

Cabinet

19 May 2021



Title	Revenue Monitoring Report 2020/21 as at 31 March 2021
Purpose of the report	To note and to make a decision
Report Author	Paul Taylor – Chief Accountant
Cabinet Member	Councillor Sati Buttar
Confidential	No
Corporate Priority	Financial Sustainability
Recommendations	<p>Cabinet to note the forecast outturn for 2020/21 as at 31 March 2021 and approves the following recommendations</p> <ol style="list-style-type: none">1. appropriation of the special projects underspend to an earmarked reserve of £0.497m to enhance the Budget provision available to support Green/Climate Change initiatives.2. appropriation of the special projects underspend to an earmarked reserve of £0.9m to enhance the Budget provision available to support Green Belt Fighting Fund initiatives.3. the £0.453m revenue carry forwards for 2021/22 as detailed in Appendix C.4. transfer of £0.538m surplus from retained business rates to business rates equalisation reserve.5. transfer £0.776m to the general fund6. set aside £0.094m for Sunbury Swimming Pools repairs <p>Noting that by approving items 1 to 6 above the surplus for the year would be reduced to £0.0m, in other words a balanced outturn and that our total useable reserves will be £55m as at 31 March 2021.</p>
Reason for Recommendation	Not applicable

Key issues

- 1.1. This report provides a summary of the forecast outturn position for the financial year 2020-21 as at 31 March 2021, which is an underspend of £3.26m, this is an increase of £1.92m on the December 2020 forecast underspend of £1.36m. This is in large part due to the (£1.39m) under spend on the Projects Delivery fund and (£0.5m) under spend on the set aside.

- 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 £1.492m, this considers the Supplementary Revenue Estimate which was approved by Council. This means that the Council will not need to apply any of 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 £1.990m.

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	59,969	58,197	1,381	-3,152	-1,771
Housing Benefit Income	-25,621	-23,554	-	2,067	2,067
Service level Income	-12,009	-9,652	1,577	780	2,357
Salary budget saving (actual vacancy savings are reflected in services expenditure outturn)	-300	-	-	300	300
Supplementary Covid Budget	2,200	-	-2,200	-	-2,200
Net Asset Acquisition Income	-10,124	-9,938	-	186	186
Projects Delivery Fund	1,397	-	-	-1,397	-1,397
COVID revenue grants	-	-4,534	-4,534	-	-4,534
Other Adjustments	-390	1,200	-	1,590	1,590
External Financing	-4,351	-8,440	-	-4,089	-4,089
Revenue Carry forward	-204	-255	-	-51	-51
Reserves	-2,284	2,000	2,284	2,000	4,284
Council Tax Income	-8,283	-8,283	-	-	-
Net	-	-3,258	-1,492	-1,766	-3,258

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.

1.7. Due to the overall net underspend position, it is not necessary to apply any of the £2.2m use of grants approved by the Extraordinary Council meeting in May. On top of this £2m of receipts (Community Infrastructure Levy (CIL) £874k, Section 106 contributions £810k, and other £316k have been received during the year, and in line with proper accounting practice these need to pass through the Consolidated Income and Expenditure Statement and be transferred to earmarked reserves to be available to fund future CIL/S106 eligible expenditure. So, this additional £2m of income is reflected in Service Level Income and the transfer to reserves is reflected in the Reserves Outturn. So instead of using £2.2m of reserves, £2m has been added to reserves. Note that this contribution to reserves excludes the £5.363m net contribution to sinking fund reserves (which in the table above has been netted off within the Net Asset Contribution line). So the overall net contribution to Reserves is £7.36m.

COVID-19 Revenue Grants	£'000
Emergency funding	1,485
Hardship funding (council tax)	589
Community support	71
Surge pressure	46
Self-isolation payments	236
Contain Outbreak Management Fund	300
Clinically Extremely Vulnerable	51
New burdens	130
Income Recovery Grant (inc. estimated claim)	1,630
COVID-19 Revenue Grant Support	4,538

1.8. 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 first Non- Discretionary Grants scheme ended on the 31 December, in response to the further lock down a new set of non-discretionary Rateable Value based Local Restrictions Grants were introduced in November 2020 and at the same time a new discretionary grant called Additional Restrictions Grant. 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 £000’s	Grant Distributed as at 31/3/2021 £000’s
Grants relating to period to end of September 2020		
Non-Discretionary Business Grant	14,417	13,023
Discretionary Business Grant	715	712
Council Tax Hardship Grant	588	628
Grants relating to period to end of March 2021		
Local Restrictions Grants		
Additional Restrictions	6,962	5,067
	2,828	543

2.

