

Policy & Resources Committee		Agenda Item:
Meeting Date	27 November 2024	
Report Title	Financial Management Report – Mid Year 2024/25	
EMT Lead	Lisa Fillery, Director of Resources	
Head of Service	Claire Stanbury, Head of Finance & Procurement	
Lead Officer	Caroline Frampton, Principal Accountant	
Classification	Open	
Recommendations	<ol style="list-style-type: none"> 1. To note the projected revenue position, which is balanced through a reduction of £27,000 in the amount to be taken from reserves. 2. To note the capital expenditure of £5.633m against the budget as detailed in Table 2 and Appendix II. 3. To approve the transfer of contract penalty payments to reserve at the end of the financial year, to support ongoing environmental services contract provision. 	

1. Purpose of Report and Executive Summary

- 1.1 This report sets out the quarter 2 revenue and capital budget monitoring forecast for 2024/25. The report is based on service activity for April – September 2024 and is collated from monitoring returns from budget managers.
- 1.2 The purpose of the report is to forecast the estimated outturn position for 2024/25 compared to the budget approved at Council in February 2024 and subsequently amended by virements, made under delegated authority during the year.
- 1.3 The headline figures are:
 - revenue underspend on services of £27,000 which will reduce the value of reserves used in year to balance the finances – Table 1;
 - capital expenditure of £5.633m – Table 2 and Appendix II.
- 1.4 In a world of continuous improvement, the review of forecasts has changed this year, with more check and challenge taking place by Finance staff. The Head of Finance and Procurement would like to express her thanks to budget managers and Heads of Service for the way in which they have all adapted to this change. It is hoped that this will provide robust forecasting, and help to reduce large movement from one quarter to another.

2. Background

- 2.1 The Council operates a budget monitoring process at Head of Service level, with regular reports to the Policy and Resources Committee and the Executive Management Team.
- 2.2 Departments work alongside their Finance colleagues to produce the forecasts, using information within last year's outturn position and actual income and expenditure within the year as a guide.

3. Proposals Revenue Outturn

Table 1 - Variance by Service

	Working Budget £'000	Projected Outturn £'000	Projected Variance £'000
Chief Executive	778	754	(24)
Communications & Policy	358	349	(9)
Elections, Democratic Services & Information Governance	1,143	1,133	(10)
Housing & Community	5,300	5,268	(32)
Planning	424	998	575
Environment & Leisure	9,219	9,254	35
Regeneration & Economic Development	(380)	(386)	(6)
Finance & Procurement	763	706	(57)
Revenues & Benefits	96	337	241
Environmental Health	614	618	4
Information Technology	1,339	1,343	3
Internal Audit	158	159	1
Human Resources	472	459	(12)
Legal	678	729	50
Drainage Board Levy	1,000	1,001	1
Corporate Overheads & Capital Financing	3,744	2,971	(773)
NET REVENUE SERVICE EXPENDITURE	25,706	25,693	(12)
Finance by:			
Budget Contingency Reserve	(1,588)	(1,561)	27
Revenue Support Grant	(338)	(338)	(0)
Funding Guarantee Grant	(1,276)	(1,276)	0
Services Grant	(30)	(30)	0
Business Rates	(11,736)	(11,736)	0
New Homes Bonus	(674)	(674)	0
Collection Fund Surplus	45	31	(14)
Council Tax Requirement	(10,109)	(10,109)	0
TOTAL FINANCING	(25,706)	(25,693)	12
NET EXPENDITURE (Contribution (to)/from General Fund)	0	0	0

