

## BUDGET MONITORING Q4 AND DRAFT OUTTURN 2023-24

### Executive Summary

This report provides the budget monitoring position as at the final month of the 2023/24 financial year, and the provisional outturn that will be ultimately reported in the accounts for 2023/24. It provides a comparison with the Q3 report, based on the income and expenditure as at the end of March 2024 (Q4) and reflects the views of budget managers within the Council's directorates.

### Recommendations

The Executive is requested to:

#### **RESOLVE That**

the Council's draft General Fund and Housing Revenue Account outturn position for 2023/24 be noted.

### Reasons for Decision

Reason: It is essential that the Council received regular reports on actual spend throughout the financial year to enable it to exercise its responsibilities for financial control and support the journey to financial recovery.

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

<b>Background Papers:</b>	None.
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## Budget Monitoring Q4 and Draft Outturn 2023-24

### 1.0 Purpose of Report

- 1.1 The 2023/24 revenue budgets for Woking Borough Council's General Fund (GF) and Housing Revenue Account (HRA) were approved by Council at its meeting on 23<sup>rd</sup> February 2023.
- 1.2 On 7<sup>th</sup> June 2023 the Section 151 Officer issued a Section 114 Notice to the Council which estimated a General Fund deficit ('the Deficit') of £1.2 billion by 31<sup>st</sup> March 2024. This has now been updated as part of the 2024/25 Budget report to Council on 4<sup>th</sup> March 2024.
- 1.3 The purpose of this report is to set out the draft outturn position for 2023/24 for the Council's General Revenue Fund, Housing Revenue Account and Capital Programme.
- 1.4 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 March 2024 (Q4) and reflects the views of budget managers within the Council's Directorates.
- 1.5 The revised General Fund and HRA capital programme for 2023/24 was approved by the Executive on 1<sup>st</sup> February 2024 and included revisions and updates to the 2023/24 capital programmes.

### 2.0 Executive Summary

- 2.1 This report provides commentary on the Council's DRAFT revenue outturn position for 2023/24, which, for the General Fund, is indicating a projected overspend of £2.688m. This compares favourably with the projected £3.277m overspend at the end of Q3.
- 2.2 A disposal compensation payment of £3m has been received in 2023/24 in respect of Victoria Gate. This will be moved to reserves to support 2024/25 budgets and is not included within this forecast, as it is a net nil impact on general reserves. Three more annual instalments of £3m are expected for the following three financial years.
- 2.3 Further work is required on the corporate items in the General Fund budget and grants as the full budget including these items has not been uploaded to Integra in this or previous financial years.
- 2.4 Note that this outturn is still draft pending completion of year end. The main outstanding areas of work are noted in Section 5.5.
- 2.5 In April 2023 the Section 151 officer suspended debt service charges into the income and expenditure 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. The provisional Capitalisation Directive (CD) that the Government has now agreed allows the Council to assume that these pressures can be capitalised as part of the 2023/24 accounts, rather than being an overspend.
- 2.6 The Housing Revenue Account forecast is presented in Section 8 and Appendix A. It shows a forecast HRA deficit for the year, of £2.295m, an overspend of £0.958m on the budgeted deficit. This represents an improvement of £0.276m from the Q3 forecast (previously £2.571m).
- 2.7 HRA Reserves will fall from £2.894m to £0.599m based on this draft outturn. However, a revision of prior year GF recharges has the potential to add to HRA reserves by around £700k (to be finalised).
- 2.8 The Council will continue to assess and refine the draft outturn on a regular basis as closure of the accounts progresses. The forecast presented in the report is based on the best available data and information acquired in discussions with budget managers.

## **Budget Monitoring Q4 and Draft Outturn 2023-24**

2.9 Against the approved total capital spend budget for 2023/24 of £94.9m for both the General Fund and HRA, the draft outturn of £79.7m represents a gross underspend of £15.2m. The HRA element has a draft overspend of £0.2m on a £4.3m budget with the balance relating to the General Fund.

### **3.0 Monitoring Frequency – In 2024/25**

3.1 Budget monitoring, including the capital programme, will be reported to the Executive on a quarterly basis. Treasury management reports on the level of debt and prudential indicators will go quarterly to Scrutiny (with some reporting to Audit Committee on governance). Monthly budget reports to CLT will continue but with a revised template to report key issues and changes.

