

Corporate Policy & Resources Committee



11 July 2022

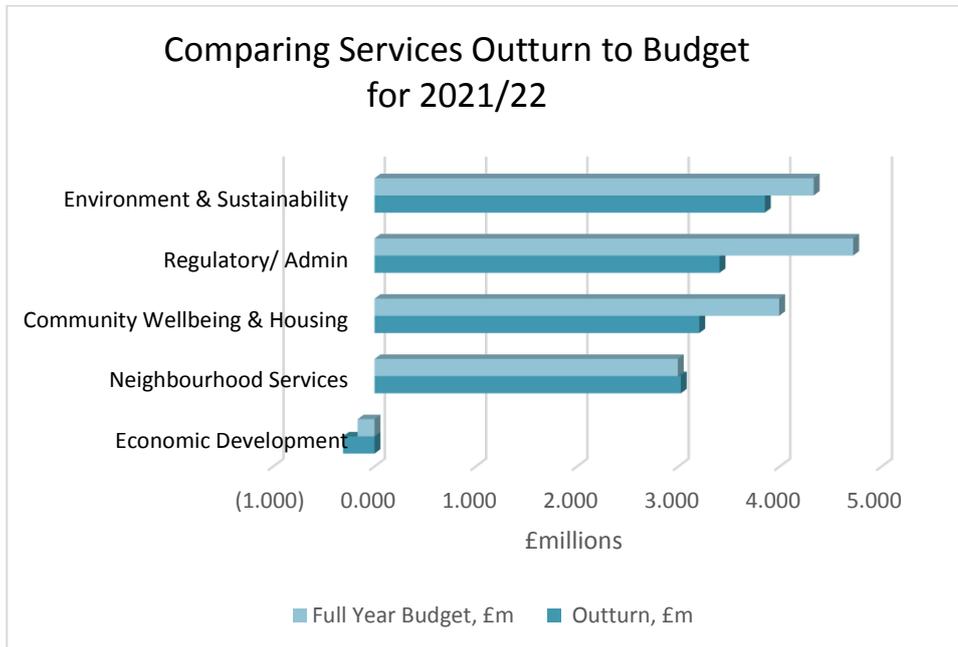
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| Title | Q4 Outturn Revenue Monitoring Report as at 31 March 2022 |
| Purpose of the report | To note |
| Report Author | Anna Russell Deputy Chief Accountant |
| Ward(s) Affected | All Wards |
| Exempt | No |
| Corporate Priority | Community Affordable housing Recovery Environment Service delivery |
| Recommendations | Committee is asked to note the outturn for 2021/22 as at 31 March 2022 and approve the following recommendations: <ol style="list-style-type: none">1. set aside £2.490m to the properties sinking fund;2. transfer of £0.650m to the general fund;3. transfer of £0.603m surplus from retained business rates to business rates equalisation reserve; and4. transfer of the £0.250m green initiatives fund to reserves. Confirming that by approving items 1 to 4 above, the surplus for the year would be reduced to £0.0m, in other words a balanced outturn at 31 March 2022. |
| Reason for Recommendation | Not applicable |

1. Summary of the report

- 1.1 This report provides a summary of the outturn position for the financial year 2021/22 as at 31 March 2022, which is a net £3.7m surplus; this is an increase in the underspend of (£3m) on the December 2021 forecast underspend of (£634k).
- 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. As