- 3.1 Table 1 shows the forecast position at service level, with a further breakdown provided at Appendix I.
- 3.2 The variances with brackets are underspends, i.e. income received was greater than the budget or the spend was less than budget; variances with no brackets are overspends, i.e. the income was less than the budget, or the spend was more than budget.
- 3.3 Significant variances from budget (£20,000 or more) are explained below.
- 3.4 **Chief Executive £24,000 projected underspend**
A post within the team was filled part way through the year. This has therefore produced an underspend against budget for this year only.
- 3.5 **Elections, Democratic Services and Information Governance £10,000 projected underspend**
Electoral Services £26,000 projected overspend
Although running at an underspend in most areas, the yearly contribution to reserves required to pay for Local Elections in 2027 of £50,000 makes this an overspend position.
- Democratic Services – Members £25,000 projected underspend
The underspend is a result of Special Responsibility allowances and National Insurance on allowances being underspent. This is primarily due to having sufficient budget for all roles with special responsibility, but having some members filling more than one role.
- 3.6 **Housing & Community Services £32,000 projected underspend**
Private Sector Housing £26,000 projected underspend
This is a result of vacancies within the team during the year, and is not expected to be a long-term situation.
- 3.7 **Planning £575,000 projected overspend**
MKS Planning £70,000 projected overspend
Income is still forecast to be below the budget level, as has been the case in previous years. Although there has been an amendment to the budget, a further growth item has been added to the proposed budget for 2025/26, as this position is expected to continue.
- Appeals £127,000 projected overspend
This overspend is as a result of expected appeals anticipated in relation to large planning applications, as well as a forecast for court costs awarded against the council.
- Planning £380,000 projected overspend
The service continues to use agency costs to fill vacant posts, with recruitment continuing to try to attract permanent staff. The cost of the agency staff outstrips the savings from the vacancies. Further costs are expected this year to support the Local Plan work, but this will be met from reserves. Overall, planning income is expected to be slightly above the budget level.

3.8 **Environment & Leisure £35,000 projected overspend**

Environmental Services £124,000 projected underspend

The garden waste scheme has continued to be popular, resulting in the fee increase from last year providing £86,000 of income above the budget level. There are some salary savings due to vacancies and a saving of £18,000 in public conveniences due to less contractor attendance than previous year.

As is expected with a contract of this type and size, we anticipate receiving penalty payments in relation to the waste contract. However, we seek approval to transfer these payments to reserve at the end of the financial year to support the ongoing environmental services contract provision.

Leisure Services £142,000 projected overspend.

Tariff increases for utilities are affecting many service areas, especially Leisure services with a predicted £91,000 overspend. A further £21,000 overspend predicted for repairs in local play areas following inspections and a reduction in beach hut income due to the delay with phase 1. The lower level of beach hut income will be addressed by a growth item in the proposed 2025/26 budget.

3.9 **Regeneration & Economic Development £6,000 projected underspend**

Swale House Operations £55,000 projected underspend

There is currently an underspend on Swale House support staff, as a vacancy is being carried whilst we understand the ongoing need once the building is tenanted. Income is also projected to be above the current budget due to rental income. This increase in rental income is being built into the budget for 2025/26.

Buildings Maintenance £31,000 projected overspend

There are some minor underspends projected for maintenance of some buildings, but costs have been incurred in the demolition of Fountain Street, which overall push this into an overspend position.

Asset Management £94,000 projected overspend

There is an overspend within the Asset Management team due to the use of external support as a result of recruitment difficulties. Recruitment for key posts continues to be difficult, so growth has been included in the draft budget for 2025/26 to continue the use of some external support in the short term. There is also currently a shortfall in rental income not reaching budget levels at a number of locations, mainly due to vacant units.

Economic Development £75,000 projected underspend

£30,000 of this relates to administration grant received for the UK Shared Prosperity Fund grants. There are also temporary reductions in staff costs due to vacancies and a reduction in payments in relation to Learning & Skills, which has been put forward as a permanent saving within the draft budget for 2025/26.

3.10 **Finance & Procurement £57,000 projected underspend**

Accountancy £34,000 projected underspend

This underspend is partly from part year vacancies within the team, which have now been filled, and also an underspend on fees and services which have been put forward as a permanent saving in the 2025/26 draft budget.

Financial Services £21,000 projected underspend

This is due to salary savings within the team resulting from staff vacancies following a restructure, and maternity leave which has not been covered by replacement staff. This underspend is not expected to be a permanent position.

3.11 Revenues & Benefits £241,000 projected overspend

Housing Benefits £257,000 projected overspend

There is a projected overspend of £187,000 due to an increase in Housing Benefits claims in non-charity supported accommodation, which is not funded in full. Plus, a reduction in the amount collected of £70,000 from overpaid Housing Benefit, due to the ongoing transition of the case load moving to Universal Credit. This will potentially be an ongoing budget pressure.

