

Surrey Heath Borough Council

Executive

19 July 2022

End of Year Finance report and Budget Carry Forwards

Portfolio Holder:	Councillor Robin Perry- Finance
Strategic Director/Head of Service	Bob Watson
Report Author:	Bob Watson
Key Decision:	yes
Date Portfolio Holder signed off the report	1 July 2022
Wards Affected:	All

Summary and purpose

To provide the Executive with a high-level view of the revenue outturn for 2021/22 and to detail the requests for revenue budget carry forwards from 2021/22 to 2022/23.

Recommendation

The Executive is advised to RESOLVE that

- (i) note the spend against the approved revenue budget for the period 1 April 2021 to 31 March 2022 be note;
- (ii) the requests for carry forward of revenue budgets amounting to **£283,489** from financial year 2021/22 to the financial year 2022/23 be approved; and
- (iii) any comments and/or recommendations from the Performance and Finance Scrutiny Committee meeting held on 13 July 2022 be noted.

1. Background and Supporting Information

- 1.1 This is the report detailing the position on expenditure compared to the approved revenue budget as at 31 March 2022.
- 1.2 At the end of the financial year (as at 31 March 2022) the Council's services are reporting an overspend position of **£0.453 million**. It should be noted that this outturn for the end of the financial year was predicted at £1.600 million overspend at Quarter 2 and £0.893 million at Quarter 3.

- 1.3 The Covid-19 pandemic heavily influenced the Council's finances during this financial year, either through increasing expenditure in some areas or lower than budgeted returns being received in some of the major income producing services, such as car parking and property rents. Following decisive action by the Council and its administration in response to the mid-year reported forecast of outturn, the position has improved and this trend continues to develop as the enhanced financial management that has been introduced within the Council and with a general upturn in economic conditions not just within the Surrey Heath borough but nationally across the country.
- 1.4 The Directorate composition was reviewed and revised during the year. The budgets have therefore been re-allocated to the new structure and are shown below, along with the outturn net expenditure:

	Budget 2021/22 £	Final Actual 2021/22 £	Final Variance 2021/22 £
Chief Executive	161,934	123,243	38,691
Environment and Community	8,632,979	7,751,535	881,444
Finance and Customer Services	2,760,082	3,422,901	(662,819)
Planning	1,142,278	861,203	281,075
HR Performance and Communications	4,079,589	3,347,502	732,087
Investment & Development	(3,104,455)	(1,199,377)	(1,905,078)
Legal and Democratic Services	1,203,678	1,022,491	181,187
Total	<u>14,876,085</u>	<u>15,329,497</u>	<u>(453,412)</u>

NB: a positive value in the variance column represents a favourable variance and a negative value is adverse.

- 1.5 The budget shown above is classed as the working budget for the year. This is derived from taking the budget approved at the Budget Council in February 2021 and adjusting for any in year movements such as agreed carry-forwards from the previous financial year and any approved supplementary estimates as shown below:

Budget agreed at Feb 21 Council	£14,069,625
Carry forward and in-year adjustments	£806,460
Final Working budget for 2021/22	£14,876,085

- 1.6 A review of any actual net expenditure against budget which has generated an individual variance greater than £50,000 at the end of the year is shown in the attached **Annex A**
- 1.7 Due to Covid-19 and other factors, directorates have made a number of requests for budgets to be carried forward from 2021-22 to 2022-23, these are detailed in **Annex B**.

2. Reasons for Recommendation

- 2.1 Part of strong financial management is that the revenue and capital budgets are reviewed regularly and reported to Performance and Finance Scrutiny Committee and the Executive for review and discussion.

3. Proposal and Alternative Options

- 3.1 As this is a statement of outturn position, there is no decision to be taken and the Executive is asked to note the report on the outturn of the 21/22 Revenue Budget for the period 1 April 2021 to 31 March 2022

4. Contribution to the Council's Five Year Strategy

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

5. Resource Implications

- 5.1 The resource implications are detailed in this report

6. Section 151 Officer Comments:

- 6.1 There is a large amount of credit due to Council Officers in turning around the large deficit forecast at Quarter 2 to arrive at the final outturn position. This position, although showing an unfavourable variance is manageable within the Council's reserves.
- 6.2 The budget set at February 2022 budget Council, is, in the opinion of the Council's Chief Financial Officer (CFO), based on a more realistic expectation of income levels reflecting the current economic conditions. This should therefore reduce some of the in-year budget pressures and the level of outturn forecast variances through the current financial year.
- 6.3 Carry forwards are proposed to ensure the Council is able to spend previously awarded external funding (rather than return the funds unspent) or budgets previously approved to allow the completion of projects that would otherwise be unfunded in the current financial year. In accordance with financial regulations, any carry-forward of budgets just because they were not spent in-year is not permitted.

