and Recycling			
There are overall savings of £25,000 from Waste and Recycling due to estimated reducing variable costs in waste collection. The estimated lower level of income from bin replacement and slightly lower take up of garden waste subscriptions offset part of the savings.	(145,000)	(25,000)	120,000
Green Infrastructure			
A vacant post in Green Infrastructure contributes savings of £11,000. Additional savings of £76,000 are expected mainly from reducing non-essential activities mainly for tree, vegetation, and footpath improvement, holding off on works in repair and maintenance in play and sports equipment, and reducing ground maintenance in allotments, parks and countryside sites with contribution towards relevant costs recharged from third parties. Expenditure for works for Biodiversity Net Gain can be offset by grants and increased fees income from ice-cream licences thereby releasing savings of £22,000. Estimated reduction in service payment to consultants on climate change and other green infrastructure issues provide an underspend of £10,000. An underspend on dog control for Parks	(186,000)	(192,000)	(6,000)

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and Countryside saves £48,000 which has been internally recharged to Environmental Health. Termination of partner contribution for Basingstoke Canal generates savings of £53,000 which contributes to our gateway savings target. However, there is a reduction in budgeted income of £8,000 on rent received for the mast in Sheerwater which was decommissioned in 2022 linked to the regeneration scheme and a projected overspend of £16,000 on the corporate car club and car hire budget, which is the subject of a gateway savings proposal. A net overspend of £4,000 in electricity charges deducted with electricity recharge at Parks is predicted, due to higher than previously predicted energy tariffs, work is being undertaken corporately towards a new contract.			
Neighbourhood Services			
A vacant post contributes a saving of £25,000. Underspends on Street Furniture, grounds maintenance and maintenance of other land where WBC has an interest result in savings of £36,000. There is an estimated increase in income of £13,000 from Roundabout sponsorship. Removed budget for business rate which is not required enables saving of £5,000.	(74,000)	(79,000)	(5,000)
Fees and Charges			
Proposed increases in various Fees and Charges from 1st January 2024 should generate additional income.	(92,940)	(92,940)	0
Other Minor Variations	(10,565)	15,281	25,846
Total Mitigations	(682,863)	(522,245)	160,618
Total Projected Variance on Place Directorate Services ([overspend])	1,418,021	1,661,090	243,069

6.0 Communities Directorate

6.1 The key variations within the Communities Directorate are set out in Table 3.

Table 3

Communities Directorate	Q2 Over / (Under) Spend £	Q3 Over / (Under) Spend £	Impact on deficit - change from Q2 to Q3 £
Leisure			
The Leisure Contract has been projecting a short fall of £125K on the management fee payment to WBC from Freedom Leisure. However, performance throughout the year has been stronger than forecast with many areas now back to the levels of attendance from pre pandemic. As such the contract is now projecting to achieve the management fee forecast.	125,546	0	(125,546)
Energy costs, which are the responsibility of the Council under the Leisure Management Contract, are likely to be over budget this year. Closure of certain areas of the building is driving this cost down. However, information has not been input from ThamesWey since June 2023 not allowing for an accurate forecast.	128,000	209,132	81,132
Athletic Club Contribution goes to Freedom Leisure NOT WBC.		10,000	10,000
Women's Support Centre			
The Women's Support Centre transferred under TUPE regulations to Catalyst on 31.05.23. A one-off transitional subsidy was agreed for 2023/24 which has meant the FFF saving of £250k has not been achieved.	258,464	258,789	325
Centres For the Communities – Kitchens			
Kitchens at Moorcroft and St Mary's have been rented out so we will not see the budgeted income. This is partially offset by the savings in staff costs.	74,333	74,432	99
Bustler			
Annual Bustler service for St Mary's and The Vyne - No budget set.	11,499	11,499	0
Moorcroft			
FFF is unachievable as assigned incorrectly		77,000	77,000

