

Cabinet

24 February 2021



	Revenue Monitoring Report 2020/21 as at 31 December 2020
Purpose of the report	To note
Report Author	Paul Taylor – Chief Accountant
Cabinet Member	Councillor Sati Buttar
Confidential	No
Corporate Priority	Financial Sustainability
Recommendations	Cabinet to note the forecast outturn for 2020/21 as at 31 December 2020
Reason for Recommendation	Not applicable

1. Key issues

1.1. This report provides a summary of the forecast outturn position for the financial year 2020-21 as at 31 December 2020, which is forecasting an underspend of £1.29m, this is a decrease of £0.23m on the September 2020 forecast underspend of £1.52m.

This is due to a revised budget allocation of £0.07m for Environmental Enhancements and £0.15m in respect of Net Asset Income shown below.

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. The key variances are summarised in the table below, with a more detailed information on the variances by portfolio shown in section 2.

1.4. The impact of COVID-19 is shown as an underspend of £1.19m, this considers the Supplementary Revenue Estimate which was approved by Council. This indicates that the Council will not need to apply all the £2.2m supplementary estimate, funded from reserves, that was approved by Council on 21st May and a recommendation has been made to establish an earmarked reserve for COVID-19 in 2021/22 with the unused funds. Non COVID-19 expenditure is showing an underspend of £0.17m.

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 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 several 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	59,989	60,558	1,284	-715	569
Housing Benefit Income	-25,621	-25,088	-	533	533
Service level Income	-12,041	-10,419	1,607	15	1,622
Salary budget saving (<i>actual vacancy savings are reflected in services level expenditure</i>)	-300	-	-	300	300
2020/21 Pay Award	-	40	-	40	40
Supplement.COVID-19 Budget	2,200	-	-2,200	-	-2,200
Net Asset Income	-10,124	-9,770	-	355	355
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	-2,273	-2,273	-	-	-
Council Tax Income	-8,282	-8,282	-	-	-
Net Over/(Underspend)	-	-1,357	-1,191	-166	-1,357

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 31 December. 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 31/12/2020
	£000's	£000's
Non-Discretionary Business Grant	14,428	13,054
Discretionary Business Grant	715	715
Council Tax Hardship Grant	588	471

2. Significant Forecast Budget Under/(Over)spends at year end by Portfolio

2.1. The following tables identifies significant forecast over and underspends greater than £20,000 or 5% of the respective cost of services within each Cabinet portfolio, whichever is the lower. Figures shown without brackets represent an overspend, figures shown within brackets represent an underspend.

Leader - Portfolio

Spend Area	Variance £'000	Comment
Corporate Governance	20	Additional consultancy costs relating to Group Head recruitment
Democratic Rep & Management	(33)	Reductions in the number of members in Cabinet and frequency of meetings.
Elections	(10)	May 2020 Elections cancelled due to COVID-19
Legal	47	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	(60)	Anticipated savings from vacant posts
Total significant net variances	54	

Deputy Leader - Portfolio

Spend Area	Variance £'000	Comment
Asset Mgt Administration	64	Income is £140k under recovered, together with an overspend of £57k COVID-19 expenditure for establishing the Stanwell Foodbank, offset by an underspend of (£133k) due to staff vacancies.
Development Properties	891	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 based on prudence. The service charges in relation to Elmsleigh multi storey car park service charges can also be mitigated from the Elmsleigh Sinking Fund.
Total significant net variances	955	

Finance - Portfolio

Spend Area	Variance £'000	Comment
Accountancy	77	Additional costs in respect of recruiting a temporary Chief Accountant and a project manager dealing with our outstanding audits.
Total significant net variances	77	

Leisure & New Leisure – Portfolio

Spend Area	Variance £'000	Comment
Leisure Admin	16	Additional costs incurred covering two posts on maternity leave
Spelthorne Leisure Centre	559	Loss of income plus support package for Spelthorne Leisure Centre. This includes an amount paid to SLM of £217k 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 £189k which is shown elsewhere in the Budget.
Public Health	66	Higher expenditure due to COVID-19 and reduced income from courses
Total significant net variances	641	

