

Surrey Heath Borough Council
Performance and Finance Scrutiny Committee
6 March 2024

Revenue Budget 2023/24
Management Report – Quarter 3

Portfolio Holder:	Councillor Leanne MacIntyre – Performance and Finance
Date Portfolio Holder signed off:	26 February 2024
Strategic Director:	Bob Watson, Finance and Customer Service
Report Author:	Greta Ratkeviciute, Corporate Accountancy Manager
Key Decision:	yes
Wards Affected:	All

Summary and purpose

To provide the Committee with a high-level view of the budget and financial performance for the third quarter of 2023/24 – accounting period ending 31 December 2023.

The Council is currently showing an underspend against profiled budgets to the end of Quarter 3 (31 December 2023). Services are predicting a year-end forecast of outturn of **£126,000 underspend** (positive variance).

Recommendation

The Committee is advised to RESOLVE that they

- (i) Note the spend against the approved revenue budget for the period 1 April to 31 December 2023 and the predicted forecast of full year outturn.
- (ii) Provide as necessary any comments and recommendations from this Committee to the Executive at their meeting on Tuesday 19 March 2024.

1. Background and Supporting Information

- 1.1 This is the third formal budget management report against the 2023/24 approved revenue budget as at 31 December 2023 (end of Quarter 3).
- 1.2 The high-level summary by service is shown below and tracks the budgetary movements from the budget set at Council in February 2023 to include agreed budgetary adjustments:

<u>Service</u>	Budget agreed at Council	Carry forwards agreed by Executive	Budget Base Review savings	Supplementary Estimates agreed at Executive	Reallocation from Corporate Line	Working budget
	£000s	£000s	£000s	£000s	£000s	£000s
Environment and Community	8,806	24	(318)	0	0	8,512
Finance and Customer Services	2,762	0	(56)	0	60	2,766
HR Performance and Communications	3,709	32	(15)	0	0	3,727
Property and Economic Development	(971)	11	(33)	0	0	(993)
Legal Democratic Services and Strategic Management	1,565	0	0	0	0	1,565
Planning	545	147	(5)	0	100	788
Corporate Financing and Debt Management	1,051	0	396	0	(160)	1,287
Overall Position	17,468	214	(30)	0	0	17,652

1.3 In addition, the table includes corporate budgets, which consists of the anticipated efficiencies from the base budget review process, repayment of debt (Minimum Revenue Provision - MRP), capital charges and corporate inflation which needs to be allocated out to services where appropriate.

1.4 Carry forward budgets of £214,000 (from 2022/23) was agreed in the outturn report by the Executive at its meeting on 18 July 2023 and is shown in the 2023/24 working budgets.

1.5 The budget figures in the table below represents the budget management position against the **working budget** for the year:

<u>Service</u>	Working budget	Profiled budget P9	Actuals P1-P9	Year-end Forecast	Forecast Variance
	£000s	£000s	£000s	£000s	£000s
Environment and Community	8,512	6,217	5,862	8,613	101
Finance and Customer Services	2,766	2,219	3,649	3,100	334
HR Performance and Communications	3,727	2,718	2,310	3,508	(219)
Property and Economic Development	(993)	(2,758)	(2,510)	(951)	42
Legal Democratic Services and Strategic Management	1,565	1,228	1,124	1,477	(88)
Planning	788	638	722	411	(376)
Corporate Financing and Debt Management	1,287	984	1,998	1,367	81
Overall Position	17,652	11,245	13,155	17,526	(126)

1.6 Service commentaries. The services are predicting an outturn position as highlighted below. Overspends are an unfavourable variance against the budget and are shown as positive numbers; underspends are a favourable variance against the budget and are shown in brackets and in red type which represents a negative number:

