

# Corporate Policy & Resources Committee

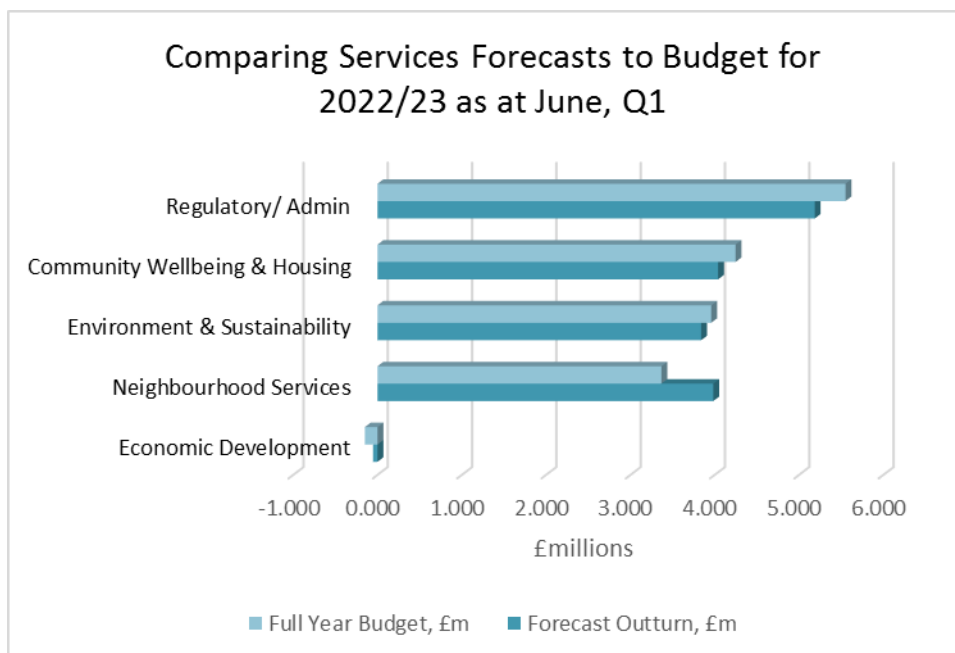


12 September 2022

<b>Title</b>	<b>Q1 Revenue Monitoring Report as at 30 June 2022</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 Quarter 1 position for 2021/22 as at 30 June 2022</b>
<b>Reason for Recommendation</b>	Not applicable

## 1. Summary of the report

- 1.1 This report provides a summary of the Quarter 1 (Q1) for the financial year 2022/23 as at 30 June 2022, which is a net £69k deficit.
- 1.2 The purpose of this report is to produce reasonable forecasts for the year. However, a range of issues such as post-COVID effects, the cost-of-living crisis and global crises are expected to impact on the budget. The COVID-19 pandemic created a dynamic environment requiring frequent reassessment of plans and projections. The current cost-of-living crisis in the UK has seen steep price increases across fuel, utilities, food and other goods, resulting in successive uplifts in the Bank of England interest rate; all of which are expected to continue to increase significantly over the coming months. International and global crises, such as Ukraine and climate change, are adding to uncertainty and inflationary pressures. Such issues give context to the council's circumstances and will be considered as far as practical, noting that detailed consideration is outside the scope of this report.
- 1.3 The services budgets and outturn are shown in the chart below. Key variances are detailed by committee in the next section, 2.



## 2. Committee commentary

2.1 The following tables identify significant (greater than £20,000) differences from budget for services within each Committee.

*The (negative) and positive variances indicate:*

*(negative): favourable = an (underspend) or (over-recovery) of income*

*positive: adverse = an overspend or under-recovery of income*

### (a) Regulatory/ Administrative Committee

Service	Variance £'000	Comment
Committee Services	(20)	Underspend expected due to vacant posts, partially covered by overtime.
Corporate Governance	88	Vacant posts are being covered by Agency staff with higher costs
Corporate Management	(220)	Underspend on budgeted COVID-19 expenditure (£200k), and on general subscriptions (£20k).
Information & Comms Technology	(50)	Savings expected due to vacant posts
Legal	(20)	Underspends of (£20k) expected due to vacant posts, partially covered by agency staff.
	<b>(222)</b>	<b>Total significant net variances</b>

*Details for the service committee are given in Appendix C1.*

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

<b>Service</b>	<b>Variance £'000</b>	<b>Comment</b>
Accountancy	(34)	Savings expected due to vacant posts.
Asset Management Administration	(27)	Underspend due to 4 current vacant posts. Actual amount to be recharged to KGE Ltd less than budgeted due to changes in staff time on KGE work and vacancies.
Customer Services Management & Support	(40)	Underspent due to vacant posts, partially covered by agency staff and additional overtime payments.
Development Properties	265	Consists of: (1) Forecast overspend of £515k is based on 2021/22 outturn with consideration to high gas and electric costs expected this year and overspends relating to empty and void properties; offset by (2) unbudgeted income of (£250k) NHS contribution towards planning costs for the Oast House development.
General Property Expenses	(42)	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.
Planned Maintenance Programme	(135)	Estate programme maintenance budgets expected to be underspent (£75k) of which (£20k) will be used to fund overspend on the Knowle Green Car Park capital project. Also, expected savings of (£60k) from unused one-off Surveyors budget and Computer Software budget.
Project Management	(20)	Underspent expected due to vacant posts.
Unapportionable Central Overheads	(17)	Consists of: (1) Monthly superannuation payments to Surrey County are expected to be (£268k) lower than budgeted based on number of staff in post; offset by (2) Pension Fund payments £251k higher than budgeted.
	<b>(50)</b>	<b>Total significant net variances</b>

*Details for the service committee are given in Appendix C2.*

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

<b>Service</b>	<b>Variance £'000</b>	<b>Comment</b>
SPAN (Spelthorne Alarm Network)	(57)	The underspend is the result of SPAN service moving to Mole Valley at the end of September 2022. Staff were transferred 1st July, with (£102k) underspend of the budget for the rest of the year, and corresponding £103k under-recovery of recharged income. In addition, there are underspends of (£57k) forecast on non-employee costs due to the move.
Community Centres	31	Overspends forecast for increases in cost of living.
Spelthorne Family Support	0	Staff underspends of £30k due to vacant post, partially being covered by temporary staff. Remainder of costs are expected to be recharged for work relating to Afghan Refugees. Income is forecast to be under-budget by £22k but is expected to cover costs.
Community Development	38	Increased allocation of Better Neighbourhood grants agreed, for councillors to spend on the Jubilee celebrations.
Homelessness	(90)	Lower numbers in Rent Assure scheme are contributing to lower expenditure and income than budgeted. Demand is slowly increasing
Housing Benefits Admin	(92)	Variance includes: (1) Underspend of (£43k) forecast on vacancies, which are being recruited to; and (2) (£52k) unbudgeted income from additional new burdens grants received from DWP. These grants are ringfenced to Housing Benefits, but the council has no control over if and when the grants are issued.
Housing Benefits Payments	6	Additional expenditure £205k and grant income (£199k) relates to Household support fund scheme, which has been extended into 2022/23.
Leisure Administration	(40)	Unbudgeted income of (£40k) relates to funds from Public Health for covid outreach worker secondment.
Spelthorne Leisure Centre	(32)	Spelthorne's profit share has increased with reference to inflation.
	<b>(236)</b>	<b>Total significant net variances</b>

*Details for the service committee are given in Appendix C3.*

(d) **Neighbourhood Services Committee**

<b>Service</b>	<b>Variance £'000</b>	<b>Comment</b>
Car Parks	589	Under-recovery of £589k as income is forecast to be lower due to slower than expected recovery post COVID-19.
Neighbourhood Services Management Support	(20)	Savings expected due to vacancies, partially covered by agency staff and overtime.
Environmental Health Admin	0	Expected to be higher by £128k due to an additional contractor and agency costs to cover vacant posts and EH COVID-19 response Supplement service. Costs to be offset, funded by (£128k) from Surrey County Council.
Street Cleaning	0	Savings of (£20k) expected due to vacant posts, partially covered by agency staff and overtime. Off-set by fuel costs which are forecast to be £20k higher than budget.
Spelride	30	Income is forecast to be lower due to slower than expected recovery post COVID-19.
	<b>599</b>	<b>Total significant net variances</b>

