

Report title	Q2 Budget Monitoring Report – April 2024 – Sept 2024
Report author	Paul French – Corporate Head of Finance
Department	Financial Services
Exempt?	No

Purpose of report:

- **For information**

Synopsis of report:

To report the financial projections for the 2024/25 financial year as at 30 September 2024 for the General Fund, Housing Revenue Account and Capital Programme.

This report builds on the Q1 Budget Monitoring Report presented to this committee in September 2004

1. Context and background of report

- 1.1 The Medium-Term Financial Strategy (MTFS), the Capital Programme and the detailed General Fund budgets for 2024/25 were approved by the Corporate Management Committee on 18 January 2024 and subsequently by Full Council on 08 February 2024.
- 1.2 The detailed Housing Revenue Account (HRA) budget for 2024/25 was approved by the Housing Committee on 10 January 2024 and subsequently by Full Council in February 2024.
- 1.3 Budgets in the Council are delegated to designated budget managers whose job it is to control expenditure and income, monitor performance, and take the necessary action to avoid exceeding their budgets. The Financial Services team support and advise managers on financial matters, but managers remain accountable for the financial performance of their own service area.
- 1.4 Starting in July, all budget managers are provided with a monthly budgetary control statement showing total budget, profiled budget and spend to date (including commitments). Managers also have access to these reports in real time throughout the year via the Council’s Financial Management System. A full salary listing is also provided on a quarterly and on demand basis to Corporate Heads. Budget managers are expected to work with the accountancy team to report any variations and projected spend to 31 March.
- 1.5 Budget managers should constantly monitor their budgets and are accountable for their budget and service performance. The projected outturns shown in this report are manager’s best estimates as of 30 September 2024.

2 Savings and Efficiencies

- 2.1 Ensuring the financial sustainability of the Council, through the delivery of savings and efficiencies and the close monitoring of financial performance, is an essential part of delivering against the Best Value duties of the Council, which requires councils to

make arrangements to secure continuous improvement in the way that they work, having regard to a combination of economy, efficiency and effectiveness.

- 2.2 The first quarterly budget report for this year was presented to this committee on 26 September and set out the various savings and efficiency measures in progress. Subsequently, the Overview and Scrutiny Select Committee (O&S) received a [report](#) at its October meeting setting out the delivery of savings to date, including progress with the Service Review Programme and the delivery of workshops across the Council, alongside an ideas submission process, to engage all staff in making suggestions about how to make efficiencies and close the budget gap. The report included an overall tracker of savings delivered to date or expected to be delivered shortly, since the revised approach was initiated, totalling almost £3.4m.
- 2.3 The figures that have been included in this report have been agreed by the relevant Corporate Heads as being achievable without further intervention. Several other savings and efficiencies have also been highlighted that have not been included in this report as they need further investigation and/or Member approval to ensure their deliverability. All this work will be scrutinised in more detail by the Overview and Scrutiny Select Committee as part of its ongoing remit to monitor the delivery of the savings programme.

3 General Fund Revenue Budget

- 3.1 The detailed General Fund budget for 2024/25 was approved in February 2024 along with the MTFs. Since then, various changes have occurred and a summary of the current projected use of balances for the General Fund (in the Budget Book format) setting out these changes is set out at Appendix 1 and is explored in more detail in the following paragraphs.
- 3.2 The General Fund Summary shows the net expenditure for each service area against the forecast outturn as at 30 September 2024. The forecast outturn is made up of the original budget amended for any anticipated changes. A summary of the more significant changes (over £5,000) at the Net Expenditure on Services level is set out in Appendix 2. This shows that the adjusted net deficit on services is forecast to be lower than the original estimate by £1.640m. This reduction can be summarised as follows:

Analysis of budget changes in Net Expenditure	
	£000
Increased Expenditure:	
Planned Underspends carried forward from 2023/24	197
- Growth bids carried forward from 2023/4	532
- Other cost pressures (funded)	427
- Other cost pressures (unfunded)	130
Reduced Expenditure	(1,749)
Increased Income	(1,266)
Reduced Income	89
	(1,640)

- 3.3 The Planned Underspends and Other cost pressures (funded) lines are met from existing earmarked reserves and as such are not a call on the General Fund balance. The growth bids carried forward from 2023/24 relate to schemes that were originally intended to be reported to committee and released into the 2023/24 budget, however for various reasons this expenditure will now take place in 2024/25. All these are one-off pieces of expenditure and whilst this is an additional call on the General Fund balances in the current year, there would have been an equal saving in 2023/24 as

the budget associated with them was not used in that year and increased the General Working balance brought forward at the start of the year accordingly.

- 3.4 The Increase in income includes the one-off receipt of £668,000 stemming from the settlement of an historical VAT claim submitted several years ago in regard to the VAT treatment of in-house leisure services.

Transfer to/(from) reserves

- 3.5 Changes in the transfer to/(from) reserves section of the General Fund Summary set out in Appendix 1 totalling (£177,000). This shows the additional contributions being made to offset expenditure included in the detailed figures above. This makes the assumption that all the planned underspends, service transformation budgets and outstanding external audit fees are all fully spent in the current year. This also allows for the transfer of £377,000 into the Local Plan earmarked reserve (as agreed by this committee in October), to cover the additional costs of a review between the years 2025/26 to 2027/28.

Financing and investment income

- 3.6 By far the biggest income generator for the Council is our rental income from Investment property. In the 2024/25 financial year the Council anticipates receiving rent (net of voids and holding costs) of £24.1m from various businesses across its portfolio.
- 3.7 A summary of the more significant changes (over £5,000), as estimated at the end of September (and therefore excluding any decisions agreed by Members in the October Committee), is set out in Appendix 3 and these are summarised in the table below.

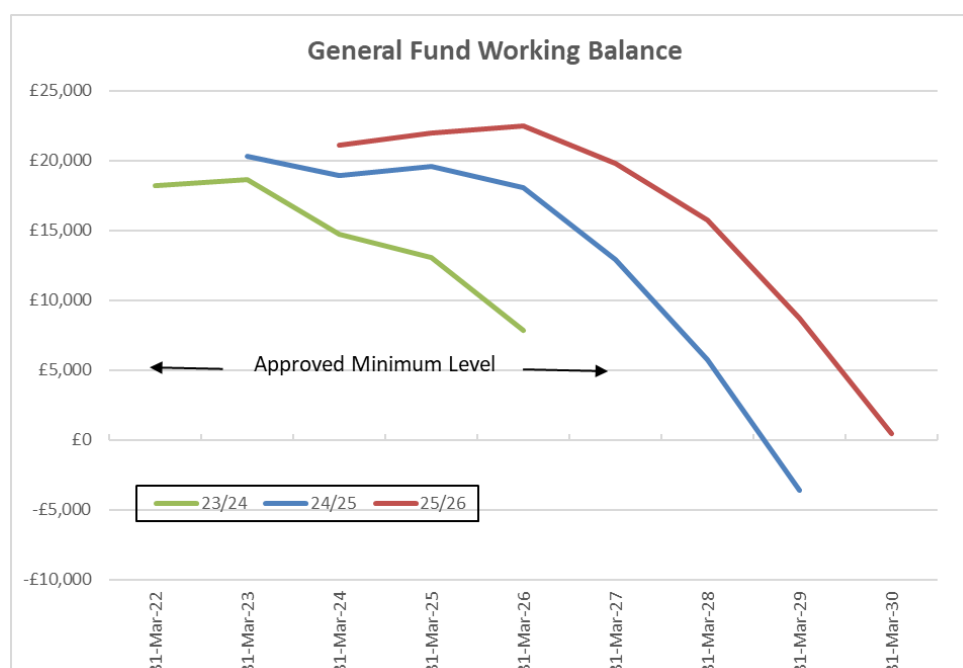
Analysis of Investment Property changes	
	£000
Increased Expenditure:	
Other cost pressures (unfunded)	240
Reduced Expenditure	(126)
Increased Income	(401)
Reduced Income	0
	(287)

- 3.8 Although there is very little predicted change to this year’s budgeted expenditure figures, other than increased void costs due to ongoing difficulty in letting the vacant units, there is still a need to be wary in regard to:
- the ability to relet properties at current rental levels
 - potential costs coming out of the Asset Management Plan surveys
 - sustainability issues ensuring that the portfolio is compliant with energy regulations
- 3.9 To mitigate these issues, the Council continues to build up earmarked resources to maintain properties to ensure they remain in a lettable standard and also to cover for loss of rent and rent-free periods.
- 3.10 A report on the second quarter’s investment property operations, is set out elsewhere on this agenda.

- 3.11 The variations in the investment income budget were explained in the previous quarterly report and the updated MTFs report previously presented to this committee. A report on the second quarter's treasury management operations is also set out elsewhere on this agenda.

General Fund balance

- 3.12 Members will be well aware that the last set of the Council's Statement of Accounts to have been signed off by the external auditors are for 2018/19, meaning that the Council's reserve balances as reported in the budget and MTFs could be subject to change should the auditors find any issues. With that caveat in place, the unaudited accounts for 2023/24 indicate that the General Fund balance at the start of April this year was £21.1m.
- 3.13 The revised working balances at the end of March 2029 are now anticipated to have increased from a deficit of £3.6m to a surplus of £8.5m as the cumulative effect of the additional balances at the start of the year and net budgetary changes highlighted in this report take effect. This can be seen more clearly in the graph below:

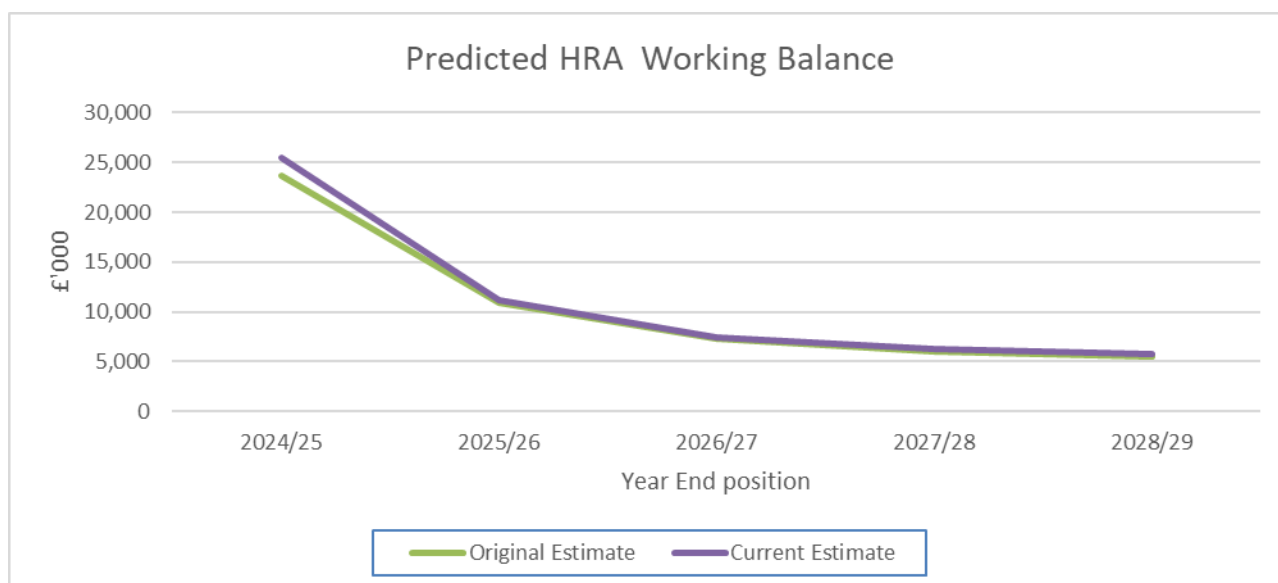


- 3.14 Whilst the Savings and Efficiencies programme has made good progress in addressing the medium term budget deficit, the Council still has an underlying deficit that needs to be addressed. On-going reports are to be made to O&S in this regard to provide a robust level of challenge to the Council's approach to achieving financial sustainability.

4 Housing Revenue Account (HRA)

- 4.1 The detailed HRA budget for 2024/25 was approved in February 2024. Since then, various changes have occurred and an updated HRA summary (in the Budget Book format) setting out these changes is set out at Appendix 4. This summary sets out the net expenditure for each service area against the forecast outturn as at 30 September 2024. The forecast outturn is made up of the original budget amended for any anticipated changes. A summary of the more significant changes (over £5,000) at the Surplus in year level is set out in Appendix 5.

- 4.2 There are very few changes to the HRA budget during the first quarter of the year. The deficit for the year shown in Appendix 4 is expected to increase by £62,000 from £4.093m to £4.155m.
- 4.3 Delays in the maintenance and capital programme schemes funded by the HRA working balance has meant that, like the General Fund, the HRA started the year with increased balances. Subject to any changes by external auditors, the HRA working balance at the start of the year stood at £39.4m, however this will reduce significantly over the next few years as we catch up with the deferred works programme. This can be seen more clearly in the graph below:



5 Capital Expenditure and Receipts

Capital receipts and expenditure

- 5.1 The Capital Strategy and detailed Capital budget for 2024/25 was approved in February 2024. It is important to remember that the timing of capital expenditure can sometimes be difficult to predict and can be spread over several financial years. The current Capital Programme covering both the General Fund and HRA is as follows:

Capital Programme	
	£
Total Programme as per Budget Book	34,965,707
Slippage from 2023/24	5,773,442
New - LHAF Property Purchases (CMC April 2024)	974,000
New - Thorpe Lea Manor- Purchase of 13 Properties (CMC Sept 2024)	3,323,000
New - EV Charging Points (CMC April 2024)	35,000
Other adjustments (reprofiling between years etc)	(235,415)
	44,835,734
of which:	
Approved to proceed	25,555,142
Provisional	19,280,592
	44,835,734

- 5.2 Appendix 6 focuses on **the approved** schemes in the programme for the current year to the end of September 2024 and the capital receipts against the programme for the same period. The approved Capital Programme as set out above also

includes a selection of provisional schemes that are subject to future committee reports and approval. These have been left out of this report to provide a clearer focus on those schemes currently with the finances and authority to progress. Should Members wish to see the full Capital Programme at the start of this year, this can be found in the [Budget Book](#) on the Council's website.

5.3 The Council started the year with £13.3m in capital receipts which can be used to fund future acquisition of assets. However, £6.1m of these receipts have been generated from the sale of dwellings under right-to-buy legislation or sales of land and legislation requires this is set aside for specific purposes. In Runnymede's case this is principally:

- Future funding of new affordable housing
- Repayment of housing debt over the next 30 years

5.4 The financing of the Capital Programme remains heavily reliant on income from the sale of development properties and sales of assets. The original Capital Programme assumes that we will generate £10.9m of capital receipts during the year – which includes slippage from last year. As at 30 September we had only amassed £1.1m. Should sales activity not be forthcoming over the next year, it will be necessary to further delay some capital schemes or find alternative methods of funding for them.

5.5 As agreed as part of the Capital and Treasury Strategies approved at full Council in February, any sale of an Investment Property funded by borrowing will be used to reduce the Council's overall borrowing level and will not be available for funding the capital expenditure programme.

6. Policy framework implications

6.1 Budget monitoring is an important part of the policy framework of the Council, monitoring the financial plans, financial risks (as highlighted in the Medium-Term Financial Strategy), and monitoring the sustainable financial position of the Council to ensure the Council can achieve its strategic objectives.

7 Resource implications/Value for Money

7.1 Set out throughout the report

8. Legal implications

8.1 Section 28 of the Local Government Act 2003 requires authorities to monitor their income and expenditure against their budget and be ready to take action if overspends or shortfalls in income emerge. If monitoring establishes that the budgetary situation has deteriorated, authorities are required to take such action as they consider necessary. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or the authority might decide to take no action but to finance the shortfall from reserves.

9. Equality implications

9.1 Not applicable.

10. Environmental/Sustainability/Biodiversity implications

10.1 Not applicable.

11. Risk Implications

11.1 Awareness and management of risk is an essential element of budget monitoring, informing on the level of resources needed to ensure the delivery of the aims of the Council and the financial and demand pressures likely to be faced in the current and future years.

11.2 This approach is in line with the Council's approved Risk Appetite statements. The overarching risk appetite statement adopted by the Council is as follows:

“Risk Management is a continuously evolving process, whereby the Council constantly seeks to refine and improve process, in order to support the delivery of its objectives and take a proportionate approach to risk. Identifying its risk appetite enables the Council to take a balanced approach in respect of risk by understanding the risk levels it may tolerate, and therefore target its scarce resources at the management of risks that cannot be tolerated. Effective risk management supports informed decision-making through the determination of the nature and extent of the principal risk exposure of the Council and how much risk it is capable of absorbing to achieve its objectives.”

12. Timetable for Implementation

12.1 Not applicable

13. Conclusions

13.1 The Council's General Fund started the year a lot healthier than originally predicted. However, whilst the forecast is much improved, there is still a long way to go to deliver the savings required to ensure a long-term sustainable financial position. The Council is demonstrating good progress with its initial target delivery of £1.5m by the close of 2024/25, being confident of delivery of £1.2m so far with 6 months of the year remaining. Inevitably the next tranche of savings will be more difficult to deliver as the “quick wins” or easy to deliver savings will have been targeted first, with more complex initiatives which may take time to deliver, yet to commence. In order to balance the budget over the medium term the Council should aim to remove £2.8m from its budget between now and the close of 2025/26 so that the full year effect can be felt at the start of 2026/27, with a further £1.3m to be found during 2026/27 in order to close the gap for 2027/28.

13.2 Likewise, whilst the HRA started with much healthier balances this year, once the delayed works have caught up, the HRA will be back to an average closing balance of approximately £6m by 2027/28 as set out in the HRA Business Plan presented to the Housing Committee in March. Ensuring the HRA is in a long-term sustainable financial position is also key and for that reason the HRA finances have also been looked at as part of the overall savings and efficiencies initiatives being undertaken by the Council.

14. Background papers

- Q2 Budget Monitoring Report – April 2024 – June 2024 – Corporate Management Committee – 26 September 2024
- Approach to Financial Sustainability Process Report – Overview and Scrutiny Select Committee 8 October 2024

15. Appendices

- Appendix 1 – General Fund Summary
- Appendix 2 – General Fund Changes in Net Expenditure on Services as at 30 September 2024

- Appendix 3 – General Fund Changes in Investment Property net expenditure as at 30 September 2024
- Appendix 4 – Housing Revenue Account Summary
- Appendix 5 – Housing Revenue Account Changes in HRA Working Balance as at 30 September 2024
- Appendix 6 – Capital Expenditure and Receipts as at 30 September 2024