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Theatre Contribution			
New Victoria Theatre (NVT) contribution. We are legally tied in to pay the full £150k for 3y		75,000	75,000
Housing Strategy			
There are savings in staff costs (Housing Strategy & Projects Officer) as part of the FFF-2 savings to the value of £12,246. However, this is reduced because there are no recharges to projects as anticipated at the time of budget setting.	7,105	(302)	(7,407)
Housing Advances			
There is an overspend on Housing Advances. This is because there is a payment to LAMAC (mortgage services) for which there is no budget. There are minor underspends in staff costs of the Sheerwater team seen here.	10,742	9,493	(1,249)
Non-HRA Housing Services & Communities Corporate Management (Commercial)			
There is an underspend in the Energy Bureau Service and in Non-HRA Services.		(9,384)	(9,384)
Housing Options/Needs/Enabling			
There is a savings of £37,700 in the PSL and Lets Rent team because of 1 vacant post and a savings of £327,954 in the Housing Options team because of the Homelessness Prevention Grant received this year that can be used to fund these staff costs. There is an overspend of £17,305 in Housing Services.	91,056	(348,349)	(439,405)
There is an overspend of £ 616,997 in Housing Options due to an overspend in Bed & Breakfast expenditure. Out of this, the fit for future savings not achievable is £47,750. In FFF round 1, an amount of £15,750 for 2022-23 and an amount of £32,000 for 2023-24 was budgeted. This was subject to pursuing the ThamesWey Lets Rent Model, so that we could reduce the number of nights in Bed & Breakfast. However, since the model did not materialise, these savings are not achievable. There is an improvement in income collection, bringing an amount of £108,896 as over-recovery against budgets. Expenses to the extent of £13,653 can be funded by the homelessness grant, and the amount of £691,796 is due to the increasing homelessness needs, also because of larger families approaching B&Bs, requiring larger accommodations.	231,885	616,997	385,112

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During the budget setting of 2023/24 in Temporary Accommodation, we forecast a government income of £140,427 that was incorrect, an adjustment needs to be made on that account. There is an anticipated under recovery of £67,851 in the temporary accommodation budgets. This is due to under recovery of income although there is a savings in expenditure of £41,047.	224,603	208,278	(16,325)
The Private Sector Leasing Scheme is showing an overspend of £15,845 due to under-recovery of income. The position of the PSL's has improved from £79,016 deficit in 2022/23 to an anticipated deficit of £58,328 in the current year. However, this is expected to increase, as an increase in void costs are expected during the year.	5,087	15,485	10,398
Total Projected Overspends	1,168,320	1,233,616	65,296
The Junction/Richardson Centre			
These premises are used by the Women's Support Centre and all costs are now with Catalyst.	(30,150)	(30,150)	0
Youth Development			
Youth Development ended in 2022 and we are no longer paying this grant.	(44,000)	(44,000)	0
Family & Community Manager FCS011			
Post vacated in Oct23 - To be removed	0	(36,387)	(36,387)
Social Prescribing			
Two vacancies that are being recruited to. Fully funded posts.	(12,652)	(5,606)	7,046
Community Alarms			
New NHS funding received.	(20,000)	(20,000)	0
Home Independent Support			
There are six vacancies in this area, approval has been given to recruit to four of the posts and the saving is the net impact.	Included elsewhere	Included elsewhere	Included elsewhere
Brockhill			
Two staff left and posts will not be recruited to resulting in a saving.	Included elsewhere	Included elsewhere	Included elsewhere

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Homelessness Directorate Funding			
The Homelessness Directorate funding grant is showing an anticipated surplus of £44,073 against a budgeted surplus of £211,635. An unbudgeted Homelessness grant income of £229,912 was received in Aug 2023 that will help meet additional costs of homelessness, including rent arrears. It is anticipated that this additional funding received during the year will be used to fund additional staff costs in the Housing Options team. This funding includes the Homelessness Prevention grant, Rough Sleeper Initiative, Rough Sleeper grant and RSAP /NSAP grants.	(214,097)	167,562	381,659
Let's Rent Scheme and Other Housing Service Expenses			
The Let's Rent scheme is showing savings of £110,471 due to a reduction in specific initiatives (for example, tenant training and targeted incentive schemes) compared to previous years. Some of these expenses will be funded by the Homelessness Prevention grant.	(85,135)	(110,471)	(25,336)
A £19,611 savings from Welfare Reform and Homelessness is achieved as part of the fit for future savings, value £18,000 (Withdrawal from Sharer's scheme). There is an overspend of £6,942 on CRB mental health grants and £2,104 in Other Housing Services expenses.	(10,565)	(10,565)	0
Other Minor Variations	191,457	(51,199)	(242,656)
Fees and Charges			
Proposed increases in various Fees and Charges from 1st January 2024 should generate additional income.	(42,000)	(46,062)	(4,062)
Total Mitigations	(267,141)	(187,177)	79,964
Total Projected Variance on Communities Directorate Services [overspend]	901,179	1,020,893	119,714