2.1. The following tables identifies significant forecast over and underspends greater than £20,000 of budget for each cost centre within each Cabinet portfolio. Figures shown without brackets represent an overspend, figures shown with brackets represent an underspend.

Leader - Portfolio

Spend Area	Variance £'000	Comment
Corporate Governance	119	Additional consultancy costs relating to Group Head recruitment and reallocation of procurement costs.
Democratic Rep & Management	(21)	Additional security and cleaning costs incurred in the quarter.
Legal	30	£17k movement from last quarter is lower revenue achieved at outturn.
Committee Services	22	Additional staff appointed ahead of implementing the new Committee Structure Governance Model.
General Property Expenses	(38)	Reduced work plan due to COVID-19
Staines Town Centre Mgt	90	No significant change since previous quarter.
Information Technology	(63)	No significant change since previous quarter.
Total significant net variances	133	

Deputy Leader - Portfolio

Spend Area	Variance £'000	Comment
Asset Mgt Administration	(32)	Change since last quarter - £92k recharges from Knowle Green Estates
Development Properties	1,256	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. £224k relates to costs in respect of the Waterfront project that were capitalised pending development by SBC, now that this site is being developed by a third party, these costs have been removed from capital expenditure.
Planned maintenance	(208)	Work delayed due to COVID-19. A request has been made to roll the underspend forward to 2021/22 for use on the Sunbury Swimming Pool Hall planned maintenance.
Total significant net variances	1,016	

Finance - Portfolio

Spend Area	Variance £'000	Comment
Accountancy	50	Major change since last period - £27k savings in software
Bad Debt provision	224	Being clear down of previous bad debt provisions and to strengthen the balance sheet ahead of potential COVID-19 economic impacts.
Total significant net variances	274	

Leisure & New Leisure – Portfolio

Spend Area	Variance £'000	Comment
Spelthorne Leisure Centre	515	Support package for Spelthorne Leisure Centre. This loss of income is reduced by COVID-19 Grant of £189k which is shown elsewhere in the Budget.
Public Health	66	No change since last quarter
Total significant net variances	581	

Communications, Corporate Management & Environment– Portfolio

Spend Area	Variance £'000	Comment
Corporate Management	536	Additional £391k for KPMG audit and legal fees. £71k brokers fees. £30k High Street recovery fund, £27k for COVID-19 expenditure.
Facilities Management	(180)	Reduce costs due to home working.
Insurances	(126)	Significant savings on insurance premiums.
Project Management	(90)	Reduced staffing costs and delayed projects because of the pandemic.
Environmental Protection Act	(45)	£39k savings in pollution control monitoring
Total significant net variances	95	

Community Wellbeing & Housing- Portfolio

Spend Area	Variance £'000	Comment
SPAN	(44)	No significant change since last quarter
Com Care Admin	(89)	No significant change since last quarter
Day Centres	54	Significant change from last quarter due to reduced staffing costs.
Meals on Wheels	(26)	Additional net income
SAT	38	No significant change since last quarter
People & Partnerships	(45)	Reduced expenditure and delay in delivering the community connector project.
Housing Needs	88	No significant change since last quarter
Homelessness	125	No significant change since last quarter
Housing Benefit Admin	(66)	No significant change since last quarter
Housing Benefit Payments	(77)	No change since last quarter
Total significant net variances	(42)	

Compliance, Waste and Risk Management- Portfolio

Spend Area	Variance £'000	Comment
Car Parks	1,030	Income is lower than budgeted due to COVID-19 pandemic & lower business rates, offset by savings in staff costs and expenses.
Cemeteries	(113)	Burials higher than budgeted due to an increase in number of deaths
Community Safety	(74)	No significant change since last quarter.
DS Manage. and Support	(66)	Reduced income as the contract with Runnymede has ended, offset by unfilled staff vacancies, and increase penalty notice income.
Licensing	(27)	Savings in staff costs.
Street Cleaning	(101)	Due to staff savings and reduced vehicle running costs
Staines Market	193	No significant increase from last quarter.
Taxi Licensing	27	No significant change from last quarter.
Waste Recycling	222	No significant change from last quarter.
Total significant net variances	1,091	

