

# Corporate Policy & Resources Committee



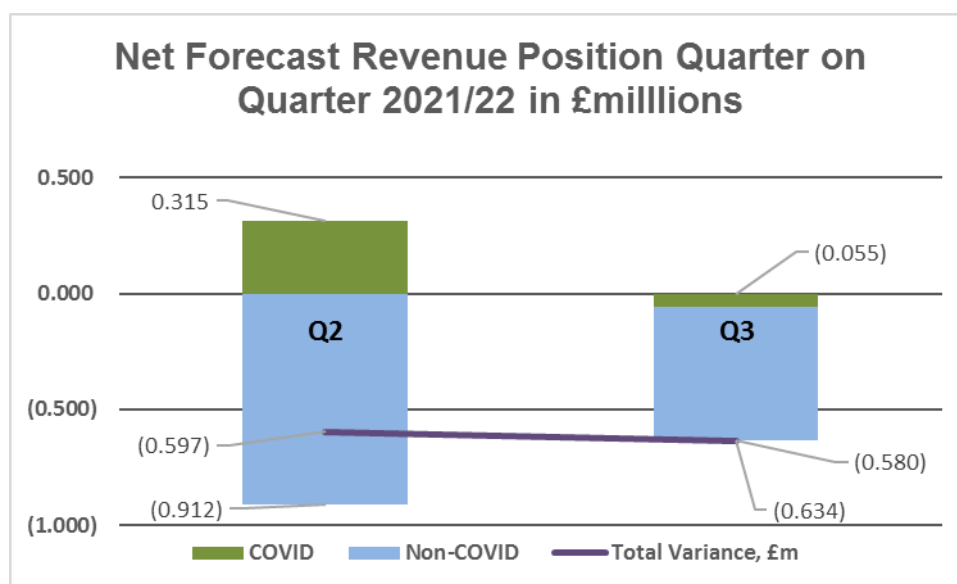
14 March 2022

<b>Title</b>	<b>Q3 Revenue Monitoring Report as at 31 December 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>	Community Affordable Housing Recovery Environment Service delivery
<b>Recommendations</b>	<b>Committee is asked to note the forecast outturn for 2021/22 as at 31 December 2021 for the Council and review their own Committee's report at appendix C.</b>  <b>(Please note that individual committees will receive the relevant section of this report at their next meeting, which for Q3 is before this committee formally meets).</b>
<b>Reason for Recommendation</b>	<b>Not applicable</b>

## 1. Key issues

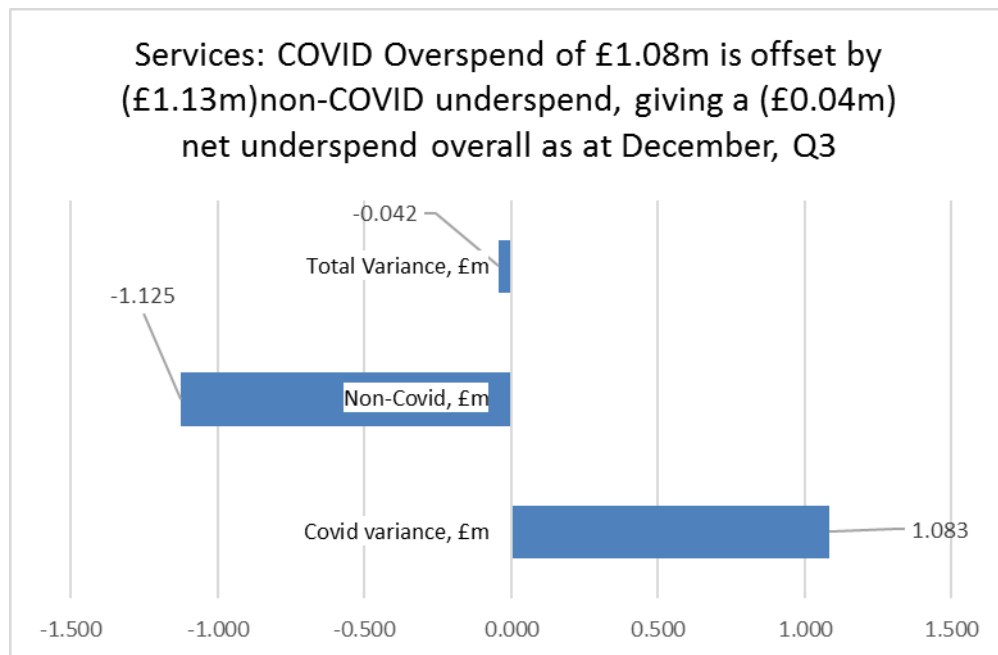
- 1.1 This report provides a summary of the forecast outturn position for the financial year 2021/22 as at 31 December, which is showing a projected net underspend of (£634k), 1.27% of gross expenditure (as at end September: (£597k), 0.92%) based on the planned gross expenditure of £58,482k (September: £64,817k). This includes the £200k impact of the 1% increase the 2021/22 pay award agreed at Council 24 February 2022.
- 1.2 The following is a key to how figures are presented in this report, noting that where appropriate comparative figures are given for the previous quarter, that is, as at the end of September 2021. Variances indicate how the actual expenditure or income differs from the budget.
  - (Negative figures) shown in brackets = a **favourable** variance
  - = Underspend (expenditure less than budgeted)
  - or Over-recovery (income more than budgeted)
  - Positive figures, not bracketed = an **adverse** variance
  - = Overspend (expenditure more than budgeted)
  - or Under-recovery (income less than budgeted)