7. Legal and Governance Issues

- 7.1 The Strategic Director of Finance and Customer Services will monitor performance against the Council's budget on an on-going basis and will advise upon the Council's overall financial position.
- 7.2 Section 2.2.3 of the Financial Regulations confirms that The Leader/Executive must receive and approve annual revenue estimates. Section 2.3.6 also

confirms that The Strategic Director of Finance and Customer Services will monitor performance against the Council's budget on an on-going basis and will advise upon the Council's overall financial position. Section 2.6.3 confirms that any carry forward over £25,000 must be approved by the Executive.

8. Monitoring Officer Comments:

8.1 The Monitoring Officer has no further comments

9. Other Considerations and Impacts

Environment and Climate Change

9.1 Details of these are in the individual service areas the budgets support

Equalities and Human Rights

9.2 Details of these are in the individual service areas the budgets support

Risk Management

9.3 Regular financial monitoring of the revenue budget enables risks and budgetary pressures to be highlighted and addressed at an early stage so that mitigating actions can be taken.

9.4 The general cost of living pressures and the inflation rates currently prevalent in the country will impact on future budgets and will need to be managed in future budget setting processes.

Community Engagement

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

Background Papers

None

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Annexes:

- A. Review of variances by directorate (individual variances in excess of £50,000)
- B. Requests to carry forward budget to the current (2022/23) financial year

Service variances over £50,000

Chief Executive

Function	Variance £000	Notes
		No variances over £50,000

Environment and Community

Function	Variance £000	Notes
Car Parks	(376)	Car Park and season ticket revenue not achieved due to continuation of the pandemic with more people working from home and fewer and shoppers
Climate Change Action Plan	50	The Climate Change Officer was appointed mid-way through the year and due to the nature of budgeted works will require additional time to establish delivery and subsequent expenditure. A budget carry forward of £50k has been requested to take account of the above for salaries, consultancy & general services
Homelessness	594	Grants of £499k were received in-year which were not included in the budget combined with an underspend on budgeted grants. These will be carried forward as allocated expenditure against homelessness initiatives in accordance with government guidance
Housing Inspections	53	Employee cost savings of £49k.
Food Safety	55	Unbudgeted Covid grant for 21/22 of received
Recycling	124	£99k favourable variance on budget received due to share of gate fee savings from Surrey County Council for disposal of waste and interest on capital
Contract Management Overhead - SHBC share	51	Joint Waste Services Contract management fees for the Amey contract were underspent due to salary savings
Waste management contract	(51)	Agreed budget included an estimated 1% inflationary uplift. Indexation resulted in 2.64% inflationary uplift increasing the contract cost.
Garden Waste service	120	Reduction in garden waste service costs due to service disruption. Reduction in income target factored in to 22/23 budget to account for customer rebates.
Places Leisure Camberley	(174)	During the budget setting process for 2021/22, the management fee and costs for Places For People Leisure Management Ltd fees were omitted creating an in-year budget pressure, which has in part been offset by savings in New Leisure facility project of £43k. The budgets for the management fee costs and income have been included in the budget for 2022/23.

Finance and customer services

Function	Variance £000	Notes
Corp Management & Policy	(378)	The Council set a vacancy margin in the budget which is held in this cost centre, however this margin is achieved through salary underspends across the Council.
Compensation Pension Payments	(431)	Unbudgeted one-off costs for the cost of pension payments for pension strain of staff leaving and notification of pension costs by SCC after budget set.
COVID19	102	Balance of grant received in year.
Additional staff recruitment	250	This is a budget line for additional staff agreed at budget setting - this has now been absorbed into the correct service budgets.
Cost Of Coll C Tax	(196)	Mainly due to due to expenditure on IT equipment and software for the revenues service which was unbudgeted in the budget setting process, but was required in-year. Partially off-set by grants in the cost centre below.
Cost of Collection NNDR	161	Section 31 government grant was received in excess of budget for the 'new burdens' around business rate relief and payment of support grants during the pandemic
Pension Holding Account	(100)	Rising pension costs in year due to late notification from Pension Fund.
Accountancy	(145)	Use of interim staff (agency) to support the finance function; this has been partially offset by staff vacancies that have not been filled. Posts are now being filled with permanent staff where possible.
Contact Centre	67	In-year vacant posts have resulted in an underspend - overall establishment will be reduced following the Star Chamber review.

Planning

Function	Variance £000	Notes
Surrey Heath Local Plan	140	The undertaking of a number of evidence base studies has been deferred from the 2021-22 financial year to 2022-23 because the evidence is required to be informed by the outcome of the Draft Local Plan Regulation 18 consultation – this budget has been carried forward to allow the completion of the local plan.
Planning applications	68	There was an overspend that was related to the cost of consultants which was more than offset by additional income from pre-apps on major developments. In reality, this pre-app income is supposed to be used to fund additional costs of determining these applications.

