

Cabinet

3 December 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 September 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 £1.516m 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 £1.385m, 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 £0.131m.

- 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	59,917	60,803	586	300	886
Housing Benefit Income	(25,621)	(25,680)	-	(59)	(59)
Service level Income	(12,041)	(10,156)	2,111	(226)	1,885
Salary budget saving (<i>actual vacancy savings are reflected in services level expenditure</i>)	(300)	-	-	300	300
2020/21 Pay Award		40		40	40
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)	(6,862)	(2,511)	-	(2,511)
Revenue Carry forward	(204)	(204)	-	-	-
General Fund Reserves	(2,200)	(2,200)	-	-	-
Council Tax Income	(8,283)	(8,283)	-	-	-
Net Over/(Underspend)	-	(1,516)	(1,385)	(131)	(1,516)

- 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
Covid-19 Grant (Tranche 4) - Received	304
New Burdens Grant – Received	130
Income Recovery Grant (estimated claim)	895
Anticipated Covid-19 Revenue Grant Support	2,511

- 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. The Non- Discretionary Grants scheme ended on the 30th September. 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 31/9/2020
	£000's	£000's
Non-Discretionary Business Grant	14,428	12,795
Discretionary Business Grant	715	715
Council Tax Hardship Grant	588	471

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

- 2.1 Overall the financial position shows change from the position last reported from a forecast underspend of £2.016m to a forecast underspend of £1.606m. The movement is mainly attributable to the receipt of Business Rate demands for a number of Development Properties which total £840,000 and which are subject to challenge these are offset by an additional Covid-109 Grant allocation of £0.304m. 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	25	Additional consultancy costs relating to Group Head recruitment
Legal	62	Additional temporary/agency staff costs offset by increased income
Staines Town Centre Mgt	90	The £390k per annum income share under the previous arrangement with Elmsleigh has been replaced with £300k (index linked) being top sliced from the Elmsleigh rental directly.
Information Technology	(50)	Anticipated savings from vacant posts
Total	127	

Deputy Leader - Portfolio

Spend Area	Variance £'000	Comment
Asset Mgt Administration	(16)	Underspend expected as a result of vacant posts offset by unbudgeted Covid -19 expenditure.
Development Properties	838	This relates to costs of properties awaiting development mainly Elmsleigh Centre Multi Storey, Hannover House & Thameside House. These relate in large part to large charges for Business Rates. These Business Rates charges are currently under appeal with the Valuation Office . This represents a worst case scenario but are included at this stage on the basis of prudence. The service charges in relation to Elmsleigh multi storey car park service charges can also be mitigated from the Elmsleigh Sinking Fund.
Total	822	

Finance - Portfolio

Spend Area	Variance £'000	Comment
Court Costs	125	A shortfall is anticipated in the income receivable from Court Costs. The Courts have been shut for some time because of Covid-19 and have only recently re-opened.
Total	125	

Leisure & New Leisure – Portfolio

Spend Area	Variance £'000	Comment
Leisure Admin	19	Additional costs incurred covering two posts on maternity leave
Spelthorne Leisure Centre	420	Loss of income plus support package for Spelthorne Leisure Centre. This includes an amount paid to SLM of £217 for additional costs and the loss of income from the Management Fee of £260,000. This loss of income is reduced by Covid -19 Grant of £189,000 which is shown elsewhere in the Budget.
Public Health	65	Higher expenditure due to Covid-19 and reduced income from courses
Total	504	

Community Wellbeing & Housing- Portfolio

Spend Area	Variance £'000	Comment
SPAN	(38)	Surrey Telecare grant of £10k & additional SPAN income
Com Care Admin	(63)	Vacant positions hoping to be filled by January 2021
Day Centres	153	Income affected by the closure of day centres offset by vacancies and reduced spend on supplies and services
SAT	(52)	Income is reduced due to Covid-19
Housing Needs	92	Overspend on staffing budget due to an unbudgeted post transferred from Family Support and additional overtime as a result of Covid-19.
Homelessness	252	Bed and Breakfast costs higher than budgeted due to additional demands arising from Covid-19
Housing Benefit Admin	(64)	Additional new burdens grants received
Housing Benefit Payments	(59)	Increase in DHP Contribution, amount not known until after budget set
Total	221	

Compliance, Waste and Risk Management- Portfolio

Spend Area	Variance £'000	Comment
Car Parks	490	Income is lower than budgeted due to Covid-19 pandemic & lower business rates
Cemeteries	(49)	Burials higher than budgeted due to an increase in number of deaths
DS Management and Support	17	No management recharge income as the contract with Runnymede has ended.
Licensing	37	Income lower than budgeted due to Covid-19
Refuse Collection	(41)	Green Waste bin income is higher than anticipated
Staines Market	200	Income lower than budgeted due to Covid-19 & higher business rates
Taxi Licensing	54	Income lower than budgeted due to Covid-19
Waste Recycling	231	Increase in the gate fees charged by Surrey and reduced income recycling credits.
Total	939	

Planning and Economic Development - Portfolio

Spend Area	Variance £'000	Comment
Building Control	83	Income lower than budgeted due to Covid-19
Community Infrastructure Levy	0	Currently £296k of levies raised up to Q2. SBC are able to keep 5% of these as admin receipts. Currently £15k approx.
Economic Development	30	Project costs to be funded from NNDR retention for Business Incubator and Staines Town Centre.
Land Charges	61	Income lower than budgeted due to Covid-19
Planning Development	(154)	This underspend is as a result of staff vacancies and additional income from planning performance agreements, this currently offsets our forecast to achieve 72% of the planning fees budget in 20-21
Planning Policy	33	This is mainly attributable to Local Plan costs not budgeted, but expected, less a staffing vacancy.
Public Halls	27	Income lower than budgeted due to Covid-19
Total	(106)	

Communications, Corporate Management and Environment – Portfolio

Spend Area	Variance £'000	Comment
Corporate Management	33	The overspend represents expenditure on River Thames improvements (to be met from reserves), increased bank charges and expenditure on the Covid- 19 pandemic.
Total	33	

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 (£4.022m) 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	(1,428)	3,558
Stockley Park	1,580	100	(319)	1,361
World Business Ctre 4	200	200	0	400
Communications House	1,054	500	0	1,554
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	(44)	597
Elmsleigh Centre	548	724	0	1,272
Total	20,510	5,814	(1,791)	24,533

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 (i.e. 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 95.6% 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 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 September £000's
Charges for Commissioned Work		
Senior Management	9,700	4,800
Property Team	70,600	35,250
Finance	5,500	2,700
Housing	3,500	1,800
Legal	12,000	6,000
Total of Commissioned Work	101,300	50,550
Debt Financing Costs		
Loan Interest*	101,320	50,060
Loan Repayment*	45,780	23,390
Total to be recharged by Spelthorne	248,400	124,000

2.9 2020/21 Pay Award

Additional Provision been included within the budget to allow for the backdated pay award, relating to the 0.25% by which the national pay award exceeded the local Spelthorne pay award, which has been agreed by the Council at an estimated cost of £40,000.

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