- 1.3 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. Staffing numbers in full time equivalents (FTEs) have also been added in the appendices.
- 1.4 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 Q2 and Q3.



- 1.5 This shows the Q2 and Q3 net positions, as well as what relates to COVID and non-COVID. The net (£634k) underspend (September: (£597k)) is broken down as follows:
- (a) Cost of Services – a projected underspend of (£42k) (September: £498k overspend) (see section 3 below)
  - (b) Net Asset Income – a projected break even (September: (£169k)) (see section 4 below)
  - (c) Other movements – projected underspend of (£592k) (September: (£925k)) (see section 5 below)
- 1.6 The overall net underspend of (£634k) 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 (£55k) unused contingency budget net of overspends and income loss support grants (September: (£315k)).
  - (b) Non COVID-19 – a projected net underspend of (£580k) (September: (£912k))

The following chart illustrates the impact of COVID-19 on services, showing that the non-COVID underspend of (£1,125k) (September: (£802k)), was offset by COVID-19 under-recovery of £1,083k (September: £1,300k), resulting in the net underspend of (£42k) (September: £498k overspend).



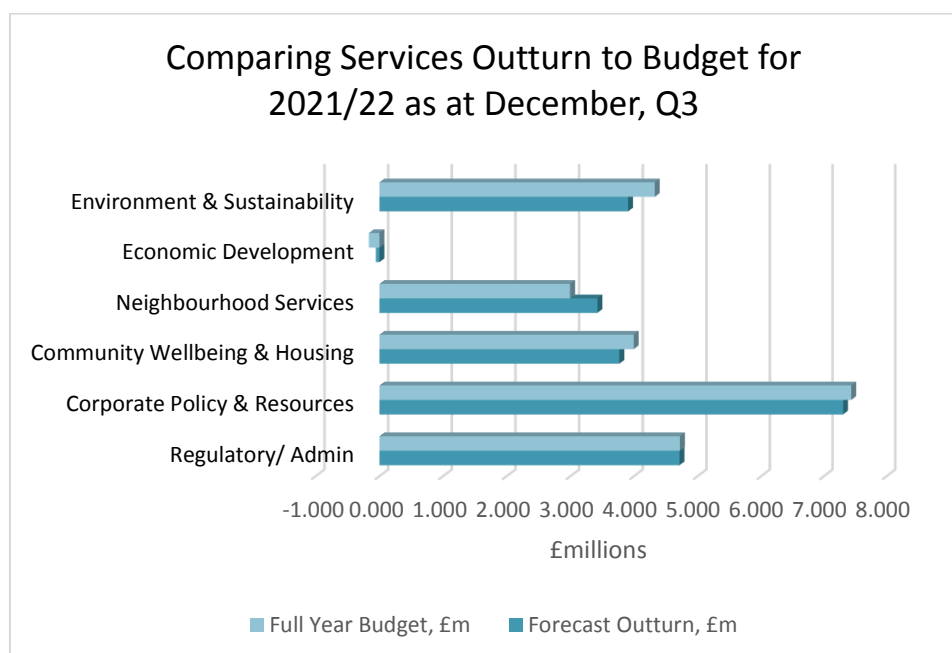
- 1.7 The forecast outturn shows the projected impact of COVID-19 on Cost of Services is mainly an under-recovery of fees, charges, and income particularly with our Car Parks, Staines Town Centre Management and Community Centres, together with the ongoing support for our leisure centres (further details are shown in section 3 below). In some service areas, the amount of under-recovery of income has improved slightly since the last Quarter.
- 1.8 Despite the continuing impact of COVID-19, having had the funding settlement confirmed for 2022-23, we know there is not going to be any further Government funding support beyond 30 June 2021 when the support ended, to offset the impact of the Pandemic reducing fees and charges income. 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 and built into the corporate Budget.