### **4.0 Recommendations**

4.1 It is recommended that the Executive:

- a. Note the Council's forecast General Fund outturn position for 2023/24 as summarized in Section 5 below.
- b. Note the Council's forecast Housing Revenue Account position for 2023/24 as summarized in Section 8 below.

### **5.0 General Fund Revenue Forecast Outturn - Overview**

5.1 The March 2024 outturn forecast is summarised in Table 1 below and indicates a projected net budget overspend of £2.688m for the year, compared with £3.277m overspend reported for December 2023 (Q3) – a favourable movement of £0.589m.

5.2 The monitoring of Service Budgets is showing an overspend of £5.241m against net Service Budgets of £8.872m. This represents a variance of 59% but there is an underspend of (£2.553m) within "below the line" Corporate items.

5.3 This forecast net variance analysis is on a budget for 2023/24 that had already planned to utilise £8.347m from reserves to provide a balanced budget. However, work on the Exceptional Financial Report request showed that the reserves did not exist at that time. The overall impact of this has now been incorporated in the provisional Capitalisation Directive and will be finalised in the 2023/24 accounts.

5.4 Further analysis of cost pressures and mitigations is included in Appendix B.

5.5 Some of the key outstanding year end tasks, that will impact on draft outturn are:

- Housing Benefits final claim to DWP and re-allocation of subsidy in respect of temporary accommodation (impacts on Revs and Bens and Communities);
- Review of financing costs, in particular allocation and reconciliation of government grants that sit centrally rather than with departments where the spend occurs;
- Decisions on transfers to / from reserves;
- Prior year adjustments arising from delayed closure of 2022-23 accounts;
- Bad Debt Provision;
- Statutory Accounting adjustments, such as International Accounting Standard 19 and Employee Benefits do not impact the bottom line but would lead to minor variations in outturn for each department;
- Review of General Fund to Housing Revenue Account Recharges.

## Budget Monitoring Q4 and Draft Outturn 2023-24

**Table 1 – Draft General Fund Outturn 2023/24**

	<b>NET BUDGET</b>	<b>DRAFT OUTTURN</b>	<b>OVER/ (UNDER) SPEND</b>	<b>MOVEMENT SINCE Q3</b>
	<b>£000 1</b>	<b>£000 2</b>	<b>£000 3 (2-1)</b>	<b>£000 4</b>
Place	4,411	5,928	1,517	(144)
Communities	5,136	5,086	(50)	(1,451)
Corporate Resources	(675)	3,099	3,774	2,031
<b>TOTAL SERVICE BUDGETS</b>	<b>8,872</b>	<b>14,113</b>	<b>5,241</b>	<b>436</b>
Corporate Items	15,603	13,050	(2,553)	(1,025)
<b>NET BUDGET</b>	<b>24,475</b>	<b>27,163</b>	<b>2,688</b>	<b>(589)</b>
Business Rates	(2,215)	(2,215)	-	
Pooling	(1,065)	(1,065)	-	
Collection Fund	(236)	(236)	-	
Revenue Support Grant	(93)	(93)	-	
New Homes Bonus	(1,221)	(1,221)	-	
Service Grant	(86)	(86)	-	
	<b>(4,917)</b>	<b>(4,917)</b>	-	
Council Tax	(11,212)	(11,212)	-	
<b>Total Financing</b>	<b>(16,129)</b>	<b>(16,129)</b>	-	
<b>Net drawdown from reserves</b>	<b>8,347</b>	<b>11,034</b>	<b>2,688</b>	<b>(589)</b>

### 6.0 Corporate Items

- 6.1 Variances against corporate items are summarized in **Appendix B**.
- 6.2 The net interest budget position is forecast to be £2.4m under spent in 2023/24. Borrowing for the capital programme has been less than budgeted due to the financial position of the Council and the introduction of the Council's capital principles (detailed in the February 2024 Capital Strategy) which limits capital expenditure to projects meeting this criteria. This has meant borrowing has been less than budgeted and in turn interest costs are lower.
- 6.3 Interest income is more than budgeted as the Council's returns on Money market Fund investments and loans to subsidiaries have increased due to higher interest rates than estimated.
- 6.4 The above favourable variations have been partly offset by higher interest rates on new borrowing. Also, as many of the Council's major projects have been cancelled, there is no scope to capitalise interest costs against assets still under construction.
- 6.5 The interest cash received from Group Companies has been suspended. The reason for the suspension is that the companies would be unable to fund the payments now that the Council's revolving loan arrangements with them have ended in June 2023. The above position assumes that the above income will be covered as part of the capitalisation direction issued by Government. The Council will not receive income under the direction but it will be able to borrow in order to cover the shortfall.

