

Council Finances as at 30 September 2020

Summary

To provide the Executive with a high-level view as to the Financial Performance for the 2nd Quarter of 2020/21 and recommend additions and amendments to the 20/21 capital programme.

Portfolio - Finance

Date consulted – 24 November 2020

Wards Affected

All

Recommendation

The Executive is advised to RESOLVE

- (i) that the Council's financial position at 30 September 2020 be noted;
- (ii) that a £7,000 residual budget relating to disabled access at London Road Rec be transferred to the London Road Rec playground improvement budget, following completion of the disabled access project; and
- (iii) to note that the draft Corporate Capital Programme 2021/22, to be agreed by the Council in February 2021, will include items on the Meadows Roundabout project and an increase to the Watchetts Tennis Court capital budget.

1. Key Issues

- 1.1 This is the second quarter monitoring report against the 2020/21 approved budget, which provides an update on the Revenue, Treasury and Capital budget position as at the 30th September 2020.
- 1.2 As we are now half way through a very challenging year it is difficult to draw an outturn conclusion due to the ever-changing landscape caused by the current COVID pandemic however we are forecasting an overspend at this stage and this report is intended to give an update as to where services currently are against profiled budget for the second Quarter.

2. Resource Implications

Revenue Budget

- 2.1 Actuals against Budget for the second quarter are shown in the attached Annex A and summarised in the table below. Corporately, it is forecast that we will be around £1.4m overspent at the end of the financial year. The forecast reflects likely recovery of some losses on

income due to the pandemic and economic downturn from one-off Government grant.

	20/21 Budget	20/21 Forecast Outturn	Variance*	
	£	£	£	
Finance	1,880,424	2,170,000	290,000	a
Corporate	1,771,732	1,771,650	-82,000	f
Transformation	3,996,718	3,571,000	-426,000	f
Business	654,735	1,294,735	640,000	a
Regulatory	2,326,709	1,953,709	-373,000	f
Investment and Development	-611,201	660,000	1,500,000	a
Legal & Property	-1,619,861	-1,819,861	-200,000	f
Community Services	4,495,988	4,496,988	25,000	a
Total	12,895,244	14,098,221	1,374,000	a

*[*NB: A positive variance is 'adverse'; a negative variance is 'favourable']*

Capital Budget

2.2 At the end of the second quarter, £10.4m had been spent against the capital programme with a further £1.5m committed against a total budget of £34.2m.

A breakdown of the larger items of expenditure are £750k relating to Surrey Heaths contribution to the work upgrading the Meadows roundabout, £1.5m on the public realm project and £7.2m on the building of the new leisure centre.

2.3 The Executive is asked note that an increase of £750k to the 2020/21 capital programme in relation to Surrey Heath's contribution to the upgrading of the Meadows Roundabout will be included in the 2021/22 Capital Programme. Please refer to a report dated June 2015 Highways bid to the local enterprise partnership for further details.

2.4 The Executive is asked to agree a proposed transfer of a £7k residual budget relating to disabled access at London Road Rec to the London Road Rec playground improvement budget, following completion of the disabled access project.

2.5 The Executive is asked to note that a proposed increase of £139k to the Watchetts Tennis Court capital budget will be included in the 2021/22 Capital Programme, as a subsequent detailed investigation has found that the playing surface requires far more structural repairs than the original quote took into account.

2.6 The Executive is asked to note a proposed capital project of £28k for the installation of a Wheelchair swing at Frimley Lodge Park and that a report will be brought to a meeting in early 2021.

Treasury Investments

- 2.7 The Council currently has £11.746M in cash investments and £170m in borrowings. Based on the advice of the Council's Treasury advisers, £53m is made up of longer-term loans from the Public Works Loans Board with the remainder being shorter term loans from the other local authorities.

3. Debtors

Sundry Debts

- 3.1 Sundry debts include all debts except those relating to benefits. At the 30th September 2020 these amounted to £3,730,485 compared with £3,201,719 for the same period last year. The majority of the increase of £529k relates to recharges to other public sector organisations which were raised and were still in the process of being collected at the end of the 2nd Quarter.

Housing Benefit Debts

- 3.2 These debts arise when an overpayment in housing benefit has been made and thus has to be recovered. At the 30th September 2020 the balance was £537k compared with £554k at the end of the March 2020. During the last 6 months £112k was collected and £95k of new debts was raised.

4. Officer Comments

- 4.1 The report covers up to the second quarter of the year and based on performance so far.

5. Options

- 5.1 The Executive has the option to agree, not agree or make alternative suggestions in relation to the proposed transfer of the residual budget for disabled access at London Road Rec.

6. Proposals

- 6.1 It is proposed that the Executive notes the report and agrees to transfer £7,000 to the London Road Rec playground improvement budget.

7. Supporting Information

- 7.1 None

8. Corporate Objectives and Key Priorities

- 8.1 This item addresses the Council's Objective of delivering services efficiently, effectively and economically.