Communications, Corporate Management and Environment – Portfolio

Spend Area	Variance £'000	Comment
Corporate Management	90	The overspend represents expenditure on River Thames improvements (to be met from reserves), increased bank charges and expenditure due to the COVID-19 pandemic, offset by two unfilled staff vacancies.
Facilities Management	(36)	Underspend due to staff vacancies and reduces printing costs etc. because of fewer staff being in the office due to COVID-19
Total significant net variances	54	

Community Wellbeing & Housing- Portfolio

Spend Area	Variance £'000	Comment
SPAN	(40)	Surrey Telecare grant of £10k & additional SPAN income
Com Care Admin	(86)	Vacant positions hoping to be filled by January 2021
Day Centres	115	Income affected by the closure of day centres offset by vacancies and reduced spend on supplies and services
Meals on Wheels	(5)	Additional income
SAT	42	Income is reduced due to COVID-19
People & Partnerships	18	Increased grants as a response to COVID19
Housing Needs	60	Overspend on staffing budget due to an unbudgeted post transferred from Family Support and additional overtime because of COVID-19, offset by reimbursements from subsidiary companies.
Homelessness	125	Bed and Breakfast costs higher than budgeted due to additional demands arising from COVID-19
Housing Benefit Admin	(66)	Additional new burdens grants received
Housing Benefit Payments	(77)	Increase in Discretionary Housing Payments Contribution, amount not known until after budget set
Total significant net variances	86	

Compliance, Waste and Risk Management- Portfolio

Spend Area	Variance £'000	Comment
Car Parks	886	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
Community Safety	(67)	Savings in CCTV maintenance, together with additional S106 funding for the project.
DS Manage. and Support	(6)	Reduced income as the contract with Runnymede has ended, offset by unfilled staff vacancies.
Licensing	9	Income lower than budgeted due to COVID-19
Refuse Collection	4	Additional staff costs offset by increased income from Green Waste
Staines Market	190	Income lower than budgeted due to COVID-19 & higher business rates
Taxi Licensing	34	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 significant net variances	1,232	

Planning and Economic Development - Portfolio

Spend Area	Variance £'000	Comment
Building Control	98	Income lower than budgeted due to COVID-19
Economic Development	90	Project costs to be funded from NNDR retention pilot funds for Business Incubator and Staines Town Centre.
Land Charges	10	Income lower than budgeted due to COVID-19
Planning Development	(569)	£499k due to an increase in planning fee income and £67k due to unfilled vacancies.
Planning Policy	44	This is mainly attributable to Local Plan costs not budgeted, but expected, less a staffing vacancy.
Public Halls	26	Income lower than budgeted due to COVID-19
Total significant net variances	(301)	

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)	(52,874)	132
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)	(9,769)	355

2.2. 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 several years in anticipation of when required. The aggregate forecast sinking fund balance at 31 March 2021 is as follows:

Proposed Allocation to Reserves	Balance 31/03/20 £'000	Additions 2020/21 £'000	Applied 2020/21 £'000	Balance 31/03/21 £'000
Total	20,504	5,814	(1,141)	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 (£1.397m minus £0.9m) was set aside before the impact of COVID-19 occurred, to be allocated by Cabinet to support several 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 because 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 because 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 90.7% and 75.3% 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 £3.8m. 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 must 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 and 75% of "irrecoverable" collection fund losses will be reimbursed by Government.

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 Forecast Outturn at December £000's
Charges for Commissioned Work		
Senior Management	9,700	9,700
Property Team	70,600	93,500
Finance	5,500	11,100
Housing	3,500	5,800
Legal	12,000	12,300
Total of Commissioned Work	101,300	132,400
Debt Financing Costs		
Loan Interest*	101,320	101,320
Loan Repayment*	45,780	46,780
Total to be recharged by Spelthorne	248,400	280,500

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

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:

Appendix A – Net Revenue Budget Monitoring in aggregate at 31-12-20

**Appendix B – Net Revenue Budget Monitoring by expenditure and income at
31-12-20**