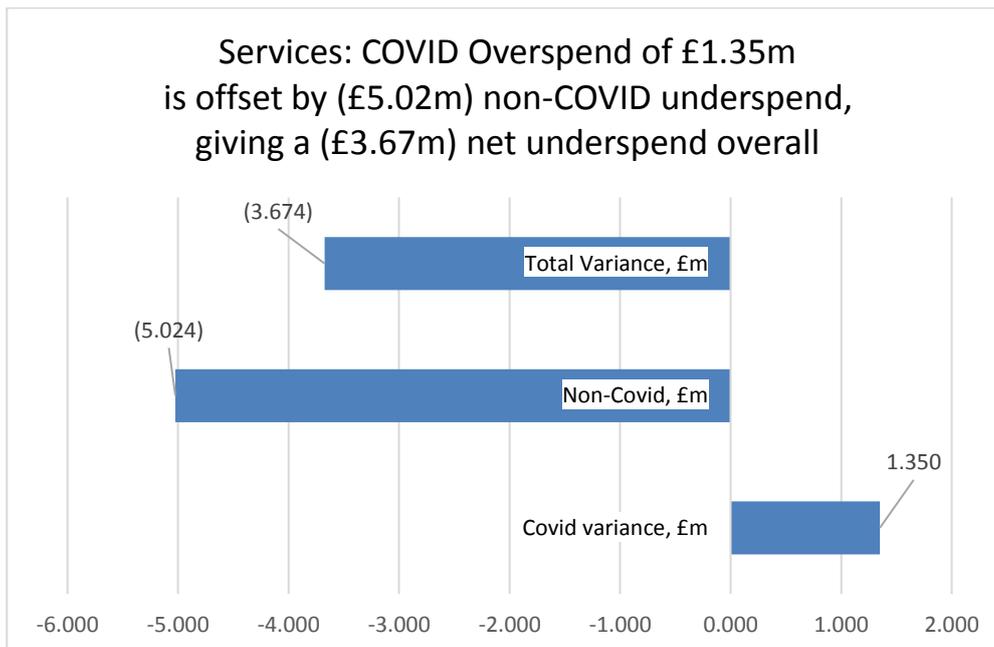
with the financial crisis in 2008, officers are expecting the Council and the UK economy to take several years to recover.

- 1.3 The services budgets and outturn are shown in the chart below. Key variances are summarised in the table below, with a more detailed information on the variances by committee shown in section 2.



- 1.4 The impact of COVID-19 at the service level is a £1.350m overspend, shown in the chart below, and is offset by the unused budgeted covid contingency provision and by (0.252m) support from Government to cover 75% of income loss in the first quarter (April to June 2021), resulting in an overall COVID overspend of £0.098m.

- 1.5 **Non COVID-19** budgets are showing an underspend of £5.024m at the level of services, as noted in the chart below, and, after below services variances, an overall (£3.742m) net underspend.



- 1.6 **COVID-19** – The table below summarises the impact of COVID-19 on those areas affected within the Council’s General Fund budget. Appendix A and B give additional breakdowns, overall and by committee respectively.

| Summary of Outturn Position at 31/3/22 | Revised Budget | Outturn | Covid-19 Variance | Non Covid-19 Variance | Total Variance |
|---|-----------------------|----------------|--------------------------|------------------------------|-----------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Service Level Expenditure | 64,897 | 54,109 | 821 | (11,609) | (10,787) |
| Housing Benefit Income | (28,621) | (21,470) | 0 | 7,151 | 7,151 |
| Service level Income | (13,624) | (13,662) | 529 | (566) | (38) |
| Salary budget saving <i>(actual vacancy savings are reflected in services expenditure outturn)</i> | (300) | 0 | 0 | 300 | 300 |
| Net Investment Property Income | (51,339) | (50,981) | 0 | 358 | 358 |
| Property Development costs | 1,030 | 671 | 0 | (359) | (359) |
| Contingency Provision for COVID | 1,000 | 0 | (1,000) | 0 | (1,000) |
| Revenue Contributions to Capital Outlay | 835 | 835 | 0 | 0 | 0 |
| Net financing costs | 34,355 | 34,373 | 0 | 18 | 18 |
| External Financing | (2,441) | (3,114) | (252) | (421) | (673) |
| Revenue Carry forward | (489) | (36) | 0 | 453 | 453 |
| Net contribution to reserves | 4,436 | 786 | 0 | (3,650) | (3,650) |
| Retained business rates | (1,929) | 2,561 | 0 | 4,490 | 4,490 |
| Council Tax Income | (7,810) | (7,815) | 0 | (6) | (6) |
| Net | 0 | (3,742) | 98 | (3,840) | (3,742) |

- 1.7 COVID-19 Grant funding for the General Fund – Funding continued to be received for part of the year from central government to mitigate the impact on the council of COVID-19, as well as through New Burdens Grants to contribute towards costs of additional work for administering initiatives required by Government and the 100% Business Rate Relief schemes. Additional funding was also continued up to June 2021 for the loss of income resulting from the pandemic; Councils received nearly 75% funding for the estimated loss of budgeted Sales, Fees and Charges. The additional grant funding is shown in the table below.
- 1.8 Contributions received from developers during the year consisted of Community Infrastructure Levy (CIL) (£722k) and Section 106 (S106) contributions (£23k). 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. Consequently, these additional funds are reflected in Service Level Income and the transfer to reserves is reflected in the Reserves Outturn. Instead of using reserves, £0.71m has been added to reserves. The net contribution to sinking fund reserves is £7.75m with an overall net contribution to reserves of £1.49m.

| Government grants received for COVID | £'000 |
|---|--------------|
| Emergency funding | 506 |
| Self-isolation | 463 |
| Clinically Extremely Vulnerable | 242 |
| Contribution to Income loss | 252 |
| Contain Outbreak Management Fund | 233 |
| Council admin and debt recovery | 131 |
| Lower Tier services grant | 82 |
| Reopening High Streets Safely | 48 |
| Grant to support revenue costs | 1,957 |

- 1.9 **Business Support Grants and grants to residents** – 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, and to support residents financially. The business support grant funding was provided through a non-discretionary scheme and a discretionary scheme. 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.

| Government grants for businesses and residents | £'000 |
|---|--------------|
| <i>Business Support Grants</i> | |
| Retail discount grant | 3,143 |
| Non-Discretionary Business Grant | 198 |
| Discretionary Business Grant | 167 |
| Nursery discount grant | 70 |
| <i>Grants for residents</i> | |
| Council Tax Hardship Fund | 114 |
| Grant to support revenue costs | 3,692 |

2. Committee commentary

- 2.1 The following tables identify significant (greater than £20,000) differences from budget for services within each Committee. Figures shown without brackets represent an overspend or under-recovery of income; figures with brackets represent an (underspend) or (over-recovery) of income.

(a) **Regulatory/ Administrative Committee**

| Service | Variance £'000 | Comment |
|--|---------------------------|---|
| Corporate Management | 57 | Underspent budgets employee retention allowance (£122k) and COVID budget (£393k); offset by £140k higher high street recovery costs; £71k consultancy on constitutional and organisational change and on property issues; and £375k over-budgeted staffing recharge for Knowle Green. |
| Democratic Rep & Management | (40) | Underspend on members allowances |
| Elections | 31 | Two unbudgeted by-elections during the year |
| HR | (77) | Underspend (£53k) from vacancies and (£24k) on consultant and software costs |
| Information & Comms Technology | (121) | Underspends (£44k) from vacancy and (£77k) software costs |
| Insurance | 108 | Higher insurance costs, and under-recovery of income, compared to budget. |
| Land Charges | (109) | Search fee income £30k higher than budget. Also unbudgeted £71k grant income, transferred to reserves. |
| Legal | (52) | Underspend of £80k from vacancies offset by £25k cost of debtors written off following review of invoices. |
| Other income and provision adjustments | (1,140) | Including review resulting in (£701k) changes in bad debt provisions and write offs, and (£746k) payments from developers. |
| | | |
| Total significant net variances | (1,343) | |

(b) **Corporate Policy & Resources Committee**

| Service | Variance £'000 | Comment |
|--|---------------------------|---|
| Accountancy | (47) | Underspend due to a vacancy, partially covered by temporary staff |
| Asset Management Administration | (198) | Strategic decision made to reduce payments to contractors (not deferment to future years), resulting in lower spend on contractors, and in higher costs against the staffing budget. |
| Corporate Savings | 208 | Savings target built into budget for 2021/22. |
| Customer Services Management & Support | (339) | Underspend of (£106k) on vacant posts. Council Tax and Business Rate collection income is higher against the budget by (£226k). |
| Development Properties | 441 | Unbudgeted costs, such as for business rates, council tax, security and electricity, relate to various vacant properties including Thameside House, Oast House, Hanover House, and service charges at Elmsleigh MSCP; and security costs incurred in Q3 for Whitehouse, Harper House & West Wing developments. |
| General Property Expenses | (52) | Underspend totalling (£74k) on Consultants, Surveyors and Valuers as more work undertaken by staff in-house. Offset by £22k under-recovery of income relating to: covid relief allowed for tenants; some tenants having left. Budget amended in 2022/23 to reflect lower income. |
| Facilities Management | (128) | Underspend (£81k) on print unit costs, as the corporate printers are now owned. In addition, net (£47k) underspend resulting from changes in working due to the split of West Wing (business rates and electricity underspends) and to working from home during the pandemic (office equipment and furniture, unused budget for office move). |
| Planned Maintenance Programme | (228) | Delayed procurement of Planned Maintenance works contract for 2021/22 financial year resulted in budget underspend. The financial year 2021/22 was particularly busy as Building Services Team was faced with procuring many contracts including all Term Contracts which had to be prioritised as new respective contractors were to be identified by 01/04/2022. These contracts were previously managed by Runnymede BC in partnership with Spelthorne BC. |
| Project Management | (108) | Underspends due to vacancies, and on temporary staff budget. Carry forward of budget underspend totalling £45k has been approved to cover costs in the next financial year of two delayed corporate projects. |
| Unapportionable Central Overheads | (101) | Monthly superannuation payments to Surrey County are lower than budgeted, which reflects the council's overall underspending on staffing costs. |
| Total significant net variances | (968) | |

(c) **Community Wellbeing & Housing Committee**

| Service | Variance £'000 | Comment |
|--|---------------------------|---|
| SPAN (Spelthorne Alarm Network) | (75) | Stock levels meant that less purchases were needed during the year than originally planned, contributing to a (£28k) underspend on expenditure budgets. Added to this, a surge of clients due to COVID resulted in (£35k) more income than budgeted (not expected to be maintained in 2022/23). |
| Community Care Administration | (549) | Underspend (£41k) because of vacant posts to which the service has been unable to recruit. Income is (£514k) over budget, with one-off grant funding received for prevention work across Community, Wellbeing & Housing services. |
| Community Centres | (40) | Underspends: (£134k) because of vacancies not filled due to COVID and lack of applications due to market conditions; £190k under-recovery of income, offset by (£96k) underspend, due to centres being closed until July 2021, with re-opening phased until September. |
| Meals on Wheels | 21 | Overspend due to 'appetito' contract increase by 3%, and increased volume of clients. |
| Spelthorne Family Support | (182) | Underspends of (£44k) on staffing due to vacant post, partially covered by temporary staff and from costs recharged for work on Afghan Refugees. Recharged income (£144k), which was higher than budgeted because work such as on Afghan refugees was not planned, includes (£87k) income from previous financial year. This latter was to fund planned recruitment of social workers which did not happen. |
| Community Development | (36) | Underspend of (£58k) relating to manager vacancy during 2021/22, with Deputy Group Head and Strategic Lead taking on some responsibilities while a restructure is being developed. Offset by overspend of £22k due to increased allocation of Better Neighbourhood grant agreed for councillors to spend on Green Initiatives. |
| General Grants | (22) | Carry forward approved to transfer underspent budget to 2022/23. |
| Homelessness | (44) | Delays in the delivery of White House and Harper House contributed to (£976k) underspends. Offset by £902k under-recovery of income from Rent Assure tenants due to Housing team focusing their attention in-year on interviewing tenants for the Benwell House and West Wing properties, with no additional financial cost. Overspend of £30k on salary costs funded by grants received. |
| Housing Benefits Admin | (121) | Underspend of (£65k) due to vacancies; income (£49k) above budget due to additional grants, transferred to reserves. |
| Housing Benefits Payments | 94 | Net reduction in Housing Benefits caseload/ income due to the transfer of claims to Universal Credit. |
| Leisure Administration | (59) | Staffing underspend of (£38k) due to vacancies for significant periods. The department is undergoing a restructure that aims to bring the team back up to full capacity in 2022/23. Additionally, income is (£21k) above budget, due to Public Health funding for a Covid Outreach project secondment |
| Spelthorne Leisure Centre | 266 | Overspend of £413k due to 3-month payment waiver, plus £250k covid financial assistance payment, granted to SLM (Spelthorne Leisure Management) Offset by grant towards covid income loss, and better than expected profit share following the easing of covid-19 restrictions. |
| Total significant net variances | (747) | |

(d) **Neighbourhood Services Committee**

| Service | Variance £'000 | Comment |
|---|---------------------------|---|
| Car Parks | 462 | Reduced income due to impact of the COVID-19 crisis. |
| Community Safety | (23) | Underspend on CCTV maintenance costs. |
| Depot | (43) | Underspend relates to no contribution being made to Surrey CC for night lighting. |
| Neighbourhood Services Management Support | (90) | Underspend of (£48k) due to vacant posts partially covered by overtime payments and temporary staff. Income (£52k) above budget due to income for services provided to Spelthorne Direct Services (SDS Ltd). |
| Building Control | 45 | Income £62k less than budget, with the continuing impact of the COVID-19 crisis. Offset by (£35k) underspend of staffing due to vacancies. |
| Cemeteries | (38) | Income (£50k) above budgeted due to an increase in number of deaths and requests for much larger burial spaces. |
| Environmental Health Admin | (22) | Underspend of (£25k) on budget for consultants, due to delay in Heathrow expansion. |
| Environmental Protection Act | (241) | Additional Electric Vehicle Taxi Project funding of (£256k) received from Defra earlier this year. Moved to revenue reserves as this project is currently on hold with DEFRA until they have reviewed necessary amendments to the project. Delays are beyond the control of the Surrey local authorities involved. This project is expected to progress in the next financial year. |
| Taxi Licensing | 26 | Income lower than budgeted due to the COVID-19 crisis. |
| Street Cleaning | (67) | Underspend of (£40k) due to vacancies partially covered by overtime payments and agency staff. |
| Spelride | 6 | The COVID-19 crisis resulted in £49k less income than budgeted offset by (£12k) underspend on transport and other costs. Additionally, staffing was underspent by (£31k) due to a vacancy partially covered by overtime and temporary staff. |
| Total significant net variances | 15 | |

(e) **Economic Development Committee**

| Service | Variance £'000 | Comment |
|--|---------------------------|--|
| Economic Development | 83 | Overspend of £106k relates to Business Incubator, which is funded by the NNDR retention reserve. This is offset by (£40k) Government Grant for the Spelthorne Youth Hub. |
| Staines Market | 148 | Income lower than budget due to COVID-19, partially offset by grant for COVID-19 income loss. Additional £20k cost of business rates above budget. |
| Staines Town Centre Management | (377) | Review of debtors resulting in (£362k) increase in 'income' accounted for in rent account due to unallocated cash. |
| Total significant net variances | (146) | |

(f) **Environment & Sustainability**

| Service | Variance £'000 | Comment |
|------------------------------|---------------------------|---|
| Emergency Planning | (85) | No contributions have been requested for the Thames flood relief scheme for last 2 years because of delays in the Environment Agency progressing the scheme. Work on the scheme is expected to start in the next 12 months. |
| Environmental Enhancements | (54) | Unused Government funding from Rural Payment Agency, which has been moved to reserves for use on future projects. |
| Grounds Maintenance | (146) | Underspends on staffing (£87k) and operational equipment leasing costs (£33k). Flowers display sponsorship income was (£23k) higher than budgeted. |
| Parks Strategy | 26 | Overspend due to major water leak in Laleham Park. |
| Planning Development Control | (293) | Income (£92k) above budget relates to excess Planning Performance Agreement (PPA) income to be moved to reserve. Underspends mainly relate to less than budgeted costs for external legal fees (£160k) and software (£27k). |
| Planning Policy | (80) | Income (£159k) above budget relates to Local Plan work now scheduled for 2022/23. Under the constitution, as the project will not be completed by 30 June, the budget cannot be carried forward to 2022/23. The funds instead will be moved to reserves. The under-recovery is offset by staffing costs of £70k from the Environment Impact Assessment. This is funded by a reserve. |
| Refuse Collection | 3 | Overspends totalling £101k, including £90k staffing costs due to vacant posts being covered by higher costing agency. Offset by income (£97k) over budget due to increase in customer take-up of Garden Waste services (£132k), offset by lower Refuse Collection income for refuse and bulky waste bins due to less activity during COVID-19. |
| Waste Recycling | 153 | Income is lower than budget due to change in recycling income mechanism administered by Surrey County Council and Surrey Heath Borough Council. |

| | | |
|--|--------------|--|
| Total significant net variances | (476) | |
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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 | Revised Budget £'000 | Outturn £'000 | Variance £'000 |
|--|---------------------------------|--------------------------|---------------------------|
| Rental Income | (53,707) | (53,348) | 359 |
| Loan Interest Payable | 24,498 | 24,579 | 81 |
| Minimum Revenue Provision | 12,327 | 12,327 | 0 |
| Sinking Funds - contributions to | 6,814 | 10,375 | 3,561 |
| Sinking Funds - release from | (2,625) | (2,625) | 0 |
| Set Asides for specific revenue purposes | 1,030 | 671 | (359) |
| Net Income (to fund Revenue budget) | (11,663) | (8,021) | 3,642 |

2.3 The Council places a significant amount of the income earned into sinking funds, with £10.375m to cover future changes in circumstance, such as capital refurbishments or rent-free periods, and (£2.625m) applied during the year, increasing our reserves by £7.749m.

| | Balance 31/03/21 £'000 | Additions 2021/22 £'000 | Applied 2021/22 £'000 | Balance 31/03/22 £'000 |
|--|---------------------------------------|--|--------------------------------------|---------------------------------------|
| Proposed Allocation to Reserves | 25,873 | 10,375 | (2,625) | 33,622 |

2.4 Retained Business Rates

The net payment to preceptors for business rates was £9.57m above what was collected adjusted for the deficit on the collection fund. The Government gave the Council £7.01m to fund under-recovery of business rates, which was higher than is normal because of the impact of COVID on business rates. As a result, £2.56m was drawn down from the business rates equalisation reserve to cover the remaining, unfunded under-recovery.

2.5 Continued Impact on the Council's Cash Flow because of COVID-19

The funding from Government for under-recovery of business rates, noted in the previous paragraph, was in response to issues faced by Billing Authorities (i.e. the borough and district councils who raise the bills), with the COVID-19 resulting in reduced cash collection of Council Tax and Business Rates. Many Billing Authorities retain only a small proportion, with the majority collected being paid to preceptors. As precept payments to Surrey County Council, Surrey Police and the Government are set in line with statute, before the

actual collection is carried out, the resulting 'gearing' effect reduces Spelthorne's cashflow disproportionately.

2.6 The impact of COVID-19 on cashflow was reduced as the UK moved out of lockdown. However, interest rates, which have been historically low during COVID, also began to be increased in response to economic pressures such as rising inflation, resulting in recovery in cash flow by the year-end. Interest earnings (including £271k accrued dividends) from investments had increased to (£492k) (39%) above budget, because the budget reflected the depressed state of investments at the start of the year. Debt costs were slightly higher by £81k (0.3%) than budget.

2.7 **Knowle Green Estates Ltd** 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 is still in the early stages of its development, and it would not be appropriate at this time to take on the burden of fixed overhead costs until it becomes more mature. Costs charged to the company by the Council are for staffing support and for debt financing.

2.8 The company does not directly employ staff, with staffing services provided by the Council at cost £297k for 2021/22. Debt financing relates to loans representing assets transferred from Spelthorne Borough Council to Knowle Green Estates Ltd. Interest payable for 2021/22 was £101k.

2.9 In 2021/22, 2020/21 the estimated charges made to Knowle Green Estates for services provided by the Council are set out in the table below.

2.10 **Spelthorne Direct Services Ltd** is a wholly owned company set up to trade in commercial waste disposal, with directly employed staff. The company has loans with the council through a loan facility, to help support the company through the first years of trading, which has been affected negatively by COVID-19. Interest payable for 2021/22 was £1k

2.11 **2021/22 Pay Award**

Supplementary budget of £200,000 to address the impact of the additional 1% increase to the 2021/22 pay award was agreed by Council 24 February 2022. However, the impact of ongoing inflationary pay pressures is likely to be 2% or more.

2.11 **Carry Forwards**

Carry Forwards agreed by this committee were listed as an urgent item of the meeting on 20 April 2022.

3. **Financial implications**

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

4. **Risk considerations**

4.1 There are no risk implications arising from the report, which is for noting.

5. **Legal considerations**

5.1 There are no legal implications arising from the report, which is for noting.

6. Other considerations

- 6.1 Committee Services will be required to schedule a meeting of this Committee in the first week of May 2023, as the Committee must approve the Outturn report, before officers can published the draft unaudited statement of accounts, for the year end 31 March 2023, by the revised statutory reporting deadline of 31 May 2023.

7. Equality, Diversity and Inclusion

- 7.1 There are no specific areas to highlight. However, equality, diversity and inclusion (EDI) are central to everything that we do and are woven throughout our Strategic Plans.

8. Sustainability/Climate Change Implications

- 8.1 There are no legal implications arising from the report, which is for noting.

9. Timetable for implementation

- 9.1 Monthly financial monitoring reports are produced for Management team, and quarterly for Committees.

Background papers: List of carry forward requests for 2021/22 revenue budgets

Appendices:

Appendix A – Net Revenue Budget Monitoring – 2021-22 v2

Appendix B – Net Revenue Budget Monitoring by Committee – 2021-22 v2