*Details for the service committee are given in Appendix C4.*

(e) **Economic Development Committee**

<b>Service</b>	<b>Variance £'000</b>	<b>Comment</b>
Staines Market	90	Income is forecast to be lower due to slower than expected recovery post COVID-19.
	<b>90</b>	<b>Total significant net variances</b>

*Details for the service committee are given in Appendix C5.*

(f) **Environment & Sustainability**

<b>Service</b>	<b>Variance £'000</b>	<b>Comment</b>
Grounds Maintenance	30	Savings of (£20k) expected due to vacant posts, partially being covered by agency staff and overtime. This off-sets overspend on fuel costs expected to be £50k higher than budgeted.
Planning Development Control	(90)	Underspends relate to 3 vacant posts.
Planning Policy	21	Consists of: (1) (£28k) Underspend relating to 1 vacant post which is currently on hold until filled as a temporary one-year post); offsetting (2) £49k Overspend associated with Local Plan work, which can be funded from Local Plan reserve set up in 2021/22 from budget underspend.
Refuse Collection	(90)	Higher than budgeted income from green waste bins due to more clients.
	<b>(129)</b>	<b>Total significant net variances</b>

*Details for the service committee are given in Appendix C6.*

*Go to next page for 2.2*

## 2.2 Net Asset Income (Commercial and Regeneration Assets)

The tables below show the latest monitoring position for the acquired assets, and exclude figures relating to developments on properties to be transferred to Knowle Green Estates Ltd. The net income from commercial assets is used to meet additional spend pressures resulting for example from reduced funding from government grant and Surrey County Council.

2.3 Net commercial rental income is forecast to be £1.183m under budget due for example to termination of leases following downturns in commercial tenants' circumstances after COVID-19. The net shortfall is funded by drawdown from sinking funds.

<b>Commercial Assets</b>	<b>Revised Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Variance £'000</b>
Rental Income (as per signed lease)	(54,001)	(52,327)	1,674
<i>less:</i> Landlord costs	8,161	7,670	(491)
<b>Net Rental Income receivable</b>	<b>(45,840)</b>	<b>(44,657)</b>	<b>1,183</b>
Loan Interest Payable	22,420	22,420	0
Minimum Revenue Provision	11,067	11,067	0
Sinking Funds - contributions to	6,062	6,062	0
Sinking Funds - release from	(3,767)	(4,950)	(1,183)
Set Asides for specific revenue purposes	455	455	0
<b>Net Income (to fund Revenue budget)</b>	<b>(9,603)</b>	<b>(9,603)</b>	<b>(0)</b>

<b>Regeneration Assets</b>	<b>Revised Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Variance £'000</b>
Rental Income (as per signed lease)	(5,245)	(5,114)	131
<i>less:</i> Landlord costs	883	1,415	532
<b>Net Rental Income receivable</b>	<b>(4,363)</b>	<b>(3,700)</b>	<b>663</b>
Loan Interest Payable	747	747	0
Minimum Revenue Provision	900	900	0
Sinking Funds - contributions to	751	751	0
Sinking Funds - release from	(57)	(720)	(663)
Set Asides for specific revenue purposes	675	675	0
<b>Net Income</b>	<b>(1,347)</b>	<b>(1,346)</b>	<b>0</b>

- 2.4 The Council places a significant amount of the income earned into sinking funds, with £6.812m planned to cover future changes in circumstance, such as capital refurbishments or rent-free periods, and (£4.965m) forecast to be applied during the year, which would increase our sinking funds reserves by £1.847m.

	<b>Balance 31/03/22 £'000</b>	<b>Additions 2022/23 £'000</b>	<b>Applied 2022/23 £'000</b>	<b>Balance 31/03/23 £'000</b>
Proposed Allocation to Reserves	33,623	6,812	(5,669)	34,766

## 2.5 Retained Business Rates

The payment to or from preceptors for business rates is adjusted according to the balance on the collection fund. The Business Rates Equalisation Reserve is used to cover under-recovery of business rates when required, which is budgeted at £1.929m.

- 2.6 **Knowle Green Estates Ltd (KGE 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.

- 2.7 The company does not directly employ staff, with staffing services provided by the Council at cost £395k for 2022/23. Debt financing relates to loans representing assets transferred from Spelthorne Borough Council to Knowle Green Estates Ltd. Interest payable for 2022/23 was £821k.