Environment and Community - overall overspend £100.7k:	
Car Parks: overall overspend - £152.2k:	
£61.6k for electrical maintenance works for safety reasons in Main Square	61.6k
£11.3k electricity cost is running higher than budgeted and will be for foreseeable future next year's budget has been increased to reflect that	11.3k
£8.4k - current lifts that we have are ageing assets and require substantial maintenance to make/keep them safe for public use	8.4k
£6.8k security at MSCP has always run higher than budget set, this has been corrected for 24/25 budget	6.8k
£6k - signs and lines for to be fee paying car park spaces	6.0k
£3k - increase in building vandalism occurrences	3.0k
£3k - cleaning cost is running higher than budgeted and will be for foreseeable future next year's budget has been increased to reflect that	3.0k
(£3k) - slight underspend expected for fire equipment maintenance	(3.0k)
£2.5k additional transport costs for PCN income	2.5k
£49.6k - Cash Collection-previous supplier went into administration – we are using SCC supplier at present	49.6k

3k - small decrease on overall income	3.0k
Recycling And Refuse - overall underspend - (£25.1k)	
(£22.5k) income for bins at Nicholas King Homes development. New development, as part of the planning they had to cover the cost of refuse bins which was not in our budget	(22.5k)
(£19.4k) - There has been an increase Biz refuse collection, and this is an anticipated forecast based on run-rates	(19.4k)
(£90k) - favourable contract indexation on core and variable JWS contract;	(90.0k)
£100k - Pension was undercharged and apprenticeship levy was not charged to JWS. SHBC's share is about £100k - TBC	100.0k
£5.6k - Site Maintenance - Doman Rd repairs not in forecast £13k part recharge to Amey. Amey is disputing this charge and may not pay their share so there is a risk that we may need to pay full amount	5.6k
£0.6k - small drop on income	0.6k
£0.6k small overspend on timesheet hours	0.6k
Community Services: overall underspend - (£1.7k)	
£18k - changed policy on meals at home to maintain number of vehicles but budget assumed a reduction.	18.0k
(£15k) saving expected to be achieved throughout remaining of the year within Community Services partnership with Runnymede (e.g. transport, day centre). First 3 quarters are fixed and quarter four will be final invoice and the exact amount will be confirmed	(14.9k)
(£4.1k) volume on first aiders is lower than budgeted	(4.1k)
(£0.7k) Exterior Lighting Upgrade at WVC	(0.7k)
Licensing: overall underspend - (£3.7k)	
(£5.2k) - Increase in liquor licences	(5.2k)
(£1k) increase in number of Taxi Licensing	(1.0k)
£1.3k down on gambling licenses	1.3k
£1.2k - DBS Checks -all driver checks thro umbrella co to save officer time	1.2k
Corporate Enforcement: overall underspend - (£2k)	
£2.4k - overspend on standby allowances within corporate enforcement	2.4k
(£10k) saving within Corporate Fraud & Investigations. There was a review of CFI role and post was regraded to achieve savings	(10.0k)
£2.9 Income from Court cases has not delivered as expected	2.9k
£2.7k - £1.2k - Increase demand in eco green bags; £1.5k - some other contractual inflation higher than anticipated	2.7k
Emergency planning: overall underspend - (£0.8k)	
(£0.8k) Overall under spend	(0.8k)
Environmental Services-Enforcement: overall underspend - (£4.8k)	
(£6.2k) savings from a gap between leaver and starter and we have a saving of 3 months for EH officer	(6.2k)
£1.4k - other overspend	1.4k
Highway And Public Toilet CIs: overall underspend - (£4k)	
(£4k) Lower demand for street litter bin replacement	(4.0k)
Public Health Enforcement: overall overspend - £14.7k	

