

## **Overview and Scrutiny Committee – 11 July 2024**

### **Draft Minute 15 – Q4 Performance and Budget Outturn 2023/24**

The Committee received reports on the Council's performance for the final quarter of 2023/24 including Key Performance Indicator (KPI) reporting, as well as revenue and budget monitoring. The reports were due to be presented to the Executive on 18 July 2024.

#### **Key Performance Indicators**

The Executive Member for Corporate Policy and Resources, Councillor James King, presented the Quarter 4 Performance Report 2023/24 covering the period January to March 2024.

Of the 11 key performance indicators (KPIs) reported on in quarter four, eight were on target or within the agreed tolerance. Three indicators were off-target and outside of the agreed tolerance.

The RED rated indicators were as follows:

KPI 7 – affordable housing completions.

The Council had seen 43 affordable housing completions over the year, compared to a notional target of 100. This is disappointing, but the complexity behind the drivers of affordable housing provision is well understood and has been discussed on many occasions by this Committee.

Cumulative affordable housing delivery for the Local Plan period, 2012-2027, sits at 1,172, compared to a target to end 2023/24 of 1,200.

A good proportion of completions for social rent had been achieved.

KPI10 – Recycling levels

It was known, and this Committee had discussed previously, that the Council's recycling target is a stretch target.

As reporting was quarterly in arrears, this reporting was for the Quarter 3 period, with a figure of 53.1% compared to a target of 60%. In this period, there had been an overall decrease in residual waste, which was positive, but also a decrease in garden waste, which was seasonal, and a more minor decrease in plastic and mixed cans recycling.

Changes to recycling collections were due to be implemented which would result in a universal full recycling collection offer, and hopefully increased recycling rates in the coming years.

KPI11 - Council carbon emissions

This information was currently reported one year in arrears, which means that the carbon emissions figures reported here have already been discussed by this Committee in depth in September last year.

Members may recall that the uptick in carbon emissions in 2022/23 was due to the re-opening of Council facilities after the pandemic and an issue with the boiler at the Harlequin.

The Sustainability Team was currently working on figures for 2023/24 carbon emissions which were due to be reported to this Committee via the Environmental Sustainability Annual Report in September 2024.

The Council would look to align annual KPI reporting on carbon emissions with this in the future.

The Executive Member for Corporate Policy and Resources, Councillor James King, invited Members to ask questions on the Quarter 4 2023/24 Performance Report provided in the agenda pack. In response, the following clarifications were provided:

#### KPI 11 – Reduction in the Council's carbon footprint

It was confirmed that reporting on carbon emissions was only possible annually, due to the complexity of metering systems, but that this reporting is provided to Members as early as possible, in September Officers would look to align KPI reporting with the Environmental Sustainability Annual Report.

It was confirmed that the Environmental Sustainability Annual Report to this committee in September 2023 gave detailed information about energy consumption. It was also confirmed that the Council's target for Net Zero is 2030 and that if proportionate progress was not made year on year, more work would be needed.

#### KPI 6 - Net housing completions

It was confirmed that information on the number of units under construction was contained within this report. Information on the number of units with planning permission where construction had not yet commenced was contained in the annual Housing Monitor.

#### KPI 7 - Net affordable housing completions

A Member asked for the number of net affordable housing completions to be checked against the Housing Monitor and for a comparison of net and gross affordable units over the past 15 years. A written response would be provided.

It was confirmed that completion of affordable housing units rose and fell in different quarters as final delivery tended to complete in batches. Additionally, the number of affordable units secured from development was dependent on the size of developments coming forward and a complex set of circumstances regarding the developers' position/housing market etc.

#### Relationship between homelessness and the affordable housing target

It was confirmed that the definition of affordable housing for KPI7 is based on did not include temporary and emergency accommodation and that the need and demand regarding homelessness, the affordable housing target, and temporary emergency accommodation were addressed in the Local Plan.