- 2.8 KGE Ltd is forecast to have a net £364k loss by the end of the year, as shown in the summary next.

<b>Knowle Green Estates Ltd</b>	<b>Full year budget 2022/23 £'000</b>	<b>Forecast outturn 2022/23 £'000</b>
Expenditure	1,097	1,464
Income	(1,100)	(1,100)
<b>Net (Profit)/Loss</b>	<b>(3)</b>	<b>364</b>

- 2.9 The difference between the budget and the forecast is due to an oversight in the business plan in respect of Benwell phases I and II, which is a timing issue and has no impact on the overall 50-year projections for KGE. In the original projections, the loan (capital and interest) costs for Benwell I were allocated to Benwell II and vice versa. Rental income is not affected.



- 2.10 **Spelthorne Direct Services Ltd** (SDS 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. The annual interest payable on current loans is £22k, with £16k payable for 2022/23.
- 2.11 SDS Ltd is forecasting a net £11k loss by the end of the year, as shown in the summary below.

<b>Spelthorne Direct Services Ltd</b>	<b>Full year budget 2022/23</b>	<b>Forecast outturn 2022/23</b>
	£'000	£'000
Expenditure	413	324
Income	(355)	(313)
<b>Net (Profit)/Loss</b>	<b>58</b>	<b>11</b>

- 2.12 The forecast for income is lower than budgeted, with less customers than originally expected. However, forecast costs have also been reduced to reflect this, resulting in a £47k reduction in the overall loss compared to budget.
- 2.13 **2022/23 Pay Award**  
 Budget was increased for 2022/23 pay award to allow for a 2% increase across all grades, and 2.5% for grades 1 to 5. This was implemented for staff with effect from 1<sup>st</sup> April. However, in July, the national employers made a final offer to the Unions of a fixed sum of £1,925 per FTE which would equate to an average increase of 3.7% on Spelthorne grades.
- 2.14 As a fixed sum approach, the national offer is worth most to the staff on the lowest grades. For example, for the lowest SBC scale point it equates to 9.78% and then proportionally decreases as a percentage as you move up the pay scales.
- 2.15 Once the national outcome is known for 2022-23, the Committee will need to consider whether it wishes to recommend to Council increasing our local offer to match the national offer. Doing so would add another £400k to the base budget. The projections in this report have not built in any assumption around this.
- 2.16 This is highlighted as a risk consideration in this report.

### **3. Financial implications**

- 3.1 As set out within the report and appendices.

#### **4. Risk consideration**

- 4.1 Current national negotiations on pay and the broader cost of living pressures could indirectly affect local pay negotiations by potentially requiring a further uplift on top of the pay increase implemented from 1 April 2022 possibly on the scale of £400k for the full year. That impact is being reviewed separately and is outside the scope of this report.
- 4.2 With the current cost of living crisis, there is a significant risk that the net spend position worsen during this financial year. To illustrate this, the budget was prepared in December 2021 on 2% inflation, but recent inflation forecasts are up to 10%, and higher. The impact of spend pressures will be cushioned in the period before existing agreements are uplifted or changed. As a result, an associated risk is that managers will not be able to quantify the impact yet.

#### **5. Legal considerations**

- 5.1 None expected. Legal will be consulted for comments on this report.

#### **6. Other considerations**

- 6.1 There are none.

#### **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. Equality Impact Assessment will be undertaken where savings proposals are put forward for 2023-24.

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

- 8.1 This report is intended to inform Councillors and senior management of key financial statistics, thereby facilitating effective management of the Council's resources.

#### **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 2022/23 revenue budgets

#### **Appendices:**

Appendix A – Revenue 2022-23 Q1 Summary

Appendix B – Revenue 2022-23 Q1 By Committee

Appendix C1 – Revenue 2022-23 Q1 Regulatory Administrative

Appendix C2 – Revenue 2022-23 Q1 Corporate Policy & Resources

Appendix C3 – Revenue 2022-23 Q1 Community Wellbeing & Housing

Appendix C4 – Revenue 2022-23 Q1 Neighbourhood Services

Appendix C5 – Revenue 2022-23 Q1 Economic Development

Appendix C6 – Revenue 2022-23 Q1 Environment & Sustainability