## Budget Monitoring Q4 and Draft Outturn 2023-24

- 6.6 In 2024/25 it is possible that income will be received as part of the debt standstill and quarterly “sweep” arrangements agreed with the companies. This would reduce the reliance on the capitalisation next year, but not this year.
- 6.7 From 2024/25 revenue projects and ad-hoc revenue expenditure (previously met by investment programme) will be captured under service budgets. In 2023/24 £120k was budgeted for this one-off revenue expenditure. The following items create an over spend against this budget; £370k consultants expenditure was incurred in year as part of the review of the Council’s group financial position. Also, pending the completion of the 2023/24 capital financing, this report assumes that £165k capitalized salaries will not be able to be allocated to a project and will ultimately hit revenue budgets.

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

- 7.1 Table 2 gives a summary of the current estimated costs of the Recovery Improvement Programme which totals £3.5m. The Council has an approval from DLUHC (Department for Levelling Up, Housing & Communities) for the flexible use of £3.4m of capital receipts to fund the programme, which the current estimates exceed. A funding solution will need to be developed to deal with the additional costs. These include identifying potential future capital receipts which may be available to finance the costs, and/or reduction of the programme contingency to fit the available budget.
- 7.2 Current costs for 2023/24 total £1,892k, of which £555k is accounted for in revenue. The balance is currently below the line in capital. Next year all the costs will be accounted for in revenue for monitoring purposes then capitalised at year end. It should be noted that these figures currently include £208k of redundancy costs. The programme costs will need to be reviewed and reprofiled.

**Table 2 – Flexible Use of Capital Receipts (from 24/25 budget report):**

<b>Summary</b>	<b>2023/24 £k</b>	<b>2024/25 £k</b>	<b>2025/26 £k</b>
Commercial expertise to review companies governance and performance and provide commercial capability to ensure vfm, security and confidence in decision making.  Improve procurement and contract performance and practice to deliver additional savings, control cost and ensure vfm;	446	300	
Development and delivery of an asset management strategy and plan to ensure the councils estate is fit for purpose, efficient and performing well. Development and delivery of the debt reduction plan.	93	169	47
Channel shift - improving service delivery and web offer, freeing up vital resources to assist those who cannot use digital channels or have complex enquiries. Will lead to further efficiencies	102	205	
Vision for organisation, service restructure and implementation of staffing change delivering £2.4m savings in staff budget (including exit costs)	403	750	
Savings (£8.4m) implementation and service redesign and transformation	36	253	37
Transformation team (temporary) to manage and monitor the change	186	135	207
Contingency		311	
<b>Total</b>	<b>1,266</b>	<b>2,123</b>	<b>111</b>

### 8.0 Housing Revenue Account (HRA)

- 8.1 A Housing Revenue Account provisional outturn is shown in **Appendix A**.
- 8.2 The HRA budget is showing an overspend of £0.958m in 2023/24, resulting in a deficit position of £2.295m for the entire year. This is a positive movement of £0.434m from the February 2024 forecast and £0.276m from the Q3 forecast.
- 8.3 Reserves were budget to fall from £2.894m to £1.558m. The draft outturn variance would see HRA reserves fall to £0.599m.
- 8.4 The movement from the February forecast is due to reduction in recharges, lower costs for Brockhill and Hale End cost centres than previously forecast and decrease in the final Gas and Electricity costs. The other reasons for the movement are reduction in staffing cost for the Home Independent Support and the underestimation of dwelling rents income. These positive movements are offset by the reduction in service charge income because leaseholder service charges forecast was overstated and prior year adjustment to the management income recharges in respect of the cost recharged to leaseholders in 2022/23 for the New Vision Homes contract, and movement in the repairs cost.
- 8.5 Work is completed in the review of 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.
- 8.6 Repairs budget shows an overspend of £1.60 million. This is due to the overspend on voids and repairs (including some additional emergency communal heating works). The main reasons for the variance are due to: -
- increase in gas maintenance costs because of procuring a specialist gas contractor to oversee our communal and domestic gas installations.
  - increase in void costs because of the need to increase the standard to accommodate those moving out of Brockhill.
  - increase in responsive repairs caused by extreme weather and increased estate management.
- 8.7 Supervision and Management budgets are showing underspend of £0.614m. This is a positive movement of £0.907m from the February 2024 forecast. The movement is due to reduction in the Gas, Electricity and Thamesway Energy Limited energy forecast as stated in 8.3 above. Also, the HRA is showing underspend from staff vacancies in Home Independent Support.
- 8.8 Dwelling rents and service charges budgets show an under-recovery position of £0.402m for the current year. This includes an estimated amount of £0.378m for overcharging tenants for energy costs.