7.0 Corporate Resources Directorate

7.1 The key variations within the Corporate Resources Directorate are set out in Table 4.

Table 4

Corporate Resources Directorate	Q2 Over / (Under) Spend	Q3 Over / (Under) Spend	Impact on deficit - change from Q2 to Q3
Property Services			
The Commercial rent budget was increased by £400,000 to include new leases which are now unlikely to complete this financial year and the Fit for Future anticipated savings of £132,000 have not been met. In addition, it is anticipated rent concessions of £250,000 are likely to secure lease renewals as assumed in the rent forecast reported via the MTFs.	1,124,250	363,000	(761,250)
The Council has received £500,000 for the sale of a long lease (150 years) at St. Andrews House and Kestrel Way mast income of £80,000.			
Surrey County Council vacated the Civic Offices on 21 st April 2023 resulting in a shortfall of income of rents at the Civic Offices of £115,000.			
Rent reviews have completed for the remaining tenants resulting in increased rents and backdated rents, securing a further (£100,000) in the current year.			
It has been possible to mitigate these costs following a review of the Civic Offices operational costs in year, also reported as part of the Gateway savings (£115,000).			
A dilapidation settlement of £176,000 has been received in respect of Midas House. These monies will need to be expended to make the floor lettable. Feedback from letting agents is that these works need to be completed to stand any chance of attracting tenants. Furthermore, we will need to seek legal advice as to whether dilapidation money which is paid by a tenant for a landlord to reinstate the premises can be used for alternative works from what it was received for.			
For information, the estimated rental value for this space is £475,000 and the loss in business rates £168,448, Service Charge £156,165 and insurance total £330,203.			
Until legal advice is received the forecast for monitoring purposes is that these monies will be expended.			

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<p>In order to increase rent income at Midas House, landlord capital works of £90,000 have been approved. However, due to rent free periods, the new rents will not be realised until the new financial year.</p>			
<p>There is an underspend of £1,000,000 against the budget for Business Rates due rate revaluations, back dated rate valuation changes, and the timing difference between the budget being set and the current reporting period. Rate mitigation has been achieved by using an agency who specialise in placing charities in short term lettings specifically to reduce the business rate liability to the Council. Revaluations and rate mitigation efforts will continue throughout the year and the variation will be updated monthly to reflect these changes as they happen.</p>			
<p>These savings are partly offset by rate mitigation agency fees revaluation fees of £150,000.</p>			
<p>Due to the shortfall in rents, there is an increase in voids service costs of £750,000 mostly attributed the larger offices and shopping centre (Midas House, Dukes Court, Wolsey Place and Export House).</p>			
<p>Only essential repairs and maintenance are being carried out resulting in an underspend against budget of £200,000. Landlord incentives can be agreed to secure a lease and costs to date have totalled £89,000.</p>			
<p>During 2023/24 £144,000 of compensation payments are due to tenants to remove their security of tenure and enable maximum market value.</p>			
<p>Due to the bad state of garages, repairs have become expensive. In addition, the number of void garages is increasing due to the poor condition and the lack of capacity within the housing team to deal with reviewing the void garages and getting any relet has resulted in a forecast overspend of £80,000.</p>			
<p>There is an overspend against budget at Provincial House of £95,000, of which £11,000 is due to void space, £24,000 due to under recovery of service charge from a charity letting and the balance is due to out-of-date budgets £60,000.</p>			
<p>Due to the removal of the Town Centre Management Agreement (TCMA) reserve, there will be an overspend of £250,000 due to works which had already commenced such as the Chertsey Road works.</p>			
<p>To mitigate this further negotiations with SCC will secure additional funding of £130,000 in 2023-24.</p>			
<p>Due to inflation a higher contribution has been received from Surrey Heath Borough Council of £9,000 towards CCTV. In addition, transmission maintenance is anticipated to be £6,000 lower than budget.</p>			

