

Cabinet Report



Listening Learning Leading

Report of Head of Finance

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To: CABINET

Date: 18 April 2024

Budget monitoring April 2023 – December 2023

Recommendation

Cabinet is recommended to note the contents of the report.

Implications (further detail within the report)	Financial	Legal	Climate and Ecological	Equality and diversity
	Yes	No	No	No
Signing off officer	Simon Hewings	Pat Connell	Jessie Fieth	Abi Witting

Purpose of report

1. To report the revenue and capital expenditure against budget for the period April 2023 to December 2023 and the latest year end outturns forecast by heads of service.

Corporate objectives

2. The allocation of financial resources within the revenue and capital budgets needs to match the objectives agreed by the council. The budget monitoring report shows how these resources have been allocated during the first nine months of the financial year.

Background

3. This report reviews the council's revenue and capital expenditure performance to the end of month nine (December). Year-end outturn forecasts were worked on during December and January and are based on heads of service's best knowledge at that time. This report is slightly outside of the normal cycle, given the focus on budget setting during February.

Revenue budget monitoring

4. On 16 February 2023, Council agreed a net revenue budget for 2023/24 of £18.548 million. This has subsequently increased to £22.784 million. This reflects the carry forward of unspent one-off project budgets from 2023/23 and additional grant funded budgets.
5. Table 1 below shows, summarised at service level, both the revenue position as at the end of December 2023 and the forecast position at year end.

Table 1: Revenue budget monitoring position as at December 23

Service	Working budget year to date £000	Spend to Date £000	Variance £000	Working budget full year £000	Forecast spend for year £000	Variance £000
Strategic management team	662	689	27	872	895	23
Corporate services	2,254	2,420	166	2,942	3,014	72
Development and regeneration	751	83	(668)	779	466	(313)
Finance	949	1,027	78	875	987	112
Housing and environment	4,473	4,384	(89)	6,686	6,938	252
Legal and democratic	1,240	1,225	(15)	1,605	1,707	102
Partnerships	1,707	3,496	1,789	2,276	2,276	0
Planning	325	1,177	852	431	1,441	1,010
Policy and programmes	5,172	3,976	(1,196)	6,896	3,755	(3,141)
Contingency	(468)	6	474	(623)	(623)	0
Total	17,065	18,483	1,418	22,739	20,856	(1,883)

6. The forecast variance is further broken down in table 2 below.

Service	Working budget full year £000	Working budget after carry forwards removed £000	Forecast spend for year £000	Variance £000	Employee costs £000	Other £000
Strategic Management	872	872	895	23	0	23
Corporate Services	2,942	2,942	3,014	72	(144)	216
Development & Corporate Landlord	779	659	506	(153)	(215)	62
Finance	875	875	987	112	138	(26)
Housing & Environment	6,686	6,686	6,938	252	(70)	322
Legal & Democratic	1,605	1,605	1,707	102	0	102
Partnerships	2,276	2,276	2,276	0	0	0
Planning	431	431	1,441	1,010	(185)	1,195
Policy & Programmes	6,896	4,060	3,755	(305)	(302)	(2)
Contingency	(623)	(623)	(623)	0	0	0
	22,739	19,783	20,896	1,113	(778)	1,891

7. Excluding carry forwards of £3.0 million the projected overspend is forecast to be £1.1 million. Treasury income achieved in year however is anticipated to be ahead of

budget by £2.9 million and net expenditure is therefore forecast to be under budget by £1.8 million.

Budgets forecast to be carried forward to 2024/25

8. As explained above there is forecast to be slippage of £3.0 million in one-off budgets. These will be requested as carry forwards at the end of the financial year. The anticipated carry forwards are shown in appendix 1. Whilst described as 'slippage', the majority of this sum actually represents multi-year grant awards or ring-fenced funding, where there is planned expenditure for future years, but the terms of the grant require it to be included within the budget each year, until spent in line with the grant conditions.

Employee costs

9. A small overspend in employee costs is forecast:
- In Corporate Services, vacancies in customer services, which have recently been recruited to, make up most of the variance.
 - Finance vacancies are being covered by temporary staff, which are more expensive than the salary budget to support the delayed audit, the timing of which is beyond the council's control and is a national issue. As budgeted and agreed with the Cabinet member additional resources have recently been recruited to the Strategic Finance Team to support the councils' transformation activity, management accounting and the increased workload associated with final accounts.
 - Planning has undergone a restructure which came into place on 1 November. As a result there are savings on salaries.
 - Development and Corporate Landlord has a year to date underspend in many areas, reflecting the planned approach to introducing the revised structure in these areas, with the largest proportion within facilities, and development team. With no temporary staff forecast in these areas this variance has been projected for year end and recruitment is currently being undertaken to establish the permanent roles across the team.
 - There are various vacancies in Policy and programmes, which are currently being recruited to. The service will be underspent as a result of part year vacancies.