£11k - Legacy budget on repayment of legal fees for court cases. This proved to be unachievable, and council has taken a view to removed that completely going forward	10.9k
£2.7k reduction of achievable income on scrap metal licences, licences are 3-year duration but were budget to renew on annual basis	2.7k
£1.1k - Contractual costs gone up more than anticipated for two contractors TAS and HIS - this is to do with statutory stand by service for EH issues	1.1k
Pest And Dog Control Services: overall overspend - £2.7k	
£2.3k - Decline in volume in pest control - based on reviewed run rate	2.3k
£1.1k - Release Fees -Budget stretch, fees increased, with chipping less council required	1.1k
(£0.7k) Overall under spend	(0.7k)
Recreation and Leisure: overall underspend (£4.8k):	
Places Leisure Camberley - overall underspend £39k	
Places Leisure Camberley: £66k - £88k additional utility cost relating to last year. This is based on benchmarking done in Apr22	63.5k
(£18.5k) Income from PL was understated	(18.5k)
(£6k) Small savings across the service	(6.0k)
Camberley Theatre: overall underspend (£14k):	
(£45k) saving on staffing cost, saving comes from 3 vacancies during the year, posts are now filled	(45.0k)
(£28k) Increased sales on Pantomime	(28.0k)
(£12.5k) saving on moving to digital printing	(12.5k)
(£10.2k) Camberley Comedy Festival finished, this was income that wasn't budgeted less equipment hire higher than anticipated	(10.2k)
(£4.5k) Extra marketing requested by performers within Theatre Marketing	(4.5k)
£25.3k RAAC inspection, investigation, and report	25.0k
£15k - running on higher electricity costs throughout the year	15.0k
£15k - unachieved income on Frimley Lodge Live as the event was not run	15.0k
£15k - NHS Frimley Respiratory Clinic ceased from Sept 23 + uptake for corporate meeting reduced due to meetings taking place online, Delay in increase due to rolling contracts for shows on sale	15.0k
£11k - Increased volume of merch, increased artist fees in line with minimum wage	11.4k
£3.8k additional spend was required at Ian Goodchild Centre for: £1.3k-window replacement and £1.5k - electricity	3.8k
£1.5k small overspends across the service	1.0k
Parks And Open Spaces: overall underspend (£17.7k):	
(£4k) savings on staffing cost, mainly for unused overtime, mainly at Frimley Lodge Park	(4.0k)
(£11k) underspend on tree surgery (SANGS Exp)	(11.0k)
£17k - unplanned spend on replacement barrier & associated security	17.1k
1k - Small overspend across the service	1.0k
£5.4k - Eco Dog bags, Frimley Green Pavilion plans	5.4k
£16.4k - Floodlight fitting & repair costs, purchase of goals, POD system web-based software	16.4k

(£8.4k) overall underspend on equipment	(8.4k)
(£30.7k) change in contract /increase in rent from cafe, Payment for Lightwater Barrier - insurance claim	(30.7k)
£4k - offset by negative impact of a new contract for cafe at Frimley Lodge Park	4.0k
(£9k) budget error - to be investigated	(9.0k)
£1.5k - Scout hut long meadow - vacated by scouts came back SHBC. The building unusable, however as the property is now vacant it is our responsibility to cover NDR. However, the team is challenging this rateable value as this should reviewed so this may not be refunded back	1.5k
Community Safety: overall underspend (£19.4k):	
(£19.4k) Budget on grant payments hasn't been used apart for £1k donation towards Fly-tipping	(19.4k)
Museum: overall overspend - £8.3k	
£5.3k - Emergency lighting and lighting upgrade & annual fire assessment	5.3k
£1.8k - Agreed overspend to cover absence	1.8k
£1.2k - Blue plaques funded by (SCC& French) and roman coins conservation funded Old FOSHM. This is net position	1.2k
Housing Services	
Overall underspend within the service	(23.0k)

Planning - overall underspend (£376.4k):	
£170k in BB - £161.4k down on Fee income down due to economic climate: high Interest rates/ building works have been postponed and £9k on non-fee income which is dependent on and offsets the consultants' fees. As needed basis, regarding homeowners complaints, dangerous structures/enquiries.	170.4k
(£372k) in PLA & DA - Budget 23/24 included (£235k) Star chamber savings for PPA income. Expected additional PPA Income in 23/24 is £277k, either agreed or in final negotiations. Out of this £277k - two PPAs (£50k) and (£25k) are at final stages of negotiation, the rest agreed. Associated planning fees for these large developments, (£348k). There has been a regulatory increase by the Government of Planning Fees Dec 23. Normally, 25% and 35% on major applications	(372.2k)
£65k - Castlegrove Road - plans to be reworked and resubmitted (DEFRA funding never claimed, before lockdown agreed). If project went ahead now, it would probably cost £80/£90k. FY Forecast reduced to zero. Will not go ahead in the short term	65.0k
(£38.9k) - in LP - Grant will be claimed, in arrears, for delivery of biodiversity net gain, FY23/24 to DEFRA for Biodiversity Grant. 1st application claimed retrospectively in Sep 23 in respect of invoice from Birdswood Ecology, value £10,655. 2nd & final application will be made in Mar 24. Expected Grant claimed £48K. Grant could be claimed up to £53k	(38.9k)

