

FINANCIAL MONITORING REPORT
BUDGET MONITORING AND FORECAST 2023/24 - QUARTER 1

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 end of June 2023 (Quarter 1) 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

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1.0 Purpose of Report

- 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 £1.2 billion by 31 March 2024. This means that on estimates made at that time the Council required £1.2 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 a further updated MTFS report is also attached elsewhere on this agenda.
- 1.4 The purpose of this report is to set out the forecast outturn position for 2023/24 for the Council's General Fund. Future reports will be further developed to incorporate a forecast of Housing Revenue Account outturn and the Capital Programme together with 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 June 2023 (Period 3) 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 updating and 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 £6.2m based on the information available as at Period 3 (June 2023).
- 2.2 In April 2023 the Section 151 officer suspended debt service charge into the profit and loss accounts of the 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. Notwithstanding this, in the absence of support from outside the Council, these charges will need to be invoiced to the companies by the end of financial year 2023/24 in order to prepare the Council's accounts.
- 2.3 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.
- 2.4 Moving forward, the Corporate Leadership Team (CLT) will continue to engage with their respective management teams to identify available mitigations to suppress the service overspends. A line-by-line review of all service budgets is being undertaken by all budget holders to identify any savings to mitigate the overspend. The results of this will feed into the future monitoring reports.
- 2.5 By next quarter the Council will have also identified any impact in the current year of any possible early implementation of savings identified in the 2024/25 budget report also in this agenda.

3.0 Monitoring Frequency

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

4.0 Forecast Outturn

4.1 The June 2023 outturn forecast is set out in the Table 1 and indicates a projected overspend of £6.2m.

Table 1

	NET BUDGET	FORECAST	OVER
		OUTTURN	SPEND
	£'000	£'000	£'000
Place	(3,888)	(2,090)	1,798
Communities	2,261	2,625	364
Corporate Resources	10,499	11,090	591
TOTAL SERVICE BUDGETS	8,872	11,625	2,753
Corporate Items	15,603	19,003	3,400
NET BUDGET	24,475	30,628	6,153

4.2 The key variations are set out in paragraphs 5 to 7, with an indication - where available - of the mitigating actions which are proposed or already underway.

5.0 Place Directorate

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

Table 2

Place Directorate	Over/(Under) Spend £'000
Development Management	
The majority of the overspend in this area is down to unbudgeted temporary staff. The use of temporary staff is currently under review, and several temporary contracts are being terminated over the next few months. This will result in mitigating the projected overspend over the next few months.	100
Building Control	
Building Control income is currently below budget resulting in an adverse variance. This shortfall is forecast to continue for the year, although it could be offset if there is an increase in applications or a number of larger schemes moving forward. In the meantime, staffing resources are being reviewed as part of the 'Fit for the Future' programme to bring the Building Control budget back to a cost recovery position. 'In-year' fee increases are also being considered as part of the mitigation.	96

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Place Directorate...cont	Over/(Under) Spend £'000
Leisure	
As a result of changes in service demand during and since the Pandemic, and cost increases in recent months, Freedom Leisure, who currently manage the Council's Leisure facilities on our behalf, are unlikely to be able to meet the full payments due to the Council under the Leisure Management Contract, with a currently projected shortfall of £126,000 (the full contract value is £813,000 this year).	126
Energy costs, which are the responsibility of the Council under the Leisure Management Contract, are likely to be over budget by £57,000 this year. Closure of certain areas of the building will reduce the overspend.	57
Parking Services	
<p>There are overspends on Business Rates of £55,000 mainly due to under-provision of budgets for Red and Green Car Parks. Electricity costs for Red Car Park have not been budgeted for resulting in overspending of £130,000. The forecast outturn for parking income is less than the budgeted target by £1.47m, though income from the first quarter is slightly above the previous year. Short term parking is just below budgeted activity levels, and longer term parking (more than 4 hours) is considerably less than the budgeted figures. In addition, customer parking durations are significantly shorter than originally estimated. The evening tariff is only 29% of expected levels, impacted by a lack of theatre shows. This is partly offset by additional estimated PCN Penalty Charge Notice income of around £290,000.</p> <p>Pending the car parking strategy due in November, options are being considered including closing off floors not currently used and exploring the closure of one of the car parks. The Strategy is expected to provide clear recommendation of maximising income moving forward.</p>	1,367
Environmental Health	
<p>There are overspends of £25,000 in employee costs. Estimated reduction in the number of inspections for animal welfare licences reduces income by £13,000. The recharges from Primary Authority work and Licence inspection enable savings of £15,000 to partly cover the overspends.</p> <p>The possibility of recovering the costs is being considered through using the Homes For Ukraine income to fund the time spent completing essential housing checks. Progress will be reported in the Quarter 2 Budget Monitoring.</p>	23
Licensing	
There are overspends of £8,000 in employee costs.	8
Property Services	
<p>Surrey County Council vacated the Civic Offices on 21st April 2023 resulting in a shortfall of income of rents at the Civic Offices of £114,000.</p> <p>In year vacancies of £25,000 are forecast to contribute to employee savings.</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>Incubator Units overspend of £33,000 mostly due to prior years NNDR bills.</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>	357