9. Risk Management

- 9.1 Regular financial monitoring enables risks to be highlighted at an early stage so that mitigating actions can be taken.

Annexes	Annex A - Summary Information on the Revenue Budget Position at 30 September 2020 Annex B – Supporting information on upcoming capital schemes
Background papers	<u>Report to Executive on Highways in June 2015</u>
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Summary Information on the Revenue Budget Position at 30 September 2020

The statements below show the outturn position against budget as at the 30th September 2020 excluding pensions, redundancy and asset recharges. These have been excluded as they are not in the control of the services themselves.

Finance: Budget £1,880,424, Forecast Outturn £2,170,000. £290k adverse variance

The majority of Finance budgets will be on or close to budget at year end.

Court action in respect of unpaid Council Tax and Business Rates was suspended until 28 November 2020 due to Covid 19 Regulations. Projected charges levied in respect of recovery costs have not been able to be charged. We are projecting an £60k overspend as a result of reduced recovery charge income. There are also additional one-off software and licence costs of £20k that have been incurred as part of the transition to the software being hosted and managed by our software supplier. Longer term savings in the ICT budget will offset these one off set up costs.

Agency costs after allowing for savings from vacant posts will be over budget by approximately £100k at year-end.

Transformation: Budget £3,996,718, Forecast Outturn £3,571,000. £426k favourable variance

Transformation has fortunately escaped the effect of Covid19 much better than other areas. There are a number of both small under and overspends but I would like to highlight are the corporate/post entry training budgets which are both projected to show underspends at year end totalling £65k and the recruitment of the new Chief Executive will result in the recruitment budget showing a £12k projected adverse variance at year end. There will also be an underspend on Economic development grants namely the Kevin Cantlon fund of approx £80k and Swift lane monies that have been carried forward.

Corporate: Budget £1,771,732, Forecast Outturn £1,771,650. £82k favourable variance

The Covid19 pandemic has resulted in a number of events having to be postponed or carried out virtually during the year to date, like the Camberley International Festival and Business Breakfast resulting in a £13.5k favourable variance. There is a £20k underspend in postage and electoral registration printing due to changing the way the canvass is now carried out and fewer forms being posted. There is also a saving in member allowances due to the implementation of the Independent Remuneration Panel recommendations and a current vacancy.

Business: Budget £654,735, Forecast Outturn £1,294,735, £640,000 adverse variance

Covid has had a major effect on the services that the business portfolio provides and is projecting a year end adverse variance of just over £0.5m.

The panto and the theatre catering will be overspend by £153k due to the panto being cancelled and there being limited events run to the end of the year which is offset by £37k underspend on the leisure classes and the marketing budget again due to activity being reduced and classes not be run till next year.

Car parks is currently projecting a deficit of £1.19m for the year, due to the car parks being closed and free parking plus the effects of people working from home and not coming into the town centres. The Museum is also badly effected due by the various lockdown's and is projecting a £7k overspend due to a reduction in income.

Frimley Lodge Park is projecting an adverse variance in the region of £125k but that is offset in part by £25k worth of favourable variances from the rest of the parks and the reduction in leisure grants paid due to recalculation of subsidies given.

It should be noted that the Council is anticipating receipt of c£800k from the government's income guarantee scheme to cover some of the lost income during the year, much of which relates to shortfalls in fees and charges within the Business Service area (e.g., car parking, theatre).

Regulatory: Budget £ 2,326,709, Forecast outturn £1,953,709. £373k favourable variance

Covid has had an effect on planning income and it is forecast to be down £100k on the budget for the year, but this is offset by some savings in expenditure elsewhere in the budget. There is a £37k overspent on consultants dealing with planning appeals. The overall planning variance is £119k.

Land charges income has also suffered over the past 6 months and is forecast to be £100k under budget at year end.

There are savings around the local plan consultant spend of around £100k and there are also savings in the homelessness budgets, through the use of Covid funds received from the government in dealing with rough sleepers etc

We are expecting to receive £143k from the government's income guarantee scheme to cover some of the lost income during the year.

Legal and Property: Budget £-1,619,861, Forecast Outturn £-1,819,861. £200k favourable variance.

Our rental income on our internally managed properties is forecast to be close to budget, but arrears are slowly beginning to rise, so this is an area that's needs to be carefully watched during the 3rd Quarter and beyond. There is a reduction on premises related expenditure and supplies and services expenditure relating to these internally managed properties which is incorporated into the outturn figure.

The Legal Services expenditure was on track at 30 September 2020.

Investment & Development: Budget £ -611,201, Forecast Outturn £600,000. £1.5m adverse variance

The Strategic Property Development Team is projected to have a year-end underspend of £300k due to limited activity during the first 6 months of the year plus having a number of staff vacancies.

As regards Town Centre investment, trading in the town centre has been very challenging over the past 6 months. The managers of the Centre report their results based on the calendar year and there was a significant drop in footfall due to the lockