

# Corporate Policy & Resources Committee

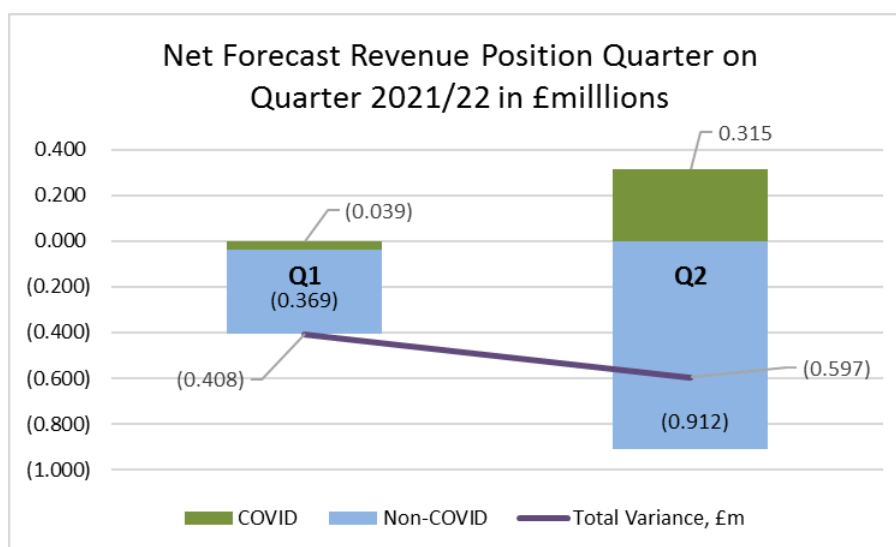


29 November 2021

<b>Title</b>	<b>Q2 Revenue Monitoring Report as at 30 September 2021</b>
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Anna Russell, Deputy Chief Accountant
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Corporate Priority</b>	Financial Sustainability
<b>Recommendations</b>	<p><b>Committee is asked to note the forecast outturn for 2021/22 as at 30 September 2021 for the Council and review their own Committee's report at appendix C.</b></p> <p><b>The Committee is asked to recommend to Council approving a supplementary estimate of £200k to bring the Spelthorne Borough Council pay award for 2021/22 into line with the national local government employers' offer.</b></p> <p><b>(Please note that individual committees will receive the relevant section of this report at their next meeting, which for Q2 is before this committee formally meets).</b></p>
<b>Reason for Recommendation</b>	<b>Not applicable</b>

## 1. Key issues

- 1.1 This report provides a summary of the forecast outturn position for the financial year 2021/22 as at 30 September, which is showing a projected net underspend/ over-recovery of (£597k) or 0.92% (June: (£408k) underspend 0.63%) based on the planned gross expenditure of £64,817k (June: £64,988k). If the Committee supports the recommendation to increase the 2021/22 pay award for the majority of staff, this will reduce the projected net underspend by £200k to (£397k).
- 1.2 Charts, given at the end before the appendices, graphically present information in Appendices A, B and C2. The figures in the charts are in £millions. Note that these charts are subject to review.
- 1.3 Page 1 of the Charts are also included in this report as appropriate, with the chart given next comparing the overall net forecast position for Q1 and Q2.



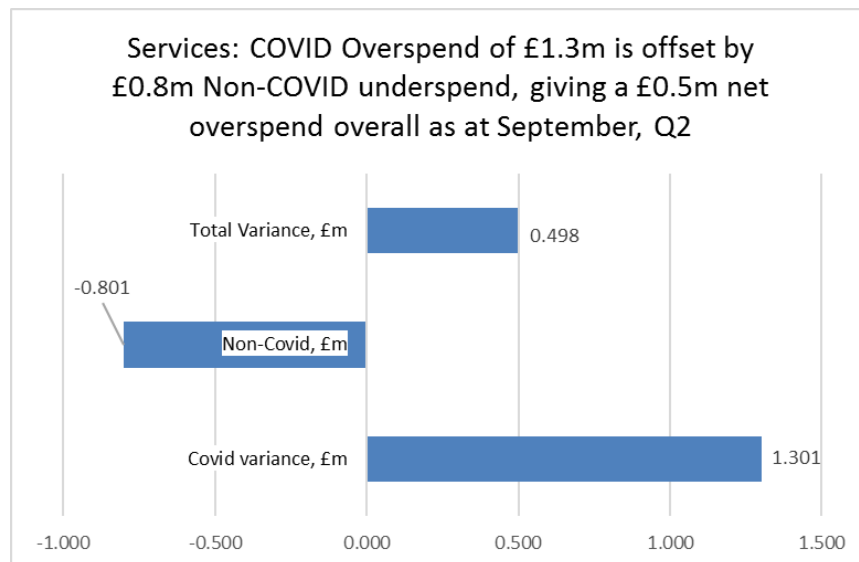
1.4 This shows the Q1 and Q2 net positions, as well as what relates to COVID and non-COVID. The net (£597k) underspend (June: of (£408k)) is broken down as follows:

- (a) Cost of Services – a projected overspend of £498k (June: £843k) (see section 3 below)
- (b) Net Asset Income – a projected underspend of (£169k) (June: breakeven) (see section 4 below)
- (c) Other movements – projected underspend of (£925k) (June: (£1,251k)) (see section 5 below)

1.5 The net underspend of (£597k) is further broken down to show the impact of COVID-19 on the Council forecast outturn position, summarised as follows:

- (a) COVID-19 – a projected net under-recovery of £315k (June: (£39k) underspend). Note that the Q1 COVID variance included the (£140k) Green Waste over-recovery, which was actually non-COVID.
- (b) Non COVID-19 – a projected net underspend of (£912k) (June: (£369k))

The following chart illustrates the impact of COVID-19 on services, showing that the non-COVID underspend of (£801k) (June: £318k), was offset by COVID-19 under-recovery of £1,301k (June: £1,161k), resulting in the net £498k (June: £843k) overspend.



The forecast outturn shows the projected impact of COVID-19 on Cost of Services is mainly an under-recovery of fees, charges, and income particularly with our Car Parks, Staines Town Centre Management and Community Centres, together with the ongoing support for our leisure centres (further details are shown in section 3 below).

Despite the continuing impact of COVID-19, the Council anticipates that the request for support from Government to offset lost fees and charges will not be extended beyond 30 June. Therefore, as shown in Appendix A, the Council is only forecasting (£252k) of support, which means that we anticipate having to use the (£1,000k) COVID-19 Contingency brought forward from last year.

## 2. Uncertainties

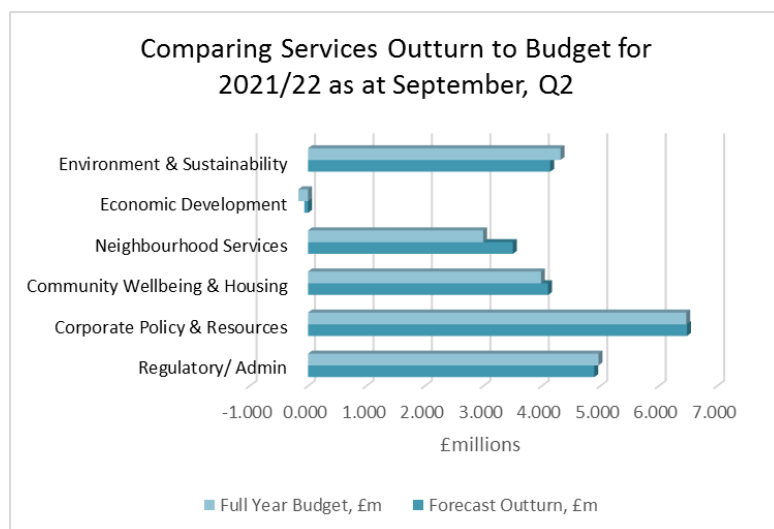
2.1 COVID-19 will continue to impact on the Council's finances over the coming months and years. Although officers have spent a great deal of time considering the impact on their Cost of Services and net budget position, there are still several major uncertainties that could dramatically change the forecast outturn position for 2021/22, including and not limited to the following main items:

- (a) When will our aggregate fees and charges return to pre-pandemic levels?
- (b) How much additional Government support will be received?
- (c) Will the Government continue to aid with the shortfall in the council's fees, charges, and invoices due to COVID-19. As mentioned, we do not anticipate receiving further funding in respect of our fees, charges and income that are projected to be significantly lower than budget based on the last lockdown period, which was not foreseen when the budget was agreed by Council in February 2021.
- (d) Moratoriums, as highlighted in 3.3(c) below: the Council is projected to incur an additional £531k in business rates and service charges because of the Council approved Moratorium which has delayed the start of both demolition and construction work at a few key development projects in the Borough.

- (e) 2021/22 National Pay Award: the Council agreed a 0.75% award; the Government has indicated a national offer of 1.75%, which if accepted could result in the Council reviewing its original offer.

### 3. Significant Forecast Budget (under)/Overspends at year end by Committee, to Cost of Service level.

- 3.1 The following chart shows the budget and outturn positions for the services as forecast at Q2.



- 3.2 The net projected overspend/under recovery of income is £498k (June: £843k) representing 0.8% (June: 1.3%) of gross budget expenditure. Shown below by Committee are variances of £20k and above, and where there has been a change in variance since Q1.

### 3.3 Regulatory & Administration Committee – a projected net underspend of (£73k) (June: (£128k)) and the significant net variances are as follows:

- (a) Committee Services – total projected overspend of £25k (June: £21k) for the overtime costs of covering vacant posts under the new Committee structure, and for hire costs of holding Council meetings at Spelthorne Leisure Centre due to COVID-19 restrictions
- (b) Corporate Management – a net projected overspend of £88k (June: £12k), made up of:
  - i) A projected underspend of (£127k) (June: (£95k)) being unused budget available for retention allowance.
  - ii) A projected overspend of £240k (June: £107k):
    - £132k relating to: £55k legal advice on property-related governance; £47k consultancy on constitutional change and property issues; £30k on insurance claims handling fees.
    - £108k will be funded by: reserves (£52k River Thames Improvement Programme); Government grants (£37k High Street Recovery); and capital (£19k brokers fees)
  - iii) Additional staff recharges to KGE, a projected over recovery of income of (£25k) and adjusted from the Recharge of Central Support costs to KGE

- (c) Democratic Rep & Management – No change in the forecast (£41k) underspend reported last quarter.
- (d) ICT – a projected net underspend of (£30k) (June: (£20k) due to a vacant post, offset by additional overtime payments to existing staff who are maintaining the departments service levels.
- (e) Land Charges – a net over-recovery of (£72k) (June: £62k), consisting mainly of a projected over recovery of income of (£60k) following the transfer for Land Charges to HM Land Registry, for a one-off receipt which will be ring-fenced to this service.
- (f) Legal – a net underspend of (£26k) (June: (£12k)) mainly made up as follows:
  - i) A net underspend of (£50k) (June: (£25k)) due to vacant posts being partially covered by temporary staff.
  - ii) An increase in forecast expenditure of £36k (June: £13k) due to written off debtors following ongoing review of invoices

#### 3.4 **Corporate Policy & Resources Committee** (see also Charts page 2, at end)

– a projected net overspend of £15k (June: £116k) and the significant net variances are as follows:

- (a) Accountancy – a projected net overspend of £18k (June: £10k) due to additional staffing costs and overtime payments to address the external audit backlog.
- (b) Asset Management – No change in the net projected overspend of £40k reported last quarter
- (c) Customer Services Management & Support – a projected net overspend on the service to £9k overall (June: £nil) made up as follows:
  - i) a projected under-recovery of £28k (June: £nil) for Council tax collection income expected to be lower by £50k, offset by additional Business Rates Admin Grant of £22k
  - ii) offset by a projected (£19k) underspend (June: £nil) on staffing.
- (d) Development Properties – a net projected overspend of £427k (June: £531k) due to delays caused by the moratorium, in respect of business rates and services charges incurred on empty units awaiting demolition. This has been offset in the forecast by Empty Rate Relief applied at Thameside House.
- (e) General Property Expenses – a net projected underspend of (£27k) (June: (£63k)) made up as follows:
  - i) a net underspend of (£61k) (June: £63k) due to work being completed by in house members of the team, rather than contractors.
  - ii) net under-recovery of income of £34k (June: £nil) because of covid-relief applied to tenants, and due to tenant vacancies.
- (f) Facilities management – a net underspend of (£57k) (June: (£52k) due mainly to the following:
  - i) a projected underspend of (£15k) in business rates as we have moved out of the West Wing.

- ii) a projected underspend of (£25k) in printer leases rentals.
- (g) Planned Maintenance Programme – a projected net underspend of (£110k) (June: (£22k)) mainly made up as follows:
  - i) a projected underspend of (£28k) (June: (£31k)) due to a staff vacancy being used to offset a new post in Asset Management.
  - ii) a projected underspend of (£82k) (June: (£70k)) due to underspend on computer software, noting that £70k is to be used to fund overspend on a Community Centres capital scheme.
- (h) Project Management – a projected underspend of £50k (June: (£45k)) due to unfilled staff vacancies.
- (i) Unapportioned Overheads – a projected net underspend of (£227k) (June: (£272k)) made up as follows:
  - i) ii) a projected (£269k) underspend (June: £272k) relating to lower than planned contributions to the Surrey County Pension fund.
  - ii) a projected overspend of £42k (June: £nil) due insurance security costs that are not allocated to services.