<p>£94.9k in LLC YTD down on all types of income: Land Charges, CON29 Searches and Street Name & Numbering Income are running behind prior year. This is due to the economic climate: high Interest rates, less people moving. Shortfall of Land Charge Income is covered off by excess of Income from Development Management</p>	94.9k
<p>overall saving on staffing cost (£42.3k): (£5k) - in BB - two part-timers in full time establishment positions; (£15k) - in PLA & DA - YTD savings on vacant Planning Officer post and (£10k) Arboricultural Officer leaving in Jan24, some consultancy cost will be required so this is an overall position; (£4.6k) In LP - Expected £32k YTD saving in salaries due to vacant planning officer post, and £10K in agency staff offsets the expected £40k spend on timesheet hours; (£7k) maternity leaver, 5 months gap not being filled; £1k minor overspend</p>	(42.3k)
<p>overall saving for Supplies and Services (£253.2k): (£175k) in LP - underspend in the current year. Estimated (£85k) of Consultancy and (£90k) of Legal Fees was carried forward from 22/23 and will request that to be carried forward into 24/25, as a result of delay of the publication of local plan;</p>	(185.0k)
<p>(£65k) - Castlegrove Road - plans to be reworked and resubmitted (DEFRA funding never claimed before lockdown agreed). If project went ahead now, it would probably cost £80/£90k. FY Forecast reduced to zero. Will not go ahead in the short term</p>	(65.0k)
<p>(£28k) - in BB - (£25k) lower spend, forecast recalculated based on run rates; (£3.1k) in PLA & DA;</p>	(28.1k)
<p>Savings offset by £23k of overspend: £10k in LD - Seasonality of spend does not align with budget phasing; in Trees - £13k overspend on consultancy cost to cover post of Arboricultural Officer leaving in Jan24; £1.7k within LLC</p>	24.9k

<p>Property and Economic Development – overall loss of income £42k:</p> <p>Camberley Town Centre: overall underspend of (£235k)</p> <p>Budget assumption considered the ongoing unresolved queries at that time, which was assumed will not be resolved in FY23/24. Queries resolved Q4 FY 22/23 and income expected £200k as per the initial agreement. As per latest reconciliation received in Jan-24, this figure has been revised and now showing Q3. Once we receive final FY23-24 figure this is still an estimate and it may go up or down</p>	(235.0k)
<p>Albany Park: overall underspend of (£72.9k)</p> <p>(£44k) Income increase due to combination of rent review due Sept 23 and assumption of 3 rent free not yet actualised. In Jan-24 statement shows a positive insurance recharge that was not reported in Q2, but now is showing Q3 forecast</p>	(67.9k)