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Place Directorate...cont	Over/(Under) Spend £'000
HIF project	
There are overspends of £20,000 in employee costs. We are seeking to recover these costs from Homes England. Progress will be reported in the Quarter 2 Budget Monitoring	20
Other Minor variations	26
Total Projected Overspends	2,180
Mitigations	
Economic Development	
The underspend of £93,000 is mainly due to the cancellation of Celebrate Woking activities of £100,000, an overspend of £22,000 on staff not budgeted for and £15,000 underspend on the business liaison project.	(93)
Planning Strategy	
A Planning Policy post is vacant, and there are currently no plans to recruit to	(94)
Waste and Recycling	
There are overall savings of £145,000 from Waste and Recycling due to reducing variable costs in waste collection, increase of recycling credit and higher level of bin replacement as the bin stock ages. The lower take up of garden waste subscription offsets part of the savings.	(145)
Green Infrastructure	
A vacant post in Green Infrastructure contributes savings of £11,000. Additional savings of £41,000 are expected from reducing non-essential activities for tree, vegetation, and footpath improvement, holding off on works in repair and maintenance in play equipment. Expenditure for works for Biodiversity Net Gain can be offset by grants and fees from ice-cream licences thereby releasing savings of £22,000. However, there are a reduction in budgeted income of £16,000 on rent received for the mast in Sheerwater which has now been decommissioned, and a projected overspend of £8,000 on the corporate car club and car hire budget, which is the subject of a gateway savings proposal.	(50)
Total Mitigations	(382)
Total Projected Variance on Place Directorate Services (overspend)	1,798

6.0 Communities Directorate

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

Table 3

Communities Directorate	Over/(Under) Spend £'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
Housing Options/Needs/Enabling	
There is an overspend in Housing Options of £234,682 due to increased B&B expenditure and Fit for Future savings not being achievable. In addition, there is an overspend of £54,502 in Housing Options staffing budget and savings of £23,903 in Lets Rent/PSL team.	375
There is an anticipated overspend of £53,591 in the temporary accommodation budgets. This is as a result of expected overspend in responsive repairs, communal cleaning and electricity budgets. Funding of £229,912 to be received in August 2023 to help meet additional costs in 2023/24.	
The Let's Rent Private Sector Lease (PSL) is expected to overspend by £144,207 due to under-recovery of income and increased void costs. However, this overspend is expected to be partly offset by savings on the main Let's Rent budget and other staffing budgets.	
Total Projected Overspends	633
Mitigations	
The Junction/Richardson Centre	
These premises are used by the Women's Support Centre and all costs are now with Catalyst	(30)
Youth Development	
The Youth Development scheme ended in 2022 and the Council no longer pays this grant.	(44)
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.	(112)
Brockhill	
Two staff left and posts will not be recruited to resulting in a saving.	(16)
Social Prescribing	
Two vacancies that are being recruited to and the saving is the net impact of posts being vacant.	(18)

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Communities Directorate..cont	Over/(Under) Spend £'000
Community Alarms	
New NHS funding received.	(20)
Housing Strategy	
Savings in staff costs (Housing Strategy & Projects Officer) as part of the FFTF-2 savings.	(12)
Petworth Court	
Petworth Court no longer used resulting in a saving.	(17)
Total Mitigations	(269)
Total Projected Variance on Communities Directorate Services (overspend)	364

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	Over/(Under) Spend £'000
Democratic Services	
Overspend on staff costs/salaries	23
Election Services	
Overspend on Postage costs, this overspend may increase further by the end of the financial year	50
Additional costs due to introduction of ID when voting in person	65
Marketing and Communications	
Marketing & Communications are reporting a modest net overspend from pay inflation offset by minor underspends on services.	11
Financial Services	
The additional costs are related to employing interim staff, partly mitigated by an underspend on Internal Audit.	153
Corporate Management	
The overspend relates to the costs of the Commissioners and the Interim Section 151 Officer partly offset by vacancies.	259
Human Resources	
Overspend of £46,000 on temporary staff, £90,000 on the graduate programme and £3,000 on subscriptions that are not budgeted for.	139
Other minor net variations	58
Total Projected Overspends	758
Mitigations	

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Corporate Resources Directorate..cont	Over/(Under) Spend £'000
Legal Services	
Underspend due to a vacancy - Head of Legal	(77)
Underspend due to reduction in external printing	(65)
Election Services	
Saving arising from scaling back Civic and Mayoral events and services	(25)
Total Mitigations	(167)
Total Projected Variance on Corporate Resources Directorate Services (overspend)	591

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 Section 114 report highlighted that the Council as a result of prior year incorrect accounting treatment has no balances and in fact they are negative. The Council has moved from a budgeted position of receiving interest from short term investments on cash balances to paying interest on short term PWLB borrowing. This has resulted in a forecast adverse variation compared to the budget of £3.4m.

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 improvement recovery 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

Activity Area	Estimate 23/24
	£
Programme	259,500
Human Resources	330,000
Companies	945,000
Procurement	100,000
Asset Management	350,000
Finance	770,000
Organisational Change	580,000
Corporate Centre	55,000
Total	3,389,500

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