**3.5 Community Wellbeing & Housing Committee** – a projected net under recovery of income of £122k (June: £271k) and the significant net variances are as follows:

- (a) Community Care Administration – a projected net underspend of (£27k) (June: (£13k)) due to vacant posts, recruitment to which has been delayed by lockdown
- (b) Community Centres - a net projected overspend of £77k (June: (£40k) underspend), which was due to the following
  - i) (£261k) under recovery of income (June: (£279k)) due to the pandemic, offset by
  - ii) (£59k) underspend in costs (June: (£76k)) due to the pandemic and
  - iii) (£125k) underspend (June: (£87k)) due to unfilled vacancies, caused by the pandemic.
- (c) Community Development – an underspend of (£27k) which was due to an unfilled vacancy
- (d) Housing Benefit Admin – a net underspend and over recovery of income of (£100k) (June: (£121k)) mainly due to:
  - i) A projected underspend of (£59k) (June: (£81k)) which is being recruited to.
  - ii) No change in the forecast (£47k) over-recovery of income reported last quarter.
- (e) Housing Benefits Payments – a net underspend of (£37k) (June: (£nil)) due to a reduction in Housing Benefits caseload due to transfer of claims to Universal Credit.
- (f) Leisure Administration – a net underspend and under-recovery of £75k (June: (£44k) underspend) due to:

- i) A projected underspend of (£52k) (June: (£44k)) for unfilled vacancies and a new staffing structure being considered.
- ii) A projected over-recovery of (£23k) (June: (£nil)) relating to Public Health funding of a COVID Outreach project.
- (g) Spelthorne Leisure Centre – No change in the forecast net overspend of £297k reported last quarter.

3.6 **Neighbourhood Services Committee** – a forecast net overspend of £509k (June: £724k) and the significant net variances are as follows:

- (a) Car parks – a forecast under recovery of income of £642k (June: £740k) due to the reduction in shoppers and office workers requiring parking facilities.
- (b) Building control – a forecast net overspend of £6k (June: £3k) due mainly to the following:
  - i) (£35k) underspend (June: (£20k) underspend) due to unfilled vacancies which are being recruited for.
  - ii) No change in the forecast £41k under recovery of income reported last quarter.
- (c) Cemeteries – a forecast over recovery of income of £50k (June: (£49k) over recovery of income) due to higher deaths because of the pandemic.
- (d) DS Management Support (Neighbourhood Services) – a forecast underspend of (£60k) (June: (£10K) underspend) due to vacant posts.
- (e) Environmental Protection Act – no change to the forecast underspend of £25k reported last quarter.
- (f) Environmental Health Administration – a forecast underspend (£25k) (June: (2.5k) underspend) due savings in consultants fees because of a delay in the Heathrow expansion scheme.
- (g) Street Cleaning - A forecast underspend of (£29k) due mainly to (£30k) of unfilled vacancies.
- (h) SAT – a net forecast under recovery of income of £28k (June: £50k under recovery of income) due to the following:
  - i) No change in the forecast 50k under recovery of income reported last quarter
  - ii) A forecast (£22k) underspend in transport costs due to fewer passengers using the service and therefore fewer journeys being made.

3.7 **Economic Development Committee** – a projected net overspend of £101k (June: £177k) relating to under recovery of Staines Market income because of the pandemic.

3.8 **Environment & Sustainability Committee** – a projected net underspend of (£176k) (June: £316k), with significant net variances as follows:

- (a) Emergency Planning – an underspend of (£49k) (June: £nil) relates to contribution, no longer required, for development of the Environment Agency's River Thames Scheme.

- (b) Planning Development Control – a projected net overspend of £47k (June: (£114k) over-recovery) which is made up mainly as follows:
  - i) £154k overspend (June: (£84k) underspend) due to potential external legal costs on current developer planning appeals.
  - ii) Income (£94k) above budget (June: (£16k) over-recovery) for a Planning Performance Agreement, which is to be set aside to a reserve.
- (c) Planning Policy – a net underspend of (£103k) (June: (£95k)) which is made up mainly of (£109k) underspend (June: (£110k)) for the Local Plan which is now scheduled to complete in 2022/23.
- (d) Refuse Collection – a net over-recovery of income of (£90k) (June: (£122k)) which is made up as follows:
  - i) £30k overspend (June: £nil) for vacancies covered by higher costing agency staff.
  - ii) £20k over-recovery (June: £18k) of income for refuse and bulky waste bins due to less activity during the pandemic.
  - iii) No change in the forecast (£140k) over-recovery reported last quarter.