(£7.5k) Assumption on operational costs was that some of the units/properties will be vacant. To date expenses such as letting, legal and professional fees, utilities costs and building repairs and maintenance are low because the units/properties are all leased but one	(5.0k)
Town Centre Investment: overall overspend £783.6k	
Increase in void service charge to reflect the service charge budget completed and produced by Praxis. - Vacant properties service charge cost provision is 35% of 2.2million (service charge budget)	297.9k
Income adjustment includes Boots rent reduction by 271k and we have received 59.3k income from IQEQ which relates to outstanding fund for the previous FY	211.7k
NDR under-budget by 260k (budget was based on estimates provided) and actual building maintenance expenditure is higher than anticipated	274.1k
Theta: overall underspend of (£174.k)	
Vacant unit now occupied since May-23 budget assumption was that the property will be vacant in the current FY.	(77.1k)
NDR over-budget by (97k) (budget was based on estimates provided)	(97.4k)
Ashwood House: overall underspend of (£28.1k)	
Additional income due to tenant paying half the rent during budgeted rent-free period	(28.1k)
Public Offices: overall overspend £10.8k	
(£39k) one vacant post as well as budget was higher for higher grade than actual	(39.0k)
£32k Costs for general and window maintenance and car park barrier were not included in the budget and £7.6k Costs for cleaning was not included in the budget. £16.1k - The rest repairs and maintenance gone up as well	55.7k
Ad hoc consumable cost high	3.0k
Income increase is due to additional lease of floor area by a tenant.	(9.0k)
Strategic Property Development: overall underspend of (£46.2k)	
£45k Budget for ad hoc works not been spend as much as budgeted so far	(50.0k)
£5k additional spend on regeneration manager post for PA which was not budgeted originally and some underspend on employee travel related costs	3.8k
Vulcan Ind Estate: overall underspend of (£8.1k)	
(£11.4k) Assumption on operational costs was that some of the units/properties will be vacant. To date expenses such as letting, legal and professional fees, utilities costs and building repairs and maintenance are low because the units/properties are all leased but one	(11.4k)
3.3k - Some units are now vacant and we are incurring costs which was budgeted to be covered by tenants	3.3k
St Georges Industrial Estate: overall underspend of (£51.5k)	
(£23.7k) Rent increase post rent review held in May-23, finance was advised of a change in rental income in Jan-24, this has now been reflected in the accounts	(23.7k)

<p>(£27.8k) Assumption on operational costs was that some of the units/properties will be vacant. To date expenses such as letting, legal and professional fees, utilities costs and building repairs and maintenance are low because the units/properties are all leased but one</p>	(27.8k)
<p>Investment Management: overall underspend of (£122.2k)</p> <p>(£87.8k) - savings on staffing costs: (£68.8k) one vacant post as well as budget was higher for higher grade than actual. (£19k) savings on consultancy fees.</p>	(87.8k)
<p>(£61.9k) - The units/properties are fully leased therefore building repairs and maintenance costs expected to be low.</p>	(61.9k)
<p>£27.5k - Budget error correction, income not expected</p>	27.5k
<p>Economic Development: overall underspend of (£20k)</p> <p>(£20k) - Savings on UKSPF capacity payment – contribution to salary costs to be c/fwd into 24/25.</p>	(20.0k)
<p>Trade City: overall overspend £2k</p> <p>(£10k) - Operational costs budget was based on the assumption that some of the units/properties will be vacant. To date expenses such as letting, legal and professional fees, utilities costs, and building repairs and maintenance are low because the units/properties are fully leased</p>	(10.0k)
<p>£12k - Rental income budget for three units was at higher rate than actual contractual rate</p>	12.0k
<p>London Road / High St: overall overspend £4.6k</p> <p>£4.6k - Loss of income due to two tenants not renewing their lease, thus we now have two vacant properties.</p>	4.6k
<p>Business Breakfast: overall underspend of (£0.3k)</p> <p>No business breakfast events been held, overall saving. There is no income or costs</p>	(0.3k)

<p>Legal Democratic Services and Strategic Management – overall underspend (£118.6k):</p> <p>(£30k) Additional elections funding -DLUHC - electoral intergrit</p> <p>(£4k) saving on canvassers timesheet hours</p> <p>(£92.3k) Savings on staffing cost: (£39.8k) in legal team maternity leaver work being absorbed by the remaining of the team: (£25k) & (£12.5k) & (£15k) in FOI, Members and Civic Support teams - there was a gap between leaver and new joiner and new employees joined on lower than budgeted grades/scp;</p> <p>(£21.9k) Underspend on Members Allowance based YTD run-rate</p> <p>(£10k) small savings on events budgets, town twinning</p> <p>£40k overspend on Printing</p>	<p>(30.0k)</p> <p>(4.0k)</p> <p>(92.3k)</p> <p>(21.9k)</p> <p>(10.0k)</p> <p>39.5k</p>
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HR Performance and Communications – overall underspend (£219.2k):	
FY Parking Fee budget which won't be required for this year	(25.0k)
(£28.5k) saving on rent and service charge for Citizens Advice Bureau. Rent is now subsidised, and service charge is covered within PED budget	(28.5k)
Savings on staff and staff related costs (£181.2k)	
(£15k) gap between leaver and starter and a small saving on grading (£7.2k) for Community Development Manager post and (£7.8k) for Communications Manager (£30k) - A leaver for Senior Community Development Officer (Sport and Wellbeing) - savings from Sep-23. This role has been regraded to a lower grade. Further leavers not being replaced - Community Development Apprentice (£12k); National Management Trainee (£30k); Application Developer (£63.5k)	(150.5k)
Other staff related costs - (£4.7k) less spend on mileage; (£26k) savings on either lower, actual NI lower than budgeted; £7.4k offset by overspend on overtime	(30.7k)
£15.5k - budgeted income from Community Centres is not being generated	15.5k

