Budget Monitoring Report - April 2022 to June 2022 (Corporate Head of Finance – Paul French)

Synopsis of report: **To report the latest financial projections for the 2022/23 financial year for General Fund, Housing Revenue Account and Capital Programme.**

Recommendation(s): **None. This report is for information**

1 **Context and background of report**

1.1 The Medium-Term Financial Strategy (MTFS), the Capital Programme and the detailed General Fund budgets for 2022/23 were approved by the Corporate Management Committee on 20 January 2022 and subsequently by Full Council on 10 February 2022.

1.2 The detailed HRA budget for 2022/23 was approved by the Housing Committee on 12 January 2022 and subsequently by Full Council in February 2022.

1.3 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). A full salary listing is also provided on an ad-hoc basis to Corporate Heads. Budget managers are expected to work with the accountancy team to report any variations and projected spend by 31 March.

1.4 Budget managers should constantly monitor their budgets and are accountable for their budget and service performance. The projected outturns shown in this report are managers' best estimates as at 30 June 2022.

2 General Fund Revenue Budget

2.1 The detailed General Fund budget for 2022/23 was approved in February 2022 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.

2.2 The provision outturn data for 2021/22 indicates that the General Fund balance at the start of the year was £17.9m. Taking this into account, the effect of the changes shown in Appendix 1 on the General Fund Working Balance at the year end is anticipated to be as follows:

Table 1

General Fund Working Balance	Original Budget	Forecast Outturn
	£000	£000
Assumed GF Working Balance at 1 April	14,082	17,923
2022/23 movement (from Appendix 1)	(249)	(1,610)
Assumed GF Working Balance at 31 March	**13,833**	**16,314**
Note: Minimum Working Balance £3m		

2.3 The General Fund Summary set out in Appendix 1 sets out the net expenditure for each service area against the forecast outturn as at 30 June 2022. 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.

2.4 Appendix 2 shows that net surplus on services is forecast to be £1.731m, a reduction in net surplus of £3.921m on the original budget. This reduction can be summarised as follows:

Table 2

Analysis of budget changes in Net Expenditure on Services	£000
Increased Expenditure:	
- Planned Underspends carried forward from 2021/22	1,055
- Approved supplementary estimates	398
- Other cost pressures	83
Reduced Expenditure	-
Increased Income	-
Reduced Income	655
	2,191

2.5 The increase in costs on the Net expenditure on Service line represents an additional £2.2m draw on the General Fund working balance. It should be noted however that the effects of inflation and increased prices have not yet filtered through into budgets and as at the end of June estimates of these have not yet been included in the above figures. These will be worked up during the redrafting of the estimates and MTFS during the Autumn.

2.6 The original 2022/23 budget had savings targets built into it to offset some of the additional expenditure the Council had highlighted it wished to undertake. The following table sets out the achievements against these targets to date.

Table 3

	Forecast 2022/23	Achieved 2022/23
Savings / income generation identified:	**£000**	**£000**
Voluntry Redundancy scheme (net of £340k new posts)	380	380
Car Parks - increase in income from ANPR installation	100	50
Reduced contribution towards surrey Travellers site	45	45
Overhaul of Essential Car User Allowance (£99k in a full year)	25	0
Careline income - Woking BC (net of costs)	19	0
Rough Sleeping Accommodation Programme	13	13
Out of Hours Contracts - Spelthorne BC	5	0
Growth in Leisure income	200	0
CCTV Contracts	150	75
Partnership working with the NHS (Chertsey property - net of borrowing costs)	125	0
	1,062	563

2.7 Savings that have not yet been achieved appear in Appendix 2/Table 2 above under the Reduced Income column.

2.8 By far the biggest income generator for the Council is our rental income from commercial property. In the 2022/23 financial year the Council anticipates receiving rent (net of voids and bad debts) of £25.9m from various businesses across its portfolio. At the end of March officers believe that we are currently on track to deliver this.

2.9 Despite this, there is still a need to be wary in regard to:

- the long-term ramifications of Covid on the business sector (especially the future demand for office space)
- the ability to relet properties at current rental levels
- the cost-of-living crisis caused by high inflation and energy costs
- potential costs coming out of the developing Asset Management Plan
- sustainability issues ensuring that the portfolio is compliant with energy regulations
- potential measures coming out of the Levelling up and Regeneration Bill once enacted

2.10 To mitigate this, 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 Housing Revenue Account (HRA)

3.1 The detailed HRA budget for 2022/23 was approved in February 2022. 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 3. This summary sets out the net expenditure for each service area against the forecast outturn as at 30 June 2022. 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 4.

3.2 The HRA usually funds (70%) of the costs of new housing property acquisitions, and new build costs and these are funded from the HRA working balances. At the current time it is assumed that all schemes are on budget.

3.3 The HRA deficit for the year shown in Appendix 3 is expected to increase by £333,000 from £1.610m to £1.943m.

4 Capital Expenditure and Receipts

Capital receipts and expenditure

4.1 The Capital Strategy and detailed Capital budget for 2022/23 was approved in February 2022. 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. (Confidential) Appendix 5 summarises the capital spend on schemes in the programme for the current year to the end of June 2022 and the capital receipts against the programme for the same period

4.2 The Council started the year with £9.2m in available capital receipts which can be used to fund future acquisition of assets. However, £2.0m 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

4.3 The financing of the Capital Programme remains heavily reliant on income from the sale of development properties. Should sales activity not be forthcoming over the next year, it may be necessary to further delay some capital schemes or find alternative methods of funding for them.

5 Legal Implications

5.1 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.

6 Conclusion

6.1 Monitoring the first quarter's net expenditure position is always difficult as adjustments are still being made for transactions received in the current year relating to the prior year, and officers in general are more optimistic about the level of income they will receive and assume that they will complete all planned work within the timescales set. Prior year history tells us this is not always the case.

6.2 Assuming the predictions for the forecast outturn shown in Appendix 1 materialise at the year end, this will reduce the General Fund working balance by £1.943m taking it from £17.923m at the start of the year to £16.314m at 31 March 2023. The HRA deficit for the year shown in Appendix 3 is expected to increase by £333,000 from £1.610m to £1.943m.

6.3 Whilst there would currently appear to be a large level of General Fund Balances predicted for the year end, Appendix 2 shows that there are now additional ongoing commitments of

£0.4m on top of the underlying £2m deficit identified in the MTFS to be addressed. This is before:

- the effects of the current and medium-term inflationary pressures have been calculated
- the costs of any works coming out of the developing Corporate Business Plan have been included
- The results of the Fair Funding review have been announced, and
- Any measures coming out of the Levelling up and Regeneration Bill once enacted.

(For information)

Background Papers
None