#### KPI 4 – Staff sickness

It was confirmed that during the Covid pandemic and up until 2023, Covid-related sickness was recorded separately to general staff sickness. After this period, Covid-related sickness was included in the overall figures for staff sickness.

#### KPI 5 – Homelessness positive outcomes

It was confirmed that it was not ideal to move residents out of their local networks within the borough, but there was limited availability of housing offers. The Council

recorded housing offers made and housing offers accepted and offered to share this information with the committee.

## **Finance**

The Deputy Leader and Executive Member for Finance and Assets, Councillor Lewanski, gave an overview of the Council's provisional Revenue and Capital budget outturn for 2023/24.

The final outturn position would be confirmed once the audit for the 2023/24 Statement of Accounts had completed, but no significant changes were expected.

For Service budgets, the full year outturn position was £20.9m against a management budget of £20.2m resulting in an overspend of £0.7m (3.5%). There were a number of reasons for this overspend and these were explained in the report presented to the committee for each service area.

For Central Budgets the outturn was £1.3m against a management budget of £3.0m resulting in an underspend of £1.8m (58%).

The Central Budget underspend was mainly as a result of lower Treasury Management costs driven by favourable rates and a lower borrowing requirement than budgeted.

The Capital Programme outturn position was £17.7m which was £16.7m (49%) below the approved Programme for the year.

The variance was as a result of £16.6m of capital slippage plus a net underspend on various schemes of £0.1m.

The majority of this slippage would be carried forward and was to be included and spent in the Capital Programme for 2024/25 onwards.

The report also details requests to Council to approve two additional capital expenditure allocations for the capital programme for 2024/25 to 2028/29.

Firstly, for Merstham Recreation Ground; this reflects technical changes required to this capital scheme to ensure it remains up to date since the original capital budget was approved by Council in February this year. In short, this scheme has secured additional Lottery Funding of £500k, CIL funding of £787k together with other grant funding; the main grant being £443k of funding received from Surrey County Council for flooding and climate resilience. These sums are now required to be added to the capital programme expenditure budget so the funds can be spent.

Secondly there is grant allocation of £202k for a new capital scheme to introduce a Weekly Food Collection Service. The Council was allocated this funding from the Department of the Environment, Food and Rural Affairs in April 2024 as part of the Government's Simpler Recycling Programme. Further reports will be presented to Executive on the implementation proposals and timing.

In conclusion, 2023/24 has been another challenging year from a financial perspective, but the continued focus on cost control and income generation and the fact that the Council has ended the year with a net underspend on total budget with healthy reserves balances is evidence that every possible source of funding has been pursued and a prudent approach to financial management is in place across the organisation.

This means that the Council is starting from a position of relative strength as it moves into 2024/25 and continues to focus on addressing medium term risks through the Financial Sustainability Plan.

The report also included an update on treasury management performance.

Annex 5.1 confirmed that treasury activities are in line with the Strategy that Council approved in June last year.

The Deputy Leader and Executive Member for Finance and Assets also took this opportunity to highlight the fact that the return on Council investments and treasury activities continues to outperform similar authorities and this is a key factor contributing to the favourable revenue budget outturn forecasts.

The Deputy Leader and Executive Member for Finance and Assets, Councillor Lewanski, invited Members to ask questions on the Quarter 4 2023/24 Budget Outturn Report provided in the agenda pack. In response, the following clarifications were provided:

#### Capital budget

It was confirmed that capital slippage, meant a delay in capital spending and that those funds allocated should be used as planned. Projects can be delayed due to various factors, such as obtaining the relevant resources required such as materials and labour.

A Member expressed a desire for information on the total capital costs rather than the in-year changes to costs for the Merstham Recreation Ground scheme. The Chair explained that part of the additional costs for this project were due to an extension of scope, as necessary funding had been obtained, such as flooding works; part was an unexpected but necessary requirement to move a football pitch; part was additional forecast costs for the initial scope of works. The Chair requested that these additional elements be included in future reporting. The Managing Director offered to share additional information with the committee.