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Election Services			
Overspend on Borough election due to Budgets set too low	65,000	65,000	0
Marketing and Communications			
Overspend on staff costs	4,618	8,780	4,162
Financial Services			
The overspend relates to the costs of temporary and interim staff.	144,568	493,629	349,061
Overspend on Internal Audit	0	85,000	85,000
Revenues, Benefits and Customer Services			
Income from Search fees less than budget due to lower number of applications received than Forecasted Activity	0	101,088	101,088
Corporate Management			
The overspend relates to the cost of the Interim Section 151 Officer and costs of Commissioners offset by Strategic Director Place vacancy	301,000	396,769	95,769
Human Resources			
Overspend relates to graduate programme not budgeted for.	113,945	81,405	(32,540)
Democratic Services			
Overspend on staff costs/salaries	23,000	9,406	(13,594)
Internal recharges, SLGA reimbursement		(60,000)	(60,000)
ICT			
Procurement Savings budgeted for in a central code – savings are being delivered and are represented in the rest of this budget monitoring report through the relevant service savings and mitigations.	0	550,000	550,000
Underspend relates to: Implementing corporate systems review to rationalise the number of hosted applications; Contract re-negotiations and procurement efficiencies through better sourcing; movement to cloud systems hosting; Review of licenses.	0	(198,672)	(198,672)
Overspend relates to network circuits. We are still having to subscribe to the PSN due to the DWP having not yet moved away from it (the original deadline of April 2023 has passed, and we do not have information from DWP as to when they will be ready to move off it). This was not included in the original budget estimates for 2023/24 as we did not expect the ongoing requirement.	0	9,300	9,300

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Other Minor Variations	201,554	(10,868)	(212,422)
Total Projected Overspends	1,977,934	1,893,837	(84,098)
Corporate Management			
Legal Services			
Vacancy saving Head of Legal.	(121,878)	(126,138)	(4,260)
Election Services			
Saving arising from scaling back Civic and Mayoral events and services.	(25,000)	(25,000)	0
Underspend due to Electoral Services Officer vacancy.	(20,000)	0	20,000
Total Mitigations	(166,878)	(151,138)	15,740
Total Projected Variance on Corporate Services Directorate Services ([overspend])	1,811,057	1,742,699	(68,358)

8.0 Corporate Items

- 8.1 Corporate items include amongst other things the minimum revenue provision (MRP) and interest payable/receivable relating to treasury management activities. The estimated variance against budget for Corporate Items is an under spend of (£1.528m). The 2023/24 forecast figures now assume that any unpaid group interest relating to 2022/23 is accounted for in the Council's opening reserves position for 2023/24. This aligns the approach with that assumed in the Council's Capitalisation Direction application to Government. Previously the Quarter 2 reporting assumed that the 2022/23 unpaid interest would be treated as a loss in 2023/24 (not in 2022/23). This change has led to a significant movement from the budget variance reported previously. The capital financing and interest budgets are subject to further detailed work and will be updated again in Quarter 4.
- 8.2 The interest received from Council owned companies (Victoria Square and ThamesWey) is budgeted at £42.1m per annum. The revolving credit facility that had been made available to fund these costs was suspended as part of the arrangements following the S114 notice in June. The payment of interest and principal costs has therefore been suspended whilst the longer-term strategy for the companies is developed. This leaves a £42m shortfall in the Council's budget and is included in the request for a capitalisation directive as part of the extraordinary financial support from government. The shortfall will ultimately be dealt with as part of a wider asset disposal strategy and debt reduction plan.

9.0 Recovery Improvement Programme – Funded by the flexible use of Capital Receipts

- 9.1 Table 5 gives a summary of the current estimated costs of the Recovery Improvement Programme which totals £3.4m. The Council has an approval from DLUHC for the flexible use of £3.2m of capital receipts (which are contractually committed to be received by the Council before the end of the financial year) to fund the programme, which the current estimates exceed. A funding solution will need to be developed in order to deal with the additional costs. These include identifying potential future capital receipts which may be available to finance the costs.

Table 5

Theme	Estimate 2023/24
	£
Commercial	1,363,000
Financial Recovery	700,000
Organisation & Service Redesign	1,125,000
Overall	174,500
Total	3,362,500

10.0 Housing Revenue Account (HRA)

- 10.1 A Housing Revenue Account forecast is incorporated in Table 6 below.
- 10.2 It shows a forecast increase in the HRA deficit for the year, from a £1,336,000 deficit budgeted in February to a forecast £2,571,000 deficit at the end of December, a worsening in the deficit (overspend) of £1,234,000 since the budgets were set.
- 10.3 Work is almost complete reviewing the charges being made to the HRA for staffing, support services and other costs to ensure that they are fair and reasonable for last year, this year and moving forward. This is detailed in Table 7 below.