#### 4. Net Asset Income

- 4.1 The Council is forecasting a projected net underspend/ over-recovery of (£597k) (June: (£408k)) for the year ended 31 March 2022 (Appendix A). Commercial and Regeneration Assets will be used to fund our regeneration programme and contribute to our cost of services because of reduced government grants, and Surrey County Council Funding. The following table illustrates this, showing the Commercial and Regeneration Assets forecast net income position of (£9,293k) (June: (£9,295k)).

<b>Commercial and Regeneration Assets</b>	<b>Revised Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Variance £'000</b>
Rental Income	(51,339)	(51,782)	(443)
Loan Interest Payable	24,669	24,500	(169)
Minimum Revenue Provision	12,327	12,327	0
Sinking Funds - net movement	4,189	4,632	443
Set Asides for specific revenue purposes	1,030	1,030	0
<b>Net Income (to fund Revenue budget)</b>	<b>(9,124)</b>	<b>(9,293)</b>	<b>(169)</b>

- 4.2 We forecast that our reserves will increase by an additional £443k, in accordance with the Council-approved policy, to ensure that we put sufficient funds aside to reduce the risk exposure to the council and provide additional funds to fund any future deficits.



- 4.3 With interest rates historically low on short-term to medium-term borrowing, the overall budget for borrowing is significantly underspent, by (£169k). It should be noted that investment income, mainly from pooled funds, is also lower than expected for the year to date, with forecast under-recovery for the year of £268k, resulting in a net under-recovery of £98k on interest receivable.
- 4.4 The uplift in rental payments from BP have been included in the above forecast and the additional funds have been paid into the sinking fund for future use.

## 5. Other Movements

- 5.1 The table below highlights the other movements amounting to £925k (June: (£1,251)) used to fund the items mention in section 3 from reserves and other grant income.

Details	£'000
Use of the COVID contingency	(1,000)
Government support for the loss of fees and charges	(252)
Less income from investments than budgeted	268
Use of the NNDR Business rates retention reserve	28
Use of recharge central support costs shown in cost of services to KGE - Finance and Corporate Management	31
<b>Total</b>	<b>(925)</b>

- 5.2 As mentioned in section 3, our fees, and charges, particularly in respect of car parks, Staines Town Centre Management and Community Centres have been adversely affected, and together with the additional support for our Leisure Centres, we anticipate having to utilise the COVID-19 contingency and the estimate government support totalling (£1,252k) as shown above.

## 6. Subsidiary companies

### 6.1 Knowle Green Estates

- The budgeted surplus for the year is (£319k) (June: same) and the forecast outturn at 30 September is expected to be a £218k deficit.
- This represents a projected net under-recovery of £537k (June: £159k), mainly due to under-recovery of rent £393k expected with the West Wing delay, and a net overspend of £145k due to security costs and loan interest costs. KGE is on target to achieve its contribution to central overheads.
- The first phase of Benwell House was handed over in the first quarter of the year and the 33 units are now fully let (June: 31 out of 33 units).
- The West Wing is expected to be fully handed over in January 2022.

### 6.2 Spelthorne Direct Services

- (a) The budgeted deficit for the year is £39k (June: (£143k) surplus), now including loan costs, with a forecast surplus of (£50k) (June: (£140k) surplus).
- (b) This represents a projected net underspend of (£89k) (June: £3k). SDS has not grown as much as anticipated due to COVID, and SDS therefore has not needed to purchase as many bins or pay for additional staff as originally planned. As a result, equipment and staffing are forecast to be underspent by (£104k) and income is forecast to be under-recovered by £16k.

## **7. Pay Award**

- 7.1 Officers have received a steer from councillors that there is a recognition that in order to protect the Council's ability to remain competitive in its pay rates for officers in order to effectively recruit and retain staff, there is support to increase the 2021/22 pay award so that all staff receive a 1.75% pay increase thereby matching the national employers' offer.
- 7.2 This will cost (including national insurance and superannuation) an additional £200k and will accordingly reduce the net overall underspend to (£397k). The additional cost is being built into the Outline Budget report base figures for 2022/23 and increases the underlying Budget gap to be closed for 2022/23 and future years.

## **8. Other considerations**

- 8.1 None.

## **9. Equality and Diversity**

- 9.1 Not applicable.

## **10. Sustainability/Climate Change Implications**

- 10.1 Not applicable.

## **11. Timetable for implementation**

- 11.1 Not applicable

**Background papers:** There are none.

## **Appendices:**

**Charts 1** – Overall Position and Services Q2

**Charts 2** – Variances CP&R Q2

**Appendix A** – Net Revenue Budget Monitoring Q2

**Appendix B** – Net Revenue Monitoring by Committee Q2

**Appendix C2** – CP&R Revenue Report Q2