### 9.0 Capital Spend

- 9.1 The General Fund and HRA capital programmes for 2023/24 were approved as revised budgets on 1<sup>st</sup> February 2024. A net underspend between the General Fund and Housing Revenue Account of £15.2m is currently being reported as the draft outturn.
- 9.2 A summary of this position is shown in the table below and set out in more detail in **Appendix C**.

## Budget Monitoring Q4 and Draft Outturn 2023-24

	Approved Budget (Feb 2024) (£,000's)	Draft Outturn (£,000's)	Draft Variance (£,000's)	
Communities Place	4,648	4,340	(308)	<i>Underspend</i>
Corporate	1,817	250	(1,567)	<i>Underspend</i>
	4,102	3,300	(802)	<i>Underspend</i>
	<b>10,567</b>	<b>7,890</b>	<b>(2,677)</b>	<i>Underspend</i>
Group Loans	80,050	67,308	(12,742)	<i>Underspend</i>
General Fund	90,617	75,198	(15,419)	<i>Underspend</i>
Housing Revenue Account	4,304	4,487	183	<i>Overspend</i>
	<b>94,921</b>	<b>79,685</b>	<b>(15,236)</b>	<i>Underspend</i>

### 10.0 Corporate Strategy

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

### 11.0 Implications

#### Finance and Risk

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

#### Equalities and Human Resources

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

#### Legal

11.3 There are no legal implications arising from this report.

### 12.0 Engagement and Consultation

12.1 None.

REPORT ENDS

## HRA Provisional Outturn Report – March 2024

	Budget £k	Mar 2024 £k	Variance (Surplus)/ Deficit £k	Comments
<b>Expenditure</b>				
<b>Supervision &amp; Management</b>				
Estate Management	5,730	6,029	299	The movement from the February forecast is due to reduction in recharges, lower costs for Brockhill and Hale End than previously forecast and decrease in the final Gas and Electricity costs (£337k). The reasons for the overspend on this category are due to decant and removal costs for Sheerwater (£47k) and Brockhill evacuation costs (£627k), (There is an uplift of Brockhill Evacuation Service costs, which increased by £42,180 per week and the Homeless payments not previously forecast.) There are also Waking Watch costs transferred out of the Repairs category, (£412k). Also, there are transfer of Hale End (£144k) and Brockhill costs (£150k) to the HRA from General Fund. The other negative variance is from consultancy and subscription costs, (£156k). Positive variance from the adjustments for reduction in recharges and underspend in staffing costs, (£178k). Underspend of (£680k) in the Gas and Electricity budgets and Grounds Maintenance budgets, (£28k). The overspend is also reduced by underspend from the TEL energy forecast. The reduction is to take account of the lower TEL energy consumption figures and unit costs.
Rent Accounting/Collection	363	265	(98)	The underspend is due to reduction in recharges from GF for Housing Landlord services.
Home Support Service	774	630	(144)	Reduction in recharges due to under spend on Home Independent Support staffing costs. The movement from the February forecast is due to the reduction in staffing cost for the Home Independent Support cost centres not previously shown in previous month forecast.