HR Performance and Communications

Function	Variance £000	Notes
Revenue grants	145	This money is unspent community fund grant monies; the fund for this scheme was originally set aside over 20 years ago. This means year-on-year the fund reduces however the balance remains available and has been transferred to 22/23 budgets for community groups and charities to continue to apply for.
Information Technology	62	In response to the Council's reported overspend at the mid-year point the ICT team responded by reducing its projected spend on ICT equipment.
Human Resource and Development	184	This is as a result of changes to the HR & OD team which has come about through natural wastage and the changes to the team could be bought about due to the introduction of a new HR system which has automated a number of processes and procedures.
ICT	267	As a result of restructuring the ICT team there was a saving in salaries. Some of this money (approx. £50k) has been repurposed to improve resilience in the community safety and community development team and the remainder has been given up as savings.

Investment and development

Function	Variance £000	Notes
Economic Development	82	Lower than planned costs on grants paid and more contributions earned than originally budgeted
Strategic Property Development	181	Variance due to lower than planned consultancy costs relating to SHBC strategic development in investment property
Town Centre Investment	(785)	Budget was set at a time when the property was in the JPUT and the Council was not in direct management control. During the early part of the year the JPUT was dissolved. The budget setting proved to be overly optimistic: (1) JPUT dividends were lower than estimated, (2) the covid impact on rents and trading continued to have an adverse impact during the year.
Investment Management	(144)	Lower than planned rental income as we signed leases later on in the year and new rates reflective of changing market + interim staffing costs for 10 months in the year.
Vulcan Ind Estate	(111)	Lower than planned rental income as we signed leases later on in the year and new rates reflective of changing market, repairs and maintenance activities prioritised in the year
Trade City	(81)	Lower than planned rental income as we signed leases later on in the year and new rates reflective of changing market
Ashwood House	45	Favourable variances due to lower maintenance costs as we had fewer preventative maintenance priorities in the year, low spend of consultancy budgets offset from rental income budget pressures
Theta	(285)	Lower than planned rental income as letting of vacant space took place later than assumed.
Albany Park	(285)	Lower than planned rental income and pressures from business rates on voids
Public Offices	98	Savings from annual business rates post adjustment

Legal and Democratic Services

Function	Variance £000	Notes
Legal services	132	Reduction in employee expenses due to vacant posts and extra income from legal work for other Councils (Elmbridge BC)

Annex B**Budget carry forward requests**

	Service	Description	Amount	Comments
1	Environment and Community	Churches	£15,000	We were committed to spending the money and the works were carried out on our behalf however staff changes meant we have not reimbursed the PCCs for this activity.
2	Planning	Surrey Heath Local Plan	£135,000	The undertaking of a number of evidence base studies has been deferred from the 2021-22 financial year to 2022-23 because the evidence is required to be informed by the outcome of the Draft Local Plan Regulation 18 consultation.
3	Planning	Local Plan grant income	£43,346	The delay in spending this grant funding is because Neighbourhood Plan Forums (comprising members of local communities) have not significantly progressed their Neighbourhood Plans and therefore the funding is required to be carried forward into the next financial year to contribute towards the costs of the Council's future Neighbourhood Planning responsibilities.
4	HR Performance and Communications	Leisure Support & Development	£20,029	Whole Systems Approach to Obesity funding was received on 14 th March 2022 so the funding was not able to be spent in 2021/22 and is budgeted for spend in 2022/23. The Bike Project has been partly spent (amount received was £5,700) and the remaining spend will be in 2022/23. This will be on a combination of storage as part of a 'Men in a Shed' facility and adult cycling lessons. Old Dean Youth Club Project has not been spent for two years due to the redevelopment of the Arena Leisure Centre. The project was due to restart in the Old Dean Youth Centre but officers and councillors have been negotiating with Surrey County Council to gain access to the facility. The Eikon Charity who were the organisation that delivered youth work in the SLA have since stepped away so conversations are taking place to instruct Surrey Clubs for Young People to take their place. Local councillors are supporting this progress. Move More Feel Better has been spent throughout 2021/22 and the final cohort of participants will be taking part in the programme in June/July 2022.

	Service	Description	Amount	Comments
				Diabetic Walks has been partly spent in 2021/22 but the remainder of the funding will be spent as the scheme continues in 2022 and onwards.
5	HR, Performance and Communications	Kickstart Programme	£2,329	Underspend of grant – to be transferred from corporate training to Kickstart cost centre.
6	HR, Performance and Communications	Kickstart Programme	£600	Funding was used for Kick start employees – to also cover training costs for 2 employees
7	Investment & Development	Economic Development	£64,185	The commitment was to spend the remainder of this fund over 3 financial years, 2022/23 is the final year and will support both shop front grants and targeted business support projects
8	Legal and Democratic Services	Solicitor training	£3,000	Higher rights of audience needed to be agreed through star chamber process plus litigation solicitor did not have capacity to undertake the qualification.
	Total		£283,489	