Table 6
HRA Budget Monitoring Report - December
2023

<u>Expenditure</u>	Budget	December	Variance	Comments
	£'000	£'000	(Surplus)/Deficit	
			£'000	
Supervision & Management				
Estate Management	5,730	5,535	-196	This is as a result of decant and removal costs for Sheerwater (£123k). Transfer of Hale End (£289k) and Brockhill costs (£198k) to the HRA. Positive variance from the adjustments for reduction in recharges and underspend in staffing costs. Underspend of (£627k) forecast anticipated in the Gas and Electricity budgets.
Rent Accounting/Collection	363	256	-107	This is due to reduction in recharges
Home Support Service	774	791	17	
Tenant Participation	63	46	-16	Underspend on external printing budget (£6k) and savings on recharges (£10k)
Democratic Process	1,742	1,424	-317	This is mainly due to savings from the proposed changes to recharges
Repairs Administration	885	877	-8	The underspend is due to adjustment to recharges and underspend on staffing (£233k). This is reduced by overspend from non-achievement of the estimated Income from management Income (previously Schedule 6), (£25k) and the cost of temporary staff, (£202k).
Transfer to hardship fund	10	0	-10	The hardship budget will not be spent in 2023/24
	9,566	8,929	-637	

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Depreciation	3,956	4,196	240	This is as a result of the inclusion of Hale End properties and updated revaluation of housing stock. Forecast based on final 2022/23 outturn.
Repairs & Maintenance				
Day to Day Repairs	2,788	5,314	2,526	The projected costs for repairs have increased significantly as a result of Brockhill Extra-Care waking watch and evacuation staff required to manage the fire safety risk to the building along with the overspend on voids and repairs (including some additional emergency communal heating repairs).
HRA Statutory	434	398	-36	
	3,222	5,712	2,490	
Debt Management Expenses	36	71	35	Forecast based on 2022/23 outturn position
Capital Financing Charges	5,541	5,487	-54	Forecast based on 2022/23 outturn and HRA Capital Financing Reserves (CFR) position
Total expenditure	22,321	24,395	2,074	
Income				
Dwelling Rents	-19,341	-20,338	-997	Sheerwater voids losses moved to voids line below. Further breakdown to be added to future reports
less				
Voids	185	1,830	1,645	Increase in voids and the empty properties in the Sheerwater regeneration scheme reflected in the forecast.

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Write offs	57	124	67	The write offs budget is forecast to overspend by £67k.
	-19,098	-18,383	715	
Service Charges & Other Income	-1,885	-2,852	-966	Additional income anticipated from the increase in heating and electricity costs. The budget is understated and may need to be reviewed as part of setting the 2024/25 budgets.
	-20,984	-21,235	-251	
Interest Council House Mortgages	-1	-1	0	
Other receipts (Sheerwater)		-589	-589	Sheerwater receipts accrued in 2022/23 cancelled. Income expected in 2023/24
Total income	-20,985	-21,825	-840	
HRA (Surplus)/Deficit	1,336	2,571	1,234	
HRA Opening Reserves		-1,571		

11.0 Corporate Strategy

11.1 Budget monitoring is an essential function to ensure that the Council maintains financial control of its budget.

12.0 Implications

Finance and Risk

12.1 The financial or risk implications are outlined in the body of the report.

Equalities and Human Resources

12.2 There are no equalities or human resource implications arising from this report.

Legal

12.3 There are no legal implications arising from this report.

13.0 Engagement and Consultation

13.1 None.

REPORT ENDS

Table 7

Proposed changes to HRA recharges - December 2023	2023/24
Cost Centres	£
Brockhill	198,342
Housing Landlord Services **	(517,727)
Strategic Housing **	(9,965)
Hale End Court	289,553
Home Independence Manager	3,542
Home Independent Support	
Community Development & Engagement	(15,816)
Home Independence Services***	16,667
Housing Revenue Account Staffing (Housing Landlord Overheads)	(259,435)
Corporate Leadership Team	(29,539)
Shareholder Advisory Group	(46,666)
Head of Transformation & Digital	(8,813)
sub total	(379,857)

Notes:

** include staffing costs underspend in 2023/24

*** overspend in 2023/24

**** For 2024-25 fuel cells, no corrections on account of fuel cell as they are budgeted at levels based on revised calculations.

**** For 2023-24 fuel cells, we have yet to review the position as the current year invoices are yet to be received.