

Cabinet

23 September 2020



Title	Revenue Monitoring Report		
Purpose of the report	To note		
Report Author	Grantley Miles (Chief Accountant)		
Cabinet Member	Councillor Sati Buttar	Confidential	No
Corporate Priority	Financial Sustainability		
Recommendations	To note the current level of spend		
Reason for Recommendation	Not applicable		

1. Key issues

- 1.1 This report provides a summary of the forecast outturn position at the end for the 2020-21 financial year, based on income and expenditure up to the end of July 2020.
- 1.2 The report considers the Council's financial position in the light of the Covid-19 pandemic. It should be noted that the Covid-19 pandemic has created a dynamic environment leading to continuous change to plans and figures. The current environment is constantly changing in relation to events, plans and programmes. As a result of this it is inevitable that there will be changes over time in financial information, forecasts and reports to Members.
- 1.3 A forecast overspend has been identified within the General Fund budget. The key variances are summarised in the table below.
- 1.4 The Council's General Fund forecast outturn, estimates that the General Fund will be underspent, against the revised budget, overall by £2.016m at the year end. The table below details the impact of Covid-19, together with the additional grant funding received from Government to meet the costs of Covid-19, is shown separately from Non-Covid-19 impacted services. The impact of Covid-19 is shown as an underspend of £1.539m, this takes into account the Supplementary Revenue Estimate which was approved by Council. This is currently suggests that the Council will not need to apply all of the £2.2m supplementary estimate, funded from reserves, that was approved by Council on 21st May. Non Covid-19 expenditure is showing an underspend of £0.477m.

1.5 **Covid-19 Uncertainties** – The table shows the impact of Covid-19 on those areas affected. Appendix A and B show an additional breakdown of the forecast impact of Covid-19 on each area within the Council's General Fund budget. The forecast overspends are based on discussions with Budget Managers and are based on knowledge available to Budget Managers and should be seen as a realistic and prudent assessment. However, it should be recognised that it is difficult for Managers to form a judgement on circumstances which are currently very fluid. There are a number of unknowns such as when the lockdown and measures on social distancing will end and importantly when a return to normal activity will occur.

Forecast Outturn Position at 31/3/21	Revised Budget £'000	Forecast Outturn £'000	Covid-19 Variance £'000	Non Covid-19 Variance £'000	Total Variance £'000
Service Level Expenditure	62,917	63,410	921	(428)	493
Housing Benefit Income	(28,621)	(28,700)	-	(79)	(79)
Service level Income	(12,041)	(10,715)	1,110	216	1,326
Salary budget saving (<i>actual vacancy savings are reflected in services level expenditure</i>)	(300)	-	-	300	300
Supplementary Covid Budget	2,200	-	(2,200)	-	(2,200)
Net Asset Income	(10,124)	(9,916)	-	208	208
Project Delivery Fund	1,397	1,397	-	-	-
Other Adjustments	(390)	(455)	629	(694)	(65)
External Financing	(4,351)	(6,350)	(1,999)	-	(1,999)
Revenue Carry forward	(204)	(204)	-	-	-
General Fund Reserves	(2,200)	(2,200)	-	-	-
Council Tax Income	(8,283)	(8,283)	-	-	-
Net Over/(Underspend)	-	(2,016)	(1,539)	(477)	(2,016)

1.6 Covid-19 Grant funding for the General Fund – Funding has been received from central government to mitigate the impact of Covid-19 together with a New Burdens Grant to offset the costs of the additional work involved in administering the Business Support Grants and the 100% Business Rate Relief schemes. Government has also announced additional funding will be provided for the loss of income resulting from the pandemic. Councils will have to meet the first 5% of the loss and will receive 75% funding for the remainder of the loss of Sales, Fees and Charges. The additional grant funding is shown in the table below.

Covid- 19 Revenue Grants	£'000
Covid-19 Grant (Tranche 1) – Received	34
Covid-19 Grant (Tranche 2) – Received	987
Covid-19 Grant (Tranche 3) – Received	161
New Burdens Grant – Received	130
Income Recovery Grant (estimated claim)	687
Anticipated Covid-19 Revenue Grant Support	1,999

- 1.7 **Business Support Grants** – Government has provided additional funding to Local Government to be distribute to eligible small businesses within the Council’s area to mitigate against the financial impact of Covid-19. This funding provided was provided in the form of a non-discretionary scheme and a discretionary scheme. In addition to this Government has provided grant funding to Councils to enable additional Council Tax Support of up to £150 per eligible council taxpayer to be provided to Council Taxers who receive Council Tax Support.

Business Grants	Grant Received	Grant Distributed as at 31/7/2020
	£000’s	£000’s
Non-Discretionary Business Grant	14,428	12,795
Discretionary Business Grant	715	690
Council Tax Hardship Grant	588	0

2. **Forecast Budget Under/Overpends at year end by Portfolio**

- 2.1 The following tables identifies significant forecast over and underspends greater than 5% or £10,000 of the spend area for each Cabinet portfolio. Figures shown without brackets represent an overspend, figures shown within brackets represent an underspend.