Planning and Economic Development - Portfolio

Spend Area	Variance £'000	Comment
Building Control	75	Significant change from last quarter is an additional £20k savings in employee costs
Economic Development	27	Additional £42k funding from local LEP and staff cost savings,
Planning Development	(543)	No significant difference from last quarter
Planning Policy	100	Overspend on local plan, reduced income and higher than anticipated staff costs.
Public Halls	25	No significant change since last quarter
Total significant net variances	(316)	

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.

Commercial and Regeneration Assets (Net Income)	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Rental Income	-53,006	-52,185	821
Loan Interest Payable	24,035	24,351	316
Minimum Revenue Provision	11,903	11,903	0
Sinking Funds	5,814	5,363	-451
Set Asides for specific revenue purposes	1,130	630	-500
Net Income (used to fund Revenue budget)	-10,124	-9,938	186

2.3. It can be seen in the table below 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 and applied £1.066m during the year, increasing our reserves by £4.748m. There is also an internal interest credit of £615k, which has been added to the £5.814m in the table below.

Proposed Allocation to Reserves	Balance 31/03/20 £'000	Additions 2020/21 £'000	Applied 2020/21 £'000	Balance 31/03/21 £'000
Total	20,510	6,429	-1,066	25,873

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 for the same purpose.
- 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. The Administration at the Council meeting on 22nd March indicated that it wished to appropriate the £0.497m to an earmarked reserve to be available in 2021-22 to

enhance the Green/Climate Charge Initiatives budget provision of £0.25m.

If Cabinet confirm both above transfers to reserves then the total net transfers to reserves will be as follows:

- Sinking Funds Net Contributions £5.363m
- CIL,S106 £2m
- Green Belt/Special Projects £1.497m

The above would equate to a total addition to reserves of £8.86m

2.5 Retained Business Rates

We have received an additional £0.538m in business rate support in the year and in line with previous years, we would recommend that Cabinet approved the transfer of these funds to the Business Rates Equalisation Reserve to cover our expected short fall next year, as show in the recent budget modelling exercise.

If Cabinet confirm this transfer, then the total in the Business Rate Equalisation Reserve will increase to £4.7m.

By approving all the recommendations above, the total useable reserves will be £55m at the end of the financial year.

2.6 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.

2.7 The Council Tax and Business Rates collection rate stand at 96.7% and 85.43%. (note this is the in-year figure for business rates as at 31 March, subsequent to the year end a large business rates debt paid £2.6m which improved the collection rate to 95.86%) respectively. These final collection rates represent a considerable improvement on earlier projections. These lower collection rates had some impact on the Council's borrowing costs in 2020/21. 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.

2.8 **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 and 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.

2.9 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 Actual Outturn at March £000's
Charges for Commissioned Work		
Senior Management	9,700	9,700
Property Team	70,600	93,500
Finance	5,500	9,100
Housing	3,500	5,800
Legal	12,000	12,300
Total of Commissioned Work	101,300	130,400
Debt Financing Costs		
Loan Interest*	101,320	101,320
Loan Repayment*	45,780	46,780
Total to be recharged by Spelthorne	248,400	278,500

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

2.10 **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.

2.11 **Carry Forwards**

Appendix C lists Revenue Carry Forward Requests totalling £453k relating to service underspends request to be carried forward to be applied for the

specific purposes set out in the appendix. The largest single requested carry forward is a £208k managed underspend on Planned Maintenance Budget to be used in 2021-22 to help fund the cost of the repair works to the swimming pools at Sunbury Leisure Centre.

3. Financial implications

3.1. Financial implications are as set out within the report and appendices and are subject to the final audit.

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 31-3-21

Appendix B – Net Revenue Budget Monitoring by expenditure and income at 31-3-21

Appendix C – List of carry forward requests for 2020/21 revenue budgets