The overspend reflects the sustained high levels of staff retention across the Council and the very low vacancy levels, which remain amongst the lowest in the UK. The 2023/24 budget did not fully fund all staff costs, but assumed a vacancy level of five per cent, which has not been the case and was not achievable against the objectives in the Corporate Plan. This assumption has therefore been revised in the 2024/25 budget setting process to less than three per cent.

Service department variance over £25,000

10. Excluding carry forwards to 2024/25, grant income to be transferred and employee cost variances, net revenue expenditure is forecast to be £1.9 million overspend against budget, however, this is more than offset by increased investment income as highlighted above.

11. The significant forecast variations from budget are shown in table 2 above and are explained below.

Corporate Services

12. Microsoft 365 licences have increased due to more users and a rise in the charges applied by Microsoft. Total software renewals are also more than budget, and this will result in a predicted overspend of £130,000 at year end, which has been addressed in the 2024/25 budget and MTFP.

Development and Corporate Landlord

13. The Cornerstone budget has proved difficult to meet. Profit margins on shows have been 38 per cent compared to the budgeted 77 per cent and turnover itself had been well below the budgeted level. The Arts Centre and Café are forecast to overspend by £538,000, £518,000 more than budget. Like most similar venues across the country, post COVID, usage and audiences have recovered more slowly than anticipated, although there has been a noticeable improvement in this area over the past three months. A more realistic budget has been proposed as part of budget setting for 2024/25.

Finance

14. Housing benefit income is forecast to be ahead of budget, the main driver being the recovery of housing benefit overpayments which is catching up after the delays caused by the pandemic and forecast to be £109,000 higher than expected for the year. Court fee income which is difficult to accurately predict is expected to be £65,000 less than budget.

Housing and Environment

15. Garden waste has seen an increased customer base increasing income but offset by the cost of purchasing new bins, net effect is increased income of £50k. The service has also seen an increased cost of hotel accommodation for homeless families, being offset by additional HB income, but an overall cost of £161k.

Planning

16. Planning and building control income is forecast to be £1,120,000 below budget. This reflects lower application numbers. Planning income is expected to remain at these levels for at least the next two years. Phase one of a long-term review of the planning service was completed earlier in the year and a restructure came into place on 1 November 2023, which has reduced the cost of the team and ensured it continues to reflect the workloads required, as reflected within the recent Peer Review of the service, which has been reflected in the 2024/25 budget. As a result, staff savings totalling £208,000 are forecast and the service's total forecast shortfall is £479,000.

Capital Budget Monitoring

17. On 16 February 2023, Council agreed a capital programme for 2023/24 as follows:

- Approved programme - £13.339 million
- Provisional programme (including Cabinet growth proposals) - £13.938 million

18. At the end of December 2023, the capital programme had increased to £24.92 million against which £6.5 million had been spent. Details of the changes to the capital programme during the first nine months are summarised in table 3 below:

Table 3: movement on capital programme

	2023/24 £000
Original capital budget	27,277
Roll forward from prior years	15,753
Schemes deleted	(8,859)
Additions in year (externally funded)	7,818
Additions in year (other)	9
Slippage to future years	(14,337)
Capital programme 31 December 2023	27,661
Made up of:	
Approved programme	24,920
Provisional programme	2,741
Capital programme 31 December 2023	27,661

19. A full review of the current capital programme has been carried out and is showing in the figures above. This is showing a significant reduction in the provisional programme, with a movement of £22.71 million. And a small net movement on the approved programme of £412k. Details of the main movements are shown below:

Provisional programme

- £5 million investment in pension scheme assets removed from the programme
- Affordable housing – £2.5 million removed from programme; £6.6 million moved to approved programme and £2.2 million slipped into future years of the programme
- £2.2 million new waste depot moved forward into future years of the programme to reflect a more realistic delivery timescale

Approved programme

- Affordable housing - £5.3 million added to programme with external funding, £6.6 million moved from provisional programme;

Financial Implications

20. The financial implications are set out in the body of the report.

Legal Implications

21. There are no legal implications to this report.

Climate and ecological impact implications

22. There are no direct climate and ecological impact implications to this report.

Equalities implications

23. This report is for information only and therefore there are no equalities implications.

Risks

24. This report is for information only and therefore there are no risk implications.

Conclusion

25. At this stage of the financial year, a revenue overspend is forecast, which is anticipated to be offset by additional investment income.

Background Papers

Budget papers for 2023/24

Appendices

- 1) Revenue budget monitoring – carry forwards