3.12 Information Technology £3,000 projected overspend

IT Maintenance & Licences £49,000 projected overspend

Projected overspend is due to inflation and Microsoft increases. This will be separately reviewed to ensure that budgets are appropriate, as well as a contribution to reserve being reintroduced in future years.

IT Service £46,000 projected underspend

This is due to vacant posts being held within ICT Development, Network and Support and GIS teams.

3.13 Legal £50,000 projected overspend

This is due to the use of agency staff to fill permanent positions due to recruitment difficulties. Some of the overspend arising from the use of agency staff is expected to be offset by higher levels of income.

3.14 Corporate Overheads & Capital Financing £773,000 projected underspend

Interest and Capital Financing £274,000 projected underspend

This is arising due to interest rates remaining relatively high, and our treasury position meaning that overall we benefit from such a position. However, with interest rates falling, this should be considered as a windfall.

Non Distributed Pension Costs £223,000 projected underspend

Negotiations with the pension fund actuaries have resulted in a reduction in our contribution to the pension backfunding position. This is being put forward as a saving in the draft budget for 2025/26.

Corporate Overheads £120,000 projected underspend

This is primarily a result of a further saving from the insurance contract that was retendered. Having had the new contract for a year, a further saving is now being proposed as an ongoing reduction within the draft budget.

Corporate Costs/Provisions £157,000 projected underspend

Following a piece of work to rebase salary budgets to ensure they are in line with agreed structures, combined savings have been identified. Any amounts that are ongoing are being offered as a saving within the draft budget for 2025/26.

Capital Expenditure

3.15 This section of the report details actual capital expenditure to end of quarter 2 and highlights any variations between the 2024/25 capital budget and the projected outturn. The revised budget includes the 2023/24 roll forwards as agreed by the Policy and Resources Committee 15 July 2024.

3.16 Further breakdown is provided in Appendix II to this report.

3.17 Actual expenditure is £5.633m which is 23.83% of the budget. A summary is set out in Table 2 below and further details are shown in Appendix II. Some projects are currently showing negative spend this year, as we are awaiting invoices to clear year end adjustments.

Table 2 – Capital Expenditure to end of September 2024

	Net Budget £'000	Actuals April to Sept £'000	2024-25 Forecast £'000	Future Year Forecast £'000	Projected Variance £'000
Housing & Community Services	22,199	4,473	9,603	12,596	0
Regeneration & Economic Development	221	1,166	233	0	12
Environment & Leisure	1,219	(65)	817	402	0
Information Technology	0	58	0	0	0
Total Capital Programme	23,639	5,633	10,653	12,998	12

4. Alternative Options

4.1 None identified – this report is largely for information.

5. Consultation Undertaken or Proposed

5.1 Heads of Service and Strategic Management Team have been consulted in preparing this report.

6. Implications

Issue	Implications
Corporate Plan	Good financial management is key to supporting the Corporate Plan objectives.
Financial, Resource and Property	As detailed in the report. Budget holders will need to review the current forecast position to identify savings to address the forecast overspend.
Legal, Statutory and Procurement	The monitoring report is not a statutory requirement, but it is a requirement of the Council's Financial Regulations.
Crime and Disorder	None identified at this stage.
Environment and Climate/ Ecological Emergency	The report identifies a wide range of expenditure headings which support the Council's Climate and Emergency Action Plan.

Issue	Implications
Health & Wellbeing	None identified at this stage.
Safeguarding of Children, Young People and Vulnerable Adults	None identified at this stage.
Risk Management and Health and Safety	The Council's overall financial position is a key risk in the Council's Corporate Risk Register.
Equality and Diversity	None identified at this stage.
Privacy and Data Protection	None identified at this stage.

7. Appendices

7.1 The following documents are published with this report and form part of the report:

- Appendix I: Detailed revenue monitoring position
- Appendix II: Detailed capital monitoring position

8. Background Papers

- Council Meeting 21 February 2024
- Policy & Resources Committee 7 February 2024