

EXECUTIVE – 16 NOVEMBER 2023

FINANCIAL MONITORING REPORT
BUDGET MONITORING AND FORECAST 2023-24 - QUARTER 2

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 September 2023 (Quarter 2) 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.

Reporting Person: Eugene Walker, Interim Finance Director & Section 151 Officer
Email: eugene.walker@woking.gov.uk, Extn: 3070

Contact Person: Chris White, Business Support Manager
Email: chris.white@woking.gov.uk, Extn: 3225

Portfolio Holder: Councillor Dale Roberts
Email: clldale.roberts@woking.gov.uk

Financial Monitoring Report - Budget Monitoring and Forecast 2023-24 - Quarter 2

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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 £1.2 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 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 September 2023 (Period 6) 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 £7.5m based on the information available as at Period 6 (September 2023).
- 2.2 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 £2,306,000 deficit, a worsening in the deficit (overspend) of £970,000.
- 2.3 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. 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.
- 2.4 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) 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 continues to be undertaken by all budget holders to identify any savings to mitigate the overspend. The results of this will feed into the future monitoring reports.

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3.0 Monitoring Frequency

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

4.0 General Fund Forecast Outturn

4.1 The September 2023 outturn forecast is summarised in Table A below and further shown by Directorate at Table 1. Tables A and 1 show a projected overspend of £7.5m for the year, compared with £6.2m projected overspend reported for June (Q1). This represents an increase in the projected overspend of £1.3m.

4.2 To put this projected overspend into context against the Council's approved budgets estimates for 2023/24, the monitoring is showing overspends of:

- £4.130m against net Service Budgets of £8.872m. This represents a variance of 47%.
- £3.400m against net Corporate items Budgets of £15.603m. This represents a variance of 23%.
- £7,530m combined variance against a net budget of £24.475m. This represents a combined variance of 31%.

4.3 This forecast variance (overspend) analysis is on a budget for 2023/24 that had planned to utilise £8.346m from reserves in order to provide a balanced budget. The forecast variance of £7.530 in this report is in addition to the planned utilization of £8.346m from reserves.

4.4 To put the Q2 2023/24 financial monitoring position in context, the amount the Council had budgeted 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 budget planning purposes of circa £16m i.e. almost 100% 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 Within the detailed variance monitoring at Tables 2, 3 and 4, the following extract analysis provides a high level overview of the key strategic variances:

Table A

Summarised Service Variances

Reduced Car Park Income	£1.853m	
Investment property assets trading performance	<u>£1.125m</u>	<u>£2.978m</u> (1)
Leisure operating costs and income shortfall	£0.254m	
Women's Support Centre	£0.250m	
Temporary accommodation budgets	£0.225m	
Other service variances	£1.013m	
Savings mitigations (savings)	<u>(£1.150m)</u>	<u>£0.582m</u> (2)
Corporate resources management and finance staffing	<u>£0.570m</u>	<u>£0.570m</u> (3)
Total Service Variances	£4.140m	£4.140m
Corporate Items	£3.400m	(4)
Total	£7.540m	

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As can be seen from the above analysis:

Note (1) £2.978m of the £4.140m service variance (72%) are due to car parking and investment property reduced income forecasts. These budgets are exceptional in the General Fund due to the size of these budgets when compared to the remainder of the General Fund budget of the Council.

The Council budget has a dependency of c£30m income from the trading of car parks and the Investment Property estate and does not have the resilience or flexibility in the remaining Council budgets to be able to deal with this magnitude of variance in the generated income from these investments.

Due to the Council's financial position, it does not have any "reserves" to enable it to manage any volatility in the economic performance of these assets and smooth variances over a medium-term trading period and therefore in-year variances are required to be managed within the overall Council general fund budgets.

Note (2) There are £1.730m of in year forecast service variances (overspends). Service managers have identified and taken actions to find savings of £1.150m that mitigate these forecasted overspends, resulting in a net forecasted variance of £0.582m.