## 2. Uncertainties

- 2.1 COVID-19 will continue to impact 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 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) 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 delayed the start of both demolition and construction work at a few key development projects in the Borough.

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 Q3.



3.2 The net projected underspend, at net service expenditure level before “below the line” adjustments, is (£42k) (September: £498k overspend) representing (0.1%) (September: 0.8%) of gross budget expenditure. Shown below by Committee are variances of £20k and above, and where there has been a change in variance since Q2.

3.3 **Regulatory & Administration Committee** – a projected net underspend of (£7k) (September: (£73k)) and the significant net variances are as follows:

(a) Committee Services – total projected overspend of £17k (September: £25k) 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 (the latter has now ceased to be required from December onwards for Council meetings).

(b) Corporate Management – a net projected overspend of £159k (September: £88k), made up of:

i) A projected underspend of (£138k) (September: (£127k)) being unused budget available for retention allowance.

ii) A projected overspend of £322k (September: £240k):

£179k relating to: £60k legal advice on property-related governance; £71k consultancy on constitutional change and property issues; £30k on insurance claims handling fees.

£143k will be funded by: reserves (£52k River Thames Improvement Programme); Government grants (£60k High Street Recovery); and capital (£31k loan-related costs)

- iii) Additional staff recharges to KGE, a projected over recovery of income of (£25k)
- (c) Democratic Rep & Management – No change in the forecast (£41k) underspend on Other Expenditure reported last quarter.
- (d) Elections - projected net overspend of £30k (September: £16k) due to by-elections this financial year
- (e) HR (Human Resources) – Minor change in the forecast underspend of (£27k) (September: (£24k)) reported last quarter.
- (f) ICT (Information, Communications & Technology) – Minor change in the forecast underspend of (£35k) (September: (£30k)) reported last quarter
- (g) Land Charges – Minor change in the forecast net over-recovery of (£80k) (September: (£81k) reported last quarter.
- (h) Legal – Minor change in the forecast net underspend of (£21k) (September: (£26k)) reported last quarter.

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

– a projected net overspend of £129k (September: £15k) and the significant net variances are as follows:

- (a) Accountancy – a projected net underspend of £36k (September: £18k) due to savings expected due to a vacant post, partially to be covered by temporary staff.
- (b) Asset Management – a projected net overspend of £74k overall (September: £40k) made up as follows:
  - i) a projected underspend on total costs of (£91k) (September: (£126k)), due to strategic decision made to reduce payments to contractors, including the change in cost of a consultant becoming a council employee.
  - ii) no change in the forecast £166k under recovery on income reported last quarter.
- (c) Customer Services Management & Support – no change in the forecast net under-recovery of £9k overall (September: £9k) reported last quarter.
- (d) Development Properties – a net projected overspend of £482k (September: £427k) due to: the costs of vacant properties including Thameside House, Oast House, Hanover House; service charge costs at Elmsleigh MSPC (Multi-Storey Car Park); and additional costs incurred in Q3 for security of Whitehouse, Harper House and West Wing developments.
- (e) General Property Expenses – a minor change in the net projected underspend of (£30k) (September: (£27k)) made up as follows:
  - i) no change in the forecast underspend of (£61k) (September: £61k) reported last quarter.
  - ii) minor change in the forecast under-recovery of £30k (September: £34k) reported last quarter.
- (f) Facilities management – a net underspend of (£76k) (September: (£57k) due mainly to the following:

- i) no change in the forecast underspend of (£15k) reported last quarter.
  - ii) minor change in the forecast of (£28k) (September: (£25k) reported last quarter.
  - iii) the remaining underspend of (£33k) (September: (£17k)) relates to budget for office moves which is unlikely to be used in year and other savings, for example on office equipment and furniture, from staff working at home
- (g) Planned Maintenance Programme – a projected net underspend of (£269k) (September: (£110k)) mainly made up as follows:
  - i) a projected underspend of (£11k) (September: (28k)) due to a staff vacancy being moved to Asset Management.
  - ii) a projected underspend of (£257k) (September: (£82k) due to planned maintenance work being delayed following the end of the Runnymede works contract. New contractors have had to be tendered and procured which has caused delay in works taking place. The underspend will be put forward to be carried forward into 2022/23 in order to catch up on the delayed works.
- (h) Project Management – no change in the forecast underspend of (£50k) reported last quarter.
- (i) Unapportioned Overheads – minor change in the projected net underspend of (£225k) (September: (£227k)) made up as follows:
  - i) no change in the forecast underspend of (£269k) reported last quarter.
  - ii) minor change in the forecast overspend of £44k (September: £42k) reported last quarter.

**3.5 Community Wellbeing & Housing Committee** – a projected net underspend of (£225k) (September: £122k overspend), with significant net variances as follows:

- (a) SPAN (Spelthorne Alarm Network) - a projected (£25k) over recovery of income (September: (£5k)) following an influx of new clients earlier in the year due to COVID-19; numbers have since reduced
- (b) Community Care Administration – a projected net underspend of (£21k) (September: (£27k)) mainly due to the following:
  - i) £25k overspend due to unbudgeted posts transferred from A2 Dominion during the year
  - ii) (£55k) over recovery compared to budget due to additional Wellbeing Prescriber grant awarded after budget setting
- (c) Community Centres - a net projected overspend of £50k (September: £77k overspend), which was due to the following:
  - i) £233k under recovery of income (September: (£261k)) due to the pandemic, offset by
  - ii) (£121k) underspend (September: (£125k)) due to unfilled vacancies, caused by the pandemic; and

- iii) (£62k) underspend in costs (September: (£59k)) due to the pandemic
- (b) Spelthorne Family Support - a net projected underspend of (£50k) (September: (£5k) underspend), due to savings expected for a vacant post offset by temporary staff costs and to reimbursement for work relating to Afghan Refugees
- (c) Community Development – an underspend of (£49k) (September: (£27k)) which was due to an unfilled vacancy
- (d) Housing Needs – a net underspend of (£41k) (September: (£1k)) which was mainly due to periods of staff vacancies before posts were filled. All posts are now filled.
- (e) Homelessness – a net underspend and over recovery of income of (£183k) (September: (£2k)), with delays in the delivery of White House and Harper House contributing to the underspends offset by under-recovery of income.
- (f) Housing Benefit Admin – a net underspend and over recovery of income of (£122k) (September: (£100k)) mainly due to:
  - i) A projected underspend of (£75k) (September: (£59k)) for vacancies which are being recruited to.
  - ii) Minor change in the forecast (£49k) (September: (£47k)) over-recovery of income reported last quarter.
- (g) Housing Benefits Payments – No change in the forecast net underspend of (£37k) reported last quarter
- (h) Leisure Administration – a net underspend and over-recovery of (£64k) (September: (£75k) underspend) due to:
  - i) Minor change in the forecast underspend of (£45k) (September: (£52k)) reported last quarter.
  - ii) Minor change in the forecast over-recovery of (£20k) (September: (£24k)) reported last quarter.
- (a) Spelthorne Leisure Centre – No change in the forecast net overspend of £297k reported last quarter.

**3.6 Neighbourhood Services Committee** – a forecast net overspend and under recovery of income of £429k (September: £509k) and the significant net variances are as follows:

- (a) Car parks – a forecast under recovery of income of £567k (September: £642k) due to the reduction in shoppers and office workers requiring parking facilities.

**3.7 Note of an additional risk:** It is noted that Network Rail will be closing main access roads to Staines-upon-Thames during March and into April, which is likely to have a significant impact on parking income, estimated up to £56k. The Council will get (£34k) income from a license for Network Rail to use parking during that time, and potentially from legal action under that license for loss of income.

- (b) Building control – a forecast net overspend of £22k (September: £6k) due mainly to the following:

- i) No change in the forecast underspend of (£35k) reported last quarter.
  - ii) A forecast under recovery of income of £62k (September: £49k).
- (c) Cemeteries – No change in the forecast over recovery of income of (£50k) reported last quarter.
- (d) Neighbourhood Services Management Support – No change in the forecast employees underspend of (£50k) reported last quarter.
- (e) Environmental Health Administration – No change in the overall forecast underspend of £25k reported last quarter.
- (f) Environmental Protection Act – a forecast net underspend of (£26k) (September: (£41k)) due to overbudgeted Pollution Control Assessments costs.
- (g) Taxi Licensing – A forecast under recovery of income of £24k (September: £15k) due to the impact of the COVID-19 crisis.
- (h) Street Cleaning - A forecast underspend of (£40k) (September: (£30k)) due unfilled vacancies offsetting overtime and agency costs.
- (i) Spelride – a net forecast under recovery of income of £12k (September: £28k) due to the following:
  - i) A forecast underspend of (£20k) (September: £0k)
  - ii) A forecast underspend of (£18k) (September: (£22k)) in transport costs due to fewer passengers using the service and therefore fewer journeys being made.
  - iii) No change in the forecast 50k under recovery of income reported last quarter.

3.8 **Economic Development Committee** – A minor increase in the projected net overspend of £109k (September: £101k) reported last quarter.

3.9 **Environment & Sustainability Committee** – a projected net underspend of (£419k) (September: £176k), with significant net variances as follows:

- (a) Emergency Planning – Minor change in the forecast underspend of (£42k) (September: £49k) reported last quarter.
- (b) Grounds Maintenance - forecast underspend of (£30k) (September: £nil) due to vacant posts partially covered by overtime payments and agency staff, with no impact on service delivery.
- (c) Parks Strategy – forecast overspend of £22k (September: £nil) due to costs following a water leak, details of which are still being confirmed.
- (d) Planning Development Control – a projected net over-recovery of (£123k) (September: £47k net overspend) which is made up mainly as follows:
  - i) (£29k) underspend on cost budgets (September: £140k overspend net of staffing underspend), a significant decrease in forecast due to expectations of lower potential external legal costs on current developer planning appeals.
  - ii) No change in the forecast (£94k) income above budget reported last quarter.



- (e) Planning Policy – a net underspend of (£181k) (September: (£103k)) which is made up mainly of (£184k) underspend (September: (£109k)) for the Local Plan which is now scheduled to complete in 2022/23.
- (f) Refuse Collection – a net over-recovery of income of (£73k) (September: (£90k)) which is made up as follows:
  - i) No change in the forecast £30k overspend budget reported last quarter.
  - ii) (£103k) over-recovery (September: (£120k)) of income due to an increase in customer take-up of Garden Waste services (£133k), offset by £30k lower income from refuse and bulky waste bins due to less activity during the pandemic.

#### 4. Net Asset Income

- 4.1 The Council is forecasting overall to break even (September: (£597k)) 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 (£9,964k) (September: (£9,293k)).

<b>Commercial and Regeneration Assets</b>	<b>Revised Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Variance £'000</b>
Rental Income	(51,339)	(47,753)	3,586
Loan Interest Payable	24,498	24,333	(165)
Minimum Revenue Provision	12,327	11,538	(789)
Sinking Funds - contributions to	6,814	7,647	833
Sinking Funds - release from	(2,628)	(6,093)	(3,465)
Set Asides for specific revenue purposes	364	364	0
<b>Net Income (to fund Revenue budget)</b>	<b>(9,964)</b>	<b>(9,964)</b>	<b>0</b>

- 4.2 We forecast that sinking fund reserves will increase £7,647k, a net increase of £1,554k after funds released. This is 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 (although noting that the base rate has been increasing since November 2021), the overall budget for borrowing is forecast to be significantly underspent, by (£166k) (September (£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 £114k, resulting in a forecast net underspend on interest of (£51k).

- 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 (£592k) (September: (£925)) 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 pooled funds than budgeted	114
Less Capitalisation of Interest on Development Properties than budgeted	536
Use of the NNDR Business rates retention reserve	10
<b>Total</b>	<b>(592)</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

- (a) The budgeted surplus for the year is (£113k) and the forecast outturn at 31 December is expected to be a £197k deficit.
- (b) This represents a projected net under-recovery of £310k, due to under-recovery of rent £306k expected due mainly to the West Wing delay, with net overspends of £27k due to security costs and loan interest costs offset by underspends on other expenditure budgets. KGE is on target to achieve its contribution to central overheads.

### 6.2 Spelthorne Direct Services

- (a) The budgeted deficit for the year is £39k, with a forecast surplus of (£50k).
- (b) This represents a projected net underspend of (£89k). 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 As a result of Council on 24th February 2022 approving an additional 1% uplift for staff for 2021/22 pay award to ensure that all staff received at least 1.75% to match the national employers offer, this will cost (including national insurance and superannuation) an additional £200k and has been factored into Appendix A.

## **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 p1** – Overall Position and Services Q3
- Charts p2** – Variances CP&R Q3
- Appendix A** – Net Revenue Budget Monitoring Q3
- Appendix B** – Net Revenue Monitoring by Committee Q3
- Appendix C2** – CP&R Revenue Report Q3