#### Treasury management

It was confirmed that the tables on page 62 of the agenda pack showed treasury management performance information and showed actual borrowing. The Chief Finance Officer explained that in treasury terms there was a borrowing requirement to borrow funds for key capital assets, but that no external loans had been taken out, as available balances had been utilised. At a future date, external borrowing would be necessary. This method of borrowing had been explained in previous written responses and the Chief Finance Officer would re-issue those previous explanations.

#### Community Partnerships budget

A Member asked whether the underspent budget from Community Partnerships would be transferred to a reserve and how this underspent budget would be utilised. A written response would be provided.

#### Contributions to Voluntary/Community sector partners

A Member noted that Merstham Mix had received funding of £3k in 2023/24 but it had closed in August 2023. He asked what this money had been spent on. A written response would be provided.

### Accountability for overspent budgets

It was confirmed that officers have a delegated authority to spend within their approved budgets; occasionally expenditure exceeded budgets due to unforeseen circumstances. Budgets were a financial forecast of planned activity; if the activity did not progress as planned, expenditure could exceed budget, for example when procurement is involved. In the case of the IT overspend this was due to increased costs for software licences and was a cumulative overspend over time and over several contracts.

The Chair noted that there were several negative variances for 2023/24 and requested that Quarter 1 2024/25 reporting in September identifies large variances recorded in 2023/24 and compares them to full year projections for 2024/25.

A Member had several questions relating to budget variances and was asked to submit these questions in writing.

### Environmental Sustainability Capital Fund

It was confirmed that there were two aspects to capital funding for Environmental Sustainability i) the Environmental Sustainability Capital Fund which was a fund that could be drawn down to add to existing capital projects to make them more environmentally sustainable, or other small projects requiring small amounts of capital funding, such as funding the HVO tank at the Depot and ii) separate allocations within the capital programme for larger items such as the electric bin lorry purchase and retrofitting Council buildings.

### Capital slippage

It was confirmed that slippage was reviewed and scrutinised during the budget setting process. The Senior Management Team were exploring options for aligning project management and project delivery processes with financial forecasting and monitoring. Budget setting involved the financial forecast for delivery plans, if timescales varied there was likely to be slippage. There was an intention to refine the planning to improve budget setting.

The Chair commented that it would be beneficial to have a second Budget Scrutiny Panel meeting in October in order to focus more on the scrutiny of five year plans for capital.

### Vacancies

It was confirmed that staff turnover had decreased significantly to well within tolerance and was not a concern. Vacancies did arise and there was a competitive market for particular skill sets; in certain areas there were challenges with recruitment. The Council strives to remain competitive. In addition, the Council was accelerating the use of apprenticeships.

**RESOLVED** that Overview and Scrutiny Committee:

- i. Noted the Key Performance Indicators performance for Q4 2023/24 as detailed in the report and in Annex 1 and made observations to the Executive;
- ii. Noted the Provisional Revenue Budget Outturn for 2023/24 as detailed at Annex 2, and made observations to Executive;
- iii. Noted the recommended Revenue Budget-carry-forwards from 2023/24 to 2024/25 at Annex 4;

- iv. Noted the Provisional Capital Programme outturn for 2023/24 as detailed at Annex 3, and made observations to Executive;
- v. Noted the recommendation to allocate an additional £1.830 million to the Capital Programme for 2024/25 to 2028/29 for the Merstham Recreation Ground scheme, taking the total capital scheme value to £3.247 million, and made observations to Executive;
- vi. Noted the recommendation to allocate an additional £0.202 million to the Capital Programme for 2024/25 to 2028/29 for the transitional capital costs of implementing a Weekly Food Collection service;
- vii. Noted the Quarter 4 Treasury Management and Prudential Indicator updates for 2023/24 at Annex 5 and 5.1, and made observations to Executive;
- viii. Noted the update on risks and statistics relating to Homelessness, at Annex 6.