	Budget £k	Mar 2024 £k	Variance (Surplus)/ Deficit £k	Comments
Tenant Participation	63	7	(56)	Underspend on external printing budget (£6k), savings on recharges (£10k) and the New Burden grant (£36k)
Democratic Process	1,742	1,221	(521)	This is mainly due to the underspend from the changes to the recharge allocation from the General Fund. The movement from the previous month forecast is due to the reduction in the staffing and overhead costs recharged to the HRA. This is reduced by the allocation of £72k external audit cost to the HRA.
Repairs Administration	885	800	(85)	The underspend is due to adjustment to recharges and underspend on staffing (£244k). 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, (£150k).
Transfer to hardship fund	10	0	(10)	The hardship budget is showing an underspend of (£10k).
	<b>9,566</b>	<b>8,952</b>	<b>(614)</b>	
<b>Depreciation</b>	3,956	4,196	240	Transfer to Major Repairs Reserves (MRR) equals the total Depreciation. The overspend is due to Hale End properties transferred to the HRA in 2022-23.
<b>Repairs &amp; Maintenance</b>				

	Budget £k	Mar 2024 £k	Variance (Surplus)/ Deficit £k	Comments
Day to Day Repairs	2,788	4,585	1,797	Repairs budget is showing an overspend of £1.79 million. This is due to the overspend on voids and repairs (including some additional emergency communal heating works). The main reasons for the movement are due to (a) increase in gas maintenance costs as a result of procuring a specialist gas contractor to oversee our communal and domestic gas installations, (b) increase in void costs as a result of the need to increase the standard to accommodate those moving out of Brockhill (c) and an increase in responsive repairs caused by extreme weather and increased estate management.
HRA Statutory	434	237	(197)	The statutory testing budget in 23-24 allowed for weekly fire alarm testing, which has only started in April 24. As a result, there is a budget saving in 23-24. The 24-25 budget allows for weekly testing, so there is no additional pressure for the current year. The 23-24 statutory testing budget also allowed for 76 properties to have electrical tests completed that couldn't be done due to access issues. These have been budgeted for in 24-25.
	<b>3,222</b>	<b>4,822</b>	<b>1,601</b>	
<b>Debt Management Expenses</b>	36	0	(36)	Lower than anticipated debt management costs at year end
<b>Capital Financing Charges</b>	5,541	5,494	(47)	Forecast based on 2022/23 outturn. The provisional outturn will be updated after the completion of the work on capital financing. Movement from previous forecast is due to additional borrowing costs for the adjustment to the HRA Capital Financing Requirement from the appropriation of 81 Westfield Avenue.

	Budget £k	Mar 2024 £k	Variance (Surplus)/ Deficit £k	Comments
<b>Total expenditure</b>	<b>22,321</b>	<b>23,466</b>	<b>1,144</b>	
<b><u>Income</u></b>				
<b>Dwelling Rents</b>	(19,341)	(20,699)	(1,358)	The movement from the February forecast is because of the final position based on year-end reports. Income under-recovery is due to Sheerwater voids losses not reflected correctly in the budget, increase in voids and the empty properties in the Sheerwater Regeneration Scheme.
less Voids	185	1,265	1,080	
Write offs	57	124	67	The write offs budget is showing an overspend of £67k.
	<b>(19,098)</b>	<b>(19,309)</b>	<b>(211)</b>	
<b>Service Charges &amp; Other Income</b>	(1,885)	(1,651)	(234)	The movement from the February forecast is due to reduction in service charge income and prior year adjustment to Leaseholder Service Charges (Management income pertaining to insourcing of the NVH contract.) which are now available from year end reports. Additional income anticipated from the increase in heating and electricity costs. The budget is understated and has been reviewed in setting the 2024/25 budgets.
Heating charges Refund	0	378	378	The outturn assumed an estimated amount in the region of £380k should be refunded to the tenants for over-charging on energy costs.
	<b>(20,984)</b>	<b>(20,582)</b>	<b>402</b>	
<b>Interest Council House Mortgages</b>	(1)	(1)	0	
Other receipts (Sheerwater)		(589)	(589)	Sheerwater revenue receipts in 2023/24

	Budget £k	Mar 2024 £k	Variance (Surplus)/ Deficit £k	Comments
<b>Total income</b>	<b>(20,985)</b>	<b>(21,171)</b>	<b>(184)</b>	
HRA (Surplus)/Deficit	<b>1,336</b>	<b>2,295</b>	<b>958</b>	
HRA Reserves b/fwd. (adjusted)	(2,894)	(2,894)	-	Brought forward balance adjusted for the HRA recharges corrections (2019/20 to 2022/23)
HRA reserves 2023/24 (closing)	(1,558)	(599)	958	