Leader - Portfolio

Spend Area	Variance £'000	Comment
Corporate Governance	24	Additional consultancy costs relating to Group Head recruitment
Legal	41	Additional temporary/agency staff costs offset by increased income
Staines Town Centre Mgt	90	This results from a loss of income net of reduction in costs following the implementation of the new arrangements for the Elmsleigh Centre.
Information Technology	(25)	Anticipated savings from vacant posts
Total	130	

Deputy Leader - Portfolio

Spend Area	Variance £'000	Comment
Asset Mgt Administration	(86)	Underspend expected as a result of vacant posts offset by unbudgeted Covid -19 expenditure.
Development Properties	230	This relates to costs of properties awaiting development mainly Elmsleigh Centre Multi Storey & Thameside House. :
Total	144	

Finance - Portfolio

Spend Area	Variance £'000	Comment
Central Services Mgt & Support	(25)	Salary vacancies anticipated to be used on consultancy costs
Total	(25)	

Leisure & New Leisure – Portfolio

Spend Area	Variance £'000	Comment
Spelthorne Leisure Centre	337	Loss of income plus support package for Spelthorne Leisure Centre
Public Health	56	Higher expenditure due to Covid-19 and reduced income from courses
Total	393	

Community Wellbeing & Housing- Portfolio

Spend Area	Variance £'000	Comment
SPAN	(19)	Staff vacancy and additional grant from Surrey
Com Care Admin	9	The cost of the S4S Community Hub has been offset by a number of vacant. posts are vacant which are planned to filled later in the year.
Day Centres	151	Income affected by the closure of day centres offset by vacancies and reduced spend on supplies and services
SAT	(60)	Income is reduced due to Covid-19
General Grants	(13)	Grants awarded below budget
Housing Needs	93	Overspend on staffing budget due to an unbudgeted post transferred from Family Support and additional overtime as a result of Covid-19.
Homelessness	257	Bed and Breakfast costs higher than budgeted due to additional demands arising from Covid-19
Housing Benefit Admin	(65)	2019/20 underspend carry forward of Discretionary Housing Payments (DHP) grant being retained as a contingency
Housing Benefit Payments	(78)	Increase in recovery of overpayments
Total	275	

Compliance, Waste and Risk Management- Portfolio

Spend Area	Variance £'000	Comment
Car Parks	535	Income is lower than budgeted due to Covid-19 pandemic
Cemeteries	(49)	Burials higher than budgeted due to an increase in burials due to Covid-19
DS Management and Support	21	No management recharge income as the contract with Runnymede has ended.
Licensing	37	Income lower than budgeted due to Covid-19
Refuse Collection	(65)	Green Waste bin income is higher than anticipated
Staines Market	190	Income lower than budgeted due to Covid-19
Taxi Licensing	41	Income lower than budgeted due to Covid-19
Waste Recycling	231	Increase in income lower due to increase in charges and lower income from Surrey
Total	941	

Planning and Economic Development - Portfolio

Spend Area	Variance £'000	Comment
Building Control	83	Income lower than budgeted due to Covid-19
Community Infrastructure Levy	(82)	Expected administration recovery from CIL receipts
Economic Development	14	Expected small business incubator cost of £50k offset by vacant post
Land Charges	61	Income lower than budgeted due to Covid-19
Planning Development	(242)	This underspend is as a result of staff vacancies and additional income from planning performance agreements
Planning Policy	33	This is mainly attributable to Local Plan costs not budgeted less a staffing vacancy.
Public Halls	20	Income lower than budgeted due to Covid-19
Total	(113)	

Communications, Corporate Management and Environment – Portfolio

Spend Area	Variance £'000	Comment
Corporate Management	(44)	Savings expected against overall Retention Allowance budget
Parks Strategy	40	Income anticipated to be lower than budgeted due to Covid-19
Total	(84)	

2.2 Net Asset Income (Commercial and Regeneration Assets)

The table below shows the latest monitoring position for the acquired assets, the net income is used to meet additional expenditure resulting from reduced government grant, Surrey County Council funding and other pressures.

Net Asset Income from Commercial and Regeneration Assets	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Rental Income	(53,006)	(53,021)	(15)
Loan Interest Payable	24,035	24,258	223
Minimum Revenue Provision	11,903	11,903	0
Sinking Funds	5,814	5,814	0
Asset Supervision Costs	1,130	1,130	0
Net Income (used to fund Revenue budget)	(10,124)	(9,916)	208

2.3 It can be seen in the table above that the Council places a significant amount of the income earned into sinking funds (£5.814m) to cover future changes in circumstance, such as capital refurbishments or rent free periods. The sinking funds are being built up over a number of years in anticipation of when required. The sinking fund positions for the various acquisitions are as follows:

Proposed Allocation to Reserves	Balance 31/03/20 £'000	Additions 2020/21 £'000	Applied 2020/21 £'000	Balance 31/03/21 £'000
BP Main Site	3,909	500	0	4,409
BP SW Corner	848	150	0	998
Elmbrook House	438	50	0	488
12 Hammersmith Grove	4,086	900	(814)	4,172
Stockley Park	1,580	100	(222)	1,458
World Business Ctre 4	200	200	0	400
Communications House	1,054	500	(1)	1,553
Thames Tower	1,998	1,050	0	3,048
Charter Building	4,074	1,190	0	5,264
Porter Building	1,384	200	0	1,584
Summit Centre	391	250	(1)	640
Elmsleigh Centre	548	724	0	1,272
Total	20,510	5,814	(1,038)	25,286

2.4 Project Delivery Fund Contributions

This Project Delivery Fund provides funding for two separate projects:-

- A sum of £0.9m was set aside for a Green Belt Fighting Fund currently none of this funding has been required and it is anticipated that this provision will be carried forward into the next financial year.
- The balance of the Fund (£0.497m) was set aside before the impact of Covid-19 occurred, to be allocated by Cabinet to support a number of specific projects. Following the start of the Pandemic, it was then decided to retain the funding to offset any net financial impact from Covid-19. At this current time, it appears that the financial position of the Council is such that these funds could be considered for release for other projects.

2.5 Impact on the Council's Cash Flow as a result of Covid-19

There is a concern amongst Billing Authorities (ie the borough and district councils who raise the bills) about the extent to which Covid-19 reduces the cash collected in respect of Council Tax and Business Rates. As many Billing Authorities only retain a small proportion of, with the majority collected being paid to preceptors. The concern is as precepts were set well before the start of the financial year, prior to the onset of Covid-19 collection rates will be significantly below expectation as the finances of residents and local businesses are impacted. As precept payments to Surrey County Council, Surrey Police and the Government were set in line with statute the gearing effect will reduce the Spelthorne's cashflow. The impact of this is shown in the table above under Other Adjustments. The impact is £0.629m, which comprise

a loss of interest receivable of £0.398m as a result of lower interest rates and additional short term borrowing costs of £0.231m.

- 2.6 Currently the Council Tax and Business Rates collection rate stand at 95.2% and 96% respectively. If these rates continue to the end of the year the impact of these lower rates on the Council's cash flow is estimated at £3.1m. These lower collection rates will impact on the Council's borrowing costs in 2020/21. If the Council is unable to collect Council Tax/Business Rates in 2020/21 in line with the levels of previous years, it is also likely that additional bad debt provisions will need to be made in 2020/21 in respect of any uncollected debt. This could give rise to deficits on the Collection Fund for both Council Tax and Business Rates which are apportioned between SBC and the preceptors. As deficits have to be met from future budgets, this places additional pressure on the budget setting process for 2021-22. The Council is monitoring collection rates closely, to assess the risks. Government has advised that they will be flexing the regulations to enable Collection Fund deficits to be spread over 3 years, rather than 1 year as at present.
- 2.7 **Charges to Knowle Green Estates Ltd-** Knowle Green Estates is a wholly owned company set up to meet the housing needs of residents including affordable rented and private rented accommodation and key worker homes. The company does not directly employ any staff but commissions or procures the work required by the Board from the Council. The services provided by the Council are provided at cost. The company is at an early stage in its development cycle and it would not be appropriate at this time to take on the burden of fixed overhead costs until it becomes more mature.
- 2.8 In 2020/21 the estimated charges made to Knowle Green Estates for services provided by the Council are set out in the table below.

Spelthorne Charges for Services to Knowle Green Estates Ltd		
	2020/21 Budget £000's	2020/21 Estimated Charge to end July £000's
Charges for Commissioned Work		
Senior Management	9,700	3,200
Property Team	70,600	23,500
Finance	5,500	1,800
Housing	3,500	1,200
Legal	12,000	4,000
Total of Commissioned Work	101,300	33,700
Debt Financing Costs		
Loan Interest*	101,320	33,375
Loan Repayment*	45,780	15,595
Total to be recharged by Spelthorne	248,400	82,670

Table Note * Debt financing for assets transferred from Spelthorne Borough Council to Knowle Green Estates Ltd.

2.9 2020/21 Pay Award

The Council determines the pay for the Council's staff on a local basis. The Council's policy is to at least match the pay award which is negotiated nationally by local government employers with the relevant Trade Unions. The national pay award has now been agreed at 2.75% with the Trade Unions for 2020/21 commencing in April 2020 and the pay award will be backdated to April 2020. The Council has allowed 2.5% in the budget for 2020/21. The additional cost in 2020/21 is estimated at £38,900.

3. Financial implications

3.1 Financial implications are as set out within the report and appendices.

4. Other considerations

4.1 There are none.

5. Timetable for implementation

5.1 Monthly financial monitoring reports are produced for Management team.

Background papers: None

Appendices: A and B