

Surrey Heath Borough Council

Executive

18 July 2023

Revenue Budget 2022/23 Outturn Report

Portfolio Holder:	Cllr Leanne Macintyre - Finance
Date Portfolio Holder signed off:	28 June 2023
Strategic Director:	Bob Watson
Report Author:	Greta Ratkeviciute
Key Decision:	No
Wards Affected:	All

Summary and purpose

To provide the Executive with a summary of the budget and financial performance for the financial year 2022/23 – up to accounting period ending 31 March 2023.

Recommendation

The Executive is advised to RESOLVE that

- (i) the spend against the approved revenue budget for the period 1 April to 31 March 2023 and the end of year outturn be noted; and
- (ii) the carry forward of budget from 2022/23 to 2023/24 be agreed and added to the 2023/24 annual budget.

1. Background and Supporting Information

- 1.1 This is the final monitoring report against the 2022/23 approved revenue budget as at the 31 March 2023 (end of the financial year 2022/23).
- 1.2 At the end of the year the Council's services have reported an underspend position of **£0.112 million** in their outturn of net expenditure against the annual working budget. At the end of the third quarter, services were predicting an outturn forecast overspend of £0.117 million.
- 1.3 Budget adjustments from the budget agreed at Council in February 2022 have been applied to give a 'working budget' as follows:

<u>Service</u>	Budget agreed at Council	Carry forwards agreed by Executive	Star Chamber savings	Supplementary Estimates agreed at Executive	Working budget
	£000s	£000s	£000s	£000s	£000s
Environment and Community	£7,904	£15	(£207)	£0	£7,712
Finance and Customer Services	£1,918	£0	(£38)	£70	£1,950
HR, Planning & Communication	£3,746	£23	(£92)	0	£3,677
Investment and Development	(£1,310)	£64	(£105)	£13	(£1,338)
Legal and Democratic Services and Strategic Management	£1,369	£3	(£26)	£0	£1,346
Planning	£1,102	£178	(£180)	£0	£1,100
Corporate Budget	£60		£475		£535
Overall Position	£14,788	£283	(£173)	£83	£14,982

- 1.4 Carry forward budgets agreed at Executive from 2021/22 have been included in the 2022/23 budgets.
- 1.5 £647.5k of identified efficiencies, savings and additional income as part of 'star chamber' process earlier in the year have been applied to the 2022/23 budgets.
- 1.6 Working with their finance business partners, services have reviewed their budgets and considered their forecast outturn position; the high-level summary by service is below:

<u>Service</u>	Working budget	Actual net outturn	Net Variance	
	£000s	£000s	£000s	
Environment and Community	£7,712	£7,481	(£231)	Favourable
Finance and Customer Services	£1,950	£2,799	£850	Adverse
HR, Planning & Communication	£3,677	£3,426	(£265)	Favourable
Investment and Development	(£1,338)	(£1,421)	(£84)	Favourable
Legal and Democratic Services and Strategic Management	£1,346	£1,271	(£75)	Favourable
Planning	£1,100	£1,102	£2	Adverse
Corporate Budget	£535	£213	(£321)	Favourable
Overall Position	£14,982	£14,870	(£112)	Favourable

1.7 Variance figures shown in 'Black' and positive value are an adverse variance: this means either an overspend on expenditure or an under achievement of income (or a combination of the two). Variance figures shown in 'Red' and in brackets are a negative value and represent a favourable variance meaning either an underspend on expenditure or an over achievement of income (or a combination of the two).

1.8 **Service commentaries.** The services are predicting an outturn position as highlighted below, with explanations of major variances:

Service area and detail	Variance £ 000
Environment and Community Net impact of staff efficiencies and intentional management of vacancies to deliver corporate budgeted targets.	(168)
Cost savings within the Community Services Partnership resulted from fewer customers returning to the service than anticipated following the Covid Pandemic. The temporary cost reductions relate to one-off staffing and revenue savings that were made in-year. As the rate of service take-up improves, as a result of more targeted communication and marketing this year, the costs are expected to return to budgeted levels.	(165)
Overspend on JWS core charges due to inflationary uplift on the contract being calculated after original budget had been set by Council in February. This was known about and tracked throughout the year and classed as a justifiable and unavoidable overspend.	95
Finance and Customer Service and Corporate budgets Higher agency costs within the Accountancy team in order to cover vacant posts due to staff resignations and difficulty in recruiting suitable permanent replacements (this outturn position is net of permanent staffing costs).	173
An increase in the drawdown on the pension holding account. This was unbudgeted at the start of the year because Surrey County Council (the fund administrators) only notified the Surrey Districts and Boroughs of the increased level of contributions after budgets had been set in February.	313
Engagement of consultancy technical accountancy support for closing of annual statements of accounts (FY 2019/20, FY 2020/21 and 2021/22).	130
There was a contingency budget for potential costs relating to unauthorised encampments and an employment matter which was not required/reclaimed	(69)

HR, Performance and Communications	
Net impact of staff efficiencies and intentional management of vacancies to deliver corporate budgeted targets due to restructure within Communication Service which took effect from 1 st of December	(88)
Additional Income : including (£34k) for Sanctuary scheme and (£15k) grant for Kickstart training programme.	(75)
Sum of net efficiencies within the Supplies and Services element of budgets across a number of cost centres	(106)
Investment and Development	
Net impact of staff efficiencies and intentional management of vacancies to deliver corporate budgeted targets whilst service resources are stabilised and recruited.	(170)
Engagement of specialist agency staff to cover business critical projects	97
Legal and Democratic Services and Strategic Management	
Intentional management of vacancies to deliver corporate budgeted targets through planned recruitment delays.	(69)
Additional grants and elections income – including elections grant, audit grant and income from Bisley Parish for by-elections in November 2021	(45)
Sum of net efficiencies within the Supplies and Services element of budgets across a number of cost centres	(27)

1.9 **Supplementary Estimate.** During the year there have been three additional supplementary budget estimates totalling £83,000. The third supplementary estimate was agreed during Quarter 4 for £55,000, to support activities provided by Collectively Camberley Limited; these are within the Camberley Town Centre and support the Council's economic development aims.

1.10 **Star Chamber process.** Executive on 16 June 2022 received and reviewed a report on the Star Chamber review of services. At the meeting they agreed to accept several the proposals in the report. These are summarised below:

Star Chamber agreed efficiencies (all figures in £ 000)

	2022/23	2023/24	2024/25	2025/26	Total
MTFS target	475	425	300	150	1,350
Star chamber	647.5	482.5	34	5	1,169

2. Carry forward of budget to 2023/24

- 2.1 Carry forward of approved budget from 2022/23 to 2023/24 are only permitted for items of one-off expenditure to allow the completion of a project or a specific piece of work that was budgeted for in 2022/23 and if not approved, will create a pressure on the in-year budget in 2023/24 or the piece of work will not be completed.
- 2.2 Services have requested carry forward of budgets to the current financial year (2023/24) as follows:

<u>Service</u>	Carry forward £000s
Environment and Community	£24
HR, Planning & Communication	£32
Investment and Development	£11
Planning	£147
Overall Position	£214

- 2.3 The full details of each carry forward request are listed at **Annex A** to this report.
- 2.4 As a general rule, services requesting carry forwards should be in an underspent position at year end, and only in exceptional circumstances will the overall corporate underspend be used.

3. Reasons for Recommendation

- 3.1 It is imperative for strong financial management that the revenue budgets are reviewed regularly and reported on a quarterly basis to both the Performance and Finance Scrutiny Committee and to the Executive.
- 3.2 This report was presented to the Performance and Finance Scrutiny Committee at its meeting on 12 July 2023.

4. Proposal and Alternative Options

- 4.1 The Executive is asked to note the report on the 22/23 Revenue Budget for the period 1 April to 31 March 2023 and approve the carry forwards as proposed.
- 4.2 Alternatively, the Executive may just note the report and make further recommendations on any or all of the carry forward requests.

5. Contribution to the Council's Five-Year Strategy

- 5.1 The budgets agreed at Council are aligned to and support the approved five-year strategy.

6. Resource Implications

- 6.1 The budget monitoring is related back to the original budgets set at Council in February 2022, adjusted as detailed to form the working budget for the year.

7. Section 151 Officer Comments:

- 7.1 The underspend at year end will be added to the Council's General Fund Balance.
- 7.2 The Star Chamber process has proved very successful in delivering on the budget reviews and has nearly achieved the four-year target set in the MTFS. A base budget review process is already underway in the current financial year.
- 7.3 The current national economic situation will continue to create pressures on future year budgets and this will be accounted for in the revision of the current MTFS that will be presented to Council in February 2024.
- 7.4 A glossary of accounting terminology is attached at Annex B.

8. Legal and Governance Issues

- 8.1 The revenue budget is monitored monthly by the service manager and the finance team and reported to senior management; it is reported to both the Executive and Performance and Finance Scrutiny Committee quarterly.

9. Monitoring Officer Comments:

- 9.1 The Committee's terms of reference includes the function to monitor, review and to report to the Leader/ Executive in relation to the performance of the Council's services.

10. Other Considerations and Impacts

Environment and Climate Change

10.1 Details of these are in the individual service areas that the budgets support

Equalities and Human Rights

10.2 Details of these are in the individual service areas that the budgets support

Risk Management

10.3 Inadequate budget monitoring represents a reputational and financial risk to the Council.

10.4 Regular financial monitoring enables risks and budgetary pressures to be highlighted and addressed at an early stage so that mitigating actions can be taken.

Community Engagement

10.5 Where necessary engagement will be taken through individual service areas the budgets support

GLOSSARY OF TERMS

Term	Description
<i>Accounting period</i>	The timescale during which accounts are prepared or reported on.
<i>'Accounts Payable'</i>	The section and/or system within the Council that is responsible for paying the Council's creditors and invoices raised against the Council.
<i>'Accounts Receivable'</i>	The section and/or system within the Council that is responsible for invoicing and collection from the Council's debtors and for invoices raised by the Council.
<i>Accrual</i>	The recording within the accounts of the Council the cost of goods or services received and for which an invoice has been received but for which payment has not yet been made.
<i>Accrual accounting</i>	The practice of accounting for goods and services when they are received/provided rather than when they are paid for/payment received.
<i>Annual budget</i>	The income and expenditure plans for the financial year (1 April to 31 March); set by Council in February before the year starts.
<i>Asset</i>	A present economic resource of the Council to which it has a right or other type of access that other individuals or organisations do not have. Something the Council owns.
<i>Balances</i>	A figure representing the difference between credits and debits in an account; the amount of money held in an account. Also known as 'financial reserves'.
<i>Base budget</i>	Estimate of the amount required to provide services at current levels. Can also be referred to as 'rollover budget'.
<i>Budget Monitoring</i>	The process comparing of actual income and expenditure against budget; used to support budgetary control.
<i>Business Rates/NDR*</i>	Rates are payable on non-domestic property including libraries, offices, schools. The level of business rates is set by the Government and collected by the District Councils on their behalf. The money is then re-allocated to authorities in

Term	Description
	accordance with ratios and tariffs/top-ups set by central government.
<i>Capital Asset</i>	Capital or Fixed assets are long-term resources, such as plant, equipment and buildings.
<i>Capital Charges</i>	A charge to services to reflect the cost of fixed assets used in the provision of those services
<i>Capital expenditure</i>	Expenditure on items that create an asset which has a long-term benefit of more than one year.
<i>Carry forward [of budget]</i>	Budgets unspent in a prior year that have (once approved) been added to the current year budget. Strict rules on what can be 'carried forward' apply.
<i>Chart of accounts</i>	The hierarchy of recording income and expenditure within the Council's accounts. The main distinctions are between fund e.g. County fund, Pension Fund; objective e.g. service or cost centre; subjective e.g. the classification of expenditure between salaries, equipment, stationery, fuel costs etc.
<i>Commitment</i>	A commitment to spend occurs when an order is raised
<i>Cost centre</i>	A collection of subjective codes (qv) linked to a particular service or sub-service area.
<i>Creditor</i>	A person or company to whom the Council owes money.
<i>Debtor</i>	A person or company who owes money to the Council
<i>Depreciation</i>	The accounting method of amortising the value of an asset over its useful life
<i>Dwelling</i>	A property liable for Council tax.
<i>Ear marking</i>	Setting aside funds for specific purposes
<i>[Financial] reconciliation</i>	Financial reconciliation is the accounting process by which two different data sets are compared to verify that the information within them is accurate. Reconciliation is an important business accounting practice that ensures the reliability of the Council's financial records.
<i>Financial Regulations</i>	Rules of financial management that apply to all officers and members of the Council. These form part of the Council's Constitution can be found on the Council's Website.

Term	Description
<i>Financial Year</i>	Period of twelve months commencing on 1 April and ending 31 March the following year.
<i>Forecast Outturn</i>	A projection of anticipated expenditure incurred and income received to provide an estimate of the service position at the end of the year compared to the planned budget.
<i>Funding</i>	Source of income to support service expenditure – can be capital or revenue
<i>General Fund</i>	The main revenue account of the Council through which day to day transactions are conducted.
<i>General Ledger</i>	A collection of accounting records detailing the authority's transactions and balances
<i>Hereditament</i>	A building or premises liable for Business Rates
<i>Incremental budgeting</i>	A process of budget setting, starting with the base budget and increasing/decreasing it by growth/efficiencies to set the following year's budget.
<i>Internal Audit</i>	A team that works to protect the Council's assets and assist managers in improving their use.
<i>Invoice</i>	A bill – a request for payment for goods or services received
<i>Journal</i>	The transfer of actual income or actual expenditure from one code to another, more appropriate code. Note: movement of budgets is classed as a 'virement' (qv)
<i>Medium Term Financial Strategy (MTFS)</i>	The Council's strategy for the management of its resources during the next four years, which remains under rolling review, and directly links to the service planning process.
<i>Liability</i>	The Council's financial debt or obligations that arise during the course of its business operations. Liabilities are settled over time through the transfer of economic benefits including money, goods or services.
<i>(N)NDR</i>	(National) Non-Domestic Rates – see business rates (qv)
<i>Profile of budget</i>	A term used to describe the pattern of expenditure or income that is expected to occur over a period of time.

Term	Description
	Designed to reflect actual spend or income to allow better budget monitoring.
<i>[The] Prudential Code</i>	The authority which enables the Council to set its own borrowing limits as part of the budget setting processes.
<i>Reserves</i>	Amounts set aside for general contingencies and to provide for working balances, or can be earmarked for specific future expenditure.
<i>Resources</i>	Includes cash, staff, equipment, property, stocks, etc.
<i>Revenue expenditure</i>	Expenditure on 'day-to-day' items required to support the running and/or the provision of the Council services
<i>Revenue Support Grant (RSG)</i>	The Revenue Support Grant (RSG) - a Government grant providing general support for Council services.
<i>Subjective Code</i>	A code describing expenditure or income by type e.g. salaries costs, premises costs. Can also be called "accounting code"
<i>Supplementary Estimate</i>	An in-year increase in budget – normally necessitated by a new burden or an in-year pressure not identified at budget setting. Approval varies by value and details are outlined in the Council's Financial Regulations.
<i>Tariff</i>	Additional business rates paid over to central government. SHBC are a 'tariff' authority.
<i>Top-up</i>	Additional business rates paid over by central government to local authorities. SHBC are not a 'top-up' authority.
<i>Treasury management</i>	The term for all the activities and processes involved in managing the Council's money. This includes tasks like liquidity and cash-flow forecasting, investing, risk assessment, and day-to-day operations like banking and invoicing.
<i>Ultra Vires</i>	A Latin term meaning 'beyond the powers'.
<i>Variance</i>	Difference between budget and actual income or expenditure. May be favourable (more income or lower spend than budgeted) or unfavourable/adverse (less income or more spend than budgeted)

Term	Description
<i>Virement</i>	Formal transfer of funds from one budget to another. Does not change the Council's overall budget.
<i>Zero based budgets</i>	The construction of a budget based on the needs of the Council without reference to previous expenditure history.