Whilst service managers will continue to seek opportunities to identify further savings opportunities to mitigate overspends, it is not possible to identify the level of further savings that would materially contribute to mitigating the forecasted overspends identified in Note (1). This circumstance is a factor of the disproportionate size of investment into car park and investment property assets when considered alongside the size of the general fund for the Council.

Note (3) Represents the additional resources that have had to be invested in the finance and corporate management functions resulting from the Council's investigations into prior years financial practices (Section 114) and financial recovery actions that cannot be charged to the Fit for the Future Change programme. Whilst it is recognised these additional resources are increasing the in-year projected overspend, they do represent unavoidable costs and are essential in order for the Council to be able to report on and manage its financial performance.

Note (4) The corporate items are largely financing and treasury management in year variances and primarily relate to investment and regeneration activity. When considered alongside the variances at Note (1), relating to investment assets, they account for £6.378m of the £7.540m (85%) of the overall budget variance.

Table 1

	NET BUDGET £'000	FORECAST OUTTURN £'000	Q2 OVER SPEND £'000	Q1 OVER SPEND £'000
Place	(3,888)	(2,456)	1,432	1,798
Communities	2,261	3,158	897	364
Corporate Resources	10,499	12,310	1,811	591
TOTAL SERVICE BUDGETS	8,872	13,012	4,140	2,753
Corporate Items [not updated this month]	15,603	19,003	3,400	3,400
NET BUDGET	24,475	32,015	7,540	6,153

4.7 The key variations are set out in paragraphs 5 to 7 below, with an indication of any mitigating actions which are proposed or already underway.

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- 4.8 The previous quarter's figures are now included against each of the key variations in paragraphs 5 to 7 below to indicate 'direction of travel'. Any major items that are new this month are marked as such.
- 4.9 Leisure and Property Services were included under Place for the Q1 report. Leisure is now part of Communities, and Property Services is within Corporate Resources. The Net Budget in the table below has been adjusted to reflect these movements.

5.0 Place Directorate

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

Table 2

Place Directorate	Q1 Over / (Under) Spend £	Q2 Over / (Under) Spend £	Impact on deficit - change from Q1 to Q2 £
Development Management			
Fee income looks likely to be close to target for the year. If the current proposals for a national fee increase are implemented in the next couple of months then this position should be improved, depending on start date. However, the expected increase in expenditure relates to the costs involved in defending the Council's decision, at public inquiry, to refuse the planning application at Technology House. This results in an overall overspend of £17,000.	100,000	16,799	(83,201)
Building Control			
There is now a significant shortfall emerging due to the effects of the interest rates on the construction market and mitigating actions are being reviewed to reduce overheads in staffing.	96,085	176,085	80,000
Parking Services			
There are overspends on business rates of £701,000 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 for Red Car Park had not been budgeted for resulting in an estimated overspend of £148,000. 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 £45,000. Newly signed cleaning contract enables a saving of £34,000 in Red and Green car parks which can partly offset the overspends.	1,367,000	1,853,000	486,000

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<p>The forecast outturn for car park incomes including parking fees and season tickets are less than the estimated income target by £1.27m. Two separate service faults during August and September affected cash and card payments which resulted in a loss of income. Despite this impact, the total income for April to September is around £380,000 more than for the same period last year. The Parking strategy is due by the end of November. We anticipate introducing a new tariff structure early in 2024 which could see an increase in income for the final two months. Estimated increases of £290,000 from PCN Penalty Charge Notice income partly offset the overspends.</p>			
Environmental Health and Housing Standards			
<p>An estimated reduction in the number of inspections for animal welfare licences will reduce income of £13,000. The removal of internal contributions from Parks and Countryside for patrols and dog control reduce income by £48,000. The additional costs for security out of hours handling covered partly by recharge result in an overspend of £3,000, However, there are savings of £15,000 from less estimated expenditure on equipment and marketing, and additional income from penalty charges on HMO licenses. 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>	23,000	10,000	(13,000)
Licensing			
<p>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.</p>	8,000	29,000	21,000
HIF project			
<p>There are overspends of £16,000 in Employee costs. We are seeking to recover these costs from Homes England. Progress will be reported in a future Budget Monitoring Report.</p>	20,291	16,000	(4,291)
Total Projected Overspends			
	1,614,376	2,100,884	486,508
Planning Strategy			
<p>A Planning Policy post is vacant, and there are currently no plans to recruit. A temporary member of staff has been used to cover the Planning Policy Manager's post. From October this post will be filled on a permanent basis. CIL administrative costs will be charged to CIL receipts at year end in line with legislation.</p>	(94,000)	(71,303)	22,697

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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.	(92,605)	(103,055)	(10,450)
Waste and Recycling			
There are overall savings of £145,000 from Waste and Recycling due to estimated reducing variable costs in waste collection, increase of recycling credit and higher level of payments for bin replacement as the bin stock ages. The estimated slightly lower take up of garden waste subscriptions offsets part of the savings.	(145,237)	(145,000)	237
Green Infrastructure			
A vacant post in Green Infrastructure contributes savings of £11,000. Additional savings of £66,000 are expected from reducing non-essential activities 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. 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 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.	(50,000)	(186,000)	(136,000)
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 £31,000. 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.	*NEW*	(74,000)	(74,000)

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Fees and Charges			
Proposed increases in various Fees and Charges from 1st January 2024 should generate additional income.	*NEW*	(79,292)	(79,292)
Other Minor Variations	25,300	(10,565)	(36,865)
Total Mitigations	(356,542)	(669,215)	(321,673)
Total Projected Variance on Place Directorate Services ([overspend])	1,257,834	1,431,669	173,835

6.0 Communities Directorate

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

Table 3

Communities Directorate	Q1 Over / (Under) Spend £	Q2 Over / (Under) Spend £	Impact on deficit - change from Q1 to Q2 £
Leisure (was under Place in Q1)			
Freedom Leisure are unlikely to make the full leisure management fee payment in this year. This is linked to both recovery from the covid lockdowns seeing lower numbers of attendees although most areas have now recovered (Sept 2023) and the huge increases in the cost of goods. With significant price increases from January this should put the contract in a much better position for next year.	125,546	125,546	0
Energy costs, which are the responsibility of the Council under the Leisure Management Contract, are likely to be over this year. Closure of certain areas of the building is driving this cost down.	56,906	128,000	71,094
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.	258,356	258,464	108
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.	*NEW*	85,832	85,832

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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.	(12,000)	7,105	19,105
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.	*NEW*	10,742	10,742
Housing Options/Needs/Enabling			
There is an overspend of £111,865 on the Housing Options staffing budget and £13,177 on the Housing Services Staffing budget, and savings of £36,090 in the Lets Rent/PSL team.	265,281	91,056	(174,225)
There is an overspend of £184,135 in Housing Options due to an overspend in Bed & Breakfast expenditure, though there is an improvement in income collection and Government rent subsidy, being an over-recovery against budgets of £113,666 and £123,895 respectively. 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 Thamesway 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.	-	231,885	231,885
There is an anticipated overspend of £224,603 in temporary accommodation budgets. Though there has been a savings in expenditure of £38,010, this overspend is due to the under-recovery of income £122,186 and an error in budget setting of Government subsidy rent rebates £140,427.	109,719	224,603	114,884
The Private Sector Leasing Scheme is showing an overspend of £5,087 due to under-recovery of income. The position of the PSLs' have improved from £79,016 overspend in 2022-23 to an anticipated overspend of £47,930 in the current year.	-	5,087	5,087
Other Minor Variations	(17,000)	191,458	208,458
Total Projected Overspends	786,808	1,359,777	572,969
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

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Social Prescribing			
Two vacancies that are being recruited to. Fully funded posts.	(18,541)	(12,652)	5,889
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.	(111,960)	Included elsewhere	111,960
Brockhill			
Two staff left and posts will not be recruited to resulting in a saving.	(15,533)	Included elsewhere	15,533
Homelessness Directorate Funding			
The Homelessness Directorate is showing an surplus of £214,097. This is because an unbudgeted Homelessness grant income of £229,912 was received in Aug 2023 that will help meet additional costs.	*NEW*	(214,097)	(214,097)
Let's Rent Scheme and Other Housing Service Expenses			
The Let's Rent scheme is showing savings of £85,135 due to a reduction in specific initiatives (for example, tenant training and targeted incentive schemes) compared to previous years.	*NEW*	(85,135)	(85,135)
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.	*NEW*	(10,565)	(10,565)
Fees and Charges			
Proposed increases in various Fees and Charges from 1st January 2024 should generate additional income.	*NEW*	(46,062)	(46,062)
Total Mitigations	(240,184)	(462,661)	(222,477)
Total Projected Variance on Communities Directorate Services [overspend]	546,624	897,116	350,492

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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	Q1 Over / (Under) Spend	Q2 Over / (Under) Spend	Impact on deficit - change from Q1 to Q2
Property Services (was included under Place in Q1)			
<p>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.</p> <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 £114,250.</p> <p>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).</p> <p>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.</p> <p>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.</p> <p>Until legal advice is received the forecast for monitoring purposes is that these monies will be expended.</p>	357,000	1,124,250	767,250

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<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 Provision 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>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>			
Election Services			
Additional costs due to introduction of voter ID	115,000	65,000	(50,000)
Marketing and Communications			
Small overspend from pay inflation, offset by minor underspends on services	11,000	4,618	(6,382)

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Financial Services			
The overspend relates to the costs of interim staff, partly mitigated by Internal Audit savings.	153,000	144,568	(8,432)
Corporate Management			
The overspend relates to the costs of the Commissioners and the Interim Section 151 Officer partly offset by vacancies.	259,000	301,000	42,000
Human Resources			
Overspend on Temporary staff, £104k on Graduate Programme and £3k on Subscriptions that are not budgeted for.	139,000	113,945	(25,055)
Democratic Services			
Overspend on staff costs/salaries	23,000	23,000	0
Other Minor Variations	58,000	201,554	143,554
Total Projected Overspends	1,115,000	1,977,934	862,934
Legal Services			
Head of Legal vacancy, partially offset by Pay Award.	(142,000)	(121,878)	20,122
Underspend due to reduction in external printing.			
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.	*NEW*	(20,000)	(20,000)
Total Mitigations	(167,000)	(166,878)	122
Total Projected Variance on Corporate Services Directorate Services ([overspend])	948,000	1,811,056	863,056

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. The capital financing and interest budgets are subject to further detailed work and will be updated again in quarter 3.
- 8.2 The interest received from Council owned companies (Victoria Square and Thamesway) is budgeted at £42.1m per annum. Council companies do make positive earnings before interest payments, taxation, depreciation and amortization (EBITDA) but they do not make sufficient earnings to meet their interest payment liabilities. Interest payments have been suspended so far this year as part of the work with Commissioners and Government, which clearly has a large potential effect on the Council's finances. 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 as part of the s114 notice in June. The costs arising from

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this are being rolled up as part of a wider asset disposal strategy and debt reduction plan that allows the Victoria Square scheme and phases of the Sheerwater scheme to be completed in order to maximise asset values and avoid additional costs. The final treatment of the suspended costs will be part of the overall solution to the crystallisation of the £1.2billion deficit that the s114 notice flagged.

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 £1.336m deficit budgeted in February to a forecast £2.306m deficit at the end of September, a worsening in the deficit (overspend) of £0.970m 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. The work to date is highlighting an overcharge to the HRA for staffing and support services which will need rectifying in 2023/24.
- 10.4 For 2023/24 there is a forecast overspend on the HRA of £2.306m, which is greater than the £1.515m reserves position at the beginning of the year, and consequently would result in the account being overdrawn by £0.771m at 31st March 2024. This position is expected to be addressed through the review of recharges which will both improve the reserves position and reduce the in- year forecasted overspend.

Table 6

Housing Revenue Account	2023/24 Original Budget £'000	2023/24 Annual Projection September £'000	Forecast Variance (Surplus)/ Deficit £'000	Comments
EXPENDITURE				
Supervision & Management				
Estate Management	5,730	5,804	74	This is because of decant and removal costs of (£113k) and overspend of (£13k) on Lakeview Cost Centre. This is reduced by other various underspends within the area. The underspends are Legal (£30k), Hale End Cleaning & Grounds Maintenance budgets, (£13k).
Rent Accounting/Collection	363	377	14	
Home Support Service	774	796	23	Overspend on payment to other local authorities and council tax payments.
Tenant Participation	63	57	(6)	Underspend on external printing.
Democratic Process	1,742	1,742	0	
Repairs Administration	885	981	96	The overspend is mainly due to non-achievement of the estimated Income from Management Income (previously Schedule 6) (£25k), and the cost of temporary staff (£71k).
Transfer to Hardship Fund	10	0	(10)	It is anticipated that the hardship budget will not be spent in 2023/24.
Supervision & Management - Total	9,566	9,756	190	
Depreciation	3,956	4,295	339	This is because of the inclusion of Hale End properties. Forecast based on 2022/23 outturn.

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Table 6 (cont.)

Housing Revenue Account	2023/24 Original Budget	2023/24 Annual Projection September	Forecast Variance (Surplus)/ Deficit	Comments
Repairs & Maintenance				
Day to Day Repairs	2,788	4,248	1,460	The projected overspend for the year has increased by £96k from previous month forecast of £1364m. This is due to the movement of costs that have previously been in capital budgets. These are the costs for Brockhill Waking Watch (£347,496) and the Sheerwater Security Costs (£101,713). The impact of these costs has been mitigated by a reduction in the projected overspend on communal gas (£16,806), this is due to the tendered costs being finalised and accurately projected. Further mitigation is achieved by a reduction in projected void costs. The redesign of the void specification has started to show results, with average void property costs reducing from £4,142 to £1,942 in 3 months. The overall reduction in estimated void costs is £109,110. The final mitigation action is to renegotiate elements of the Mountjoy repairs contract. This will provide significant overhead savings to reflect a smaller, service driven provision (savings estimated at £240,000). Whilst there is still an overspend, officers are managing the contracts tightly to bring the figure down.
HRA Statutory	434	398	(36)	Repairs based on contract price. Underspend projected against the budget.
	3,222	4,647	1,425	
Debt Management Expenses	36	71	35	Forecast based on 2022/23 outturn position.
Capital Financing Charges	5,541	5,487	(54)	
TOTAL EXPENDITURE	22,321	24,256	1,934	
INCOME				
Dwelling Rents	(19,341)	(20,468)	(1,127)	Additional income from the rent uplift of 7%. Sheerwater voids are included in the dwelling rents forecast.

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Less Voids	185	1,941	1,755	Increase in voids and the empty properties in the Sheerwater regeneration scheme reflected in the forecast. Please refer to comment above on Sheerwater voids.
Less Write offs	57	57	0	
Dwelling Rents - Total	(19,098)	(18,470)	628	
Service Charges & Other Income	(1,885)	(2,890)	(1,005)	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.
Dwelling Rents / Service Charges - Total	(20,984)	(21,360)	(376)	
Interest on Reserves	(1)	(1)	0	
Other Receipts (Sheerwater)	-	(589)	(589)	Sheerwater reimbursements originally accrued in 2022/23 were cancelled. Income is now expected in 2023/24.
TOTAL INCOME	(20,985)	(21,950)	(965)	
HRA (SURPLUS) / DEFICIT	1,336	2,306	970	
HRA Opening Reserves		(1,515)		
Estimated HRA Closing Reserves		771		

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