Finance and Customer Services - overall overspend £364.9k:	
Customer service: overall underspend of (£126.5k)	
(£132k) Savings on staffing cost, 3 unfilled posts and one post budgeted at 1 FTE but filling it at 0.81 FTE;	(132.0k)
Offset by £5.7k reduction in postal recharges	5.7k
Revs & Bens: overall underspend of (£37.7k)	
(£150.1k) on staffing cost maternity leavers and vacant posts	(150.1k)
£90k on software	90.0k
£22k on legal fees	22.3k
Finance: overall overspend £529k	
(£40k) saving on unplanned spend this year on Traveller Incursion;	(40.0k)
£77k increased audit fees set by PSAA;	77.0k
£601k of additional agency/consultancy cost to cover vacant post. All contractors extended to end of March 24;	601.0k
(£109k) Agency overspend is partly offset by vacant established posts	(109.0k)

Corporate Financing and Debt Management - overall overspend £81k:	
Pension contribution. This is based on current billing which is based on current Establishment List. It is under review	81.0k

- 1.7 **Base budget review.** The Executive on 18 July 2023 received and reviewed a report on the base budget review savings proposed by services. At the meeting they agreed to accept number of the proposals in the report. These are summarised below:

(all figures in £000)	Base budget review agreed efficiencies				
	2023/24	2024/25	2025/26	2027/28	Total
MTFS target	(500)	(350)	(200)	(150)	(1,200)
Base Budget Review	(530)	(286.5)	(58)	(77)	(951.5)

- 1.8 The budget adjustments from the agreed efficiencies will be made in the next quarter and reflecting in that period's monitoring report. Additionally, the report will highlight any areas where the efficiencies are not on target to be delivered in year.

2. Reasons for Recommendation

- 2.1 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 the Executive.

3. Proposal and Alternative Options

- 3.1 The Committee is asked to note the management report on the 23/24 Revenue Budget for the period 1 April to 31 December 2023 and also to note any remedial actions proposed by service areas.
- 3.2 The Committee is also asked to make any comments and recommendations to the Executive for consideration at their meeting on 19 March 2024.
- 3.3 Alternatively the Committee can just note the report and not make any comments or recommendations to the Executive.

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 budget monitoring is related back to the original budgets set at Council in February 2023.

6. Section 151 Officer Comments:

- 6.1 Whilst the Council is predicting an underspend at year end, it is considered that no additional remedial action other than that proposed by services needs to be taken in terms of supplementary budget estimate requests. It is a case of managing overspends in some areas with underspends in others – and work to the overall budget figure.

6.2 The base budget review process has proved very successful in delivering on the budget reviews and has achieved the MTFS target. This will be developed further during the next MTFS and budget plan which was agreed by Council on 21 February 2024.

6.3 During the next financial quarter, work is planned to remain within the predicted underspend and ensure that the financial year closedown is prepared for as effectively as possible.

7. Legal and Governance Issues

7.1 The revenue budget is monitored monthly and reported to CMT, Executive and Performance and Finance Scrutiny Committee quarterly.

8. Monitoring Officer Comments:

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

9. Other Considerations and Impacts

Environment and Climate Change

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

Equalities and Human Rights

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

Risk Management

9.3 Inadequate budget management by the Council's services represents a reputational and financial risk to the Council.

9.4 Regular financial monitoring of budgets enables risks and pressures to be highlighted and addressed at an early stage so that mitigating actions can be taken and any opportunities to improve the budgetary position can be implemented.

Community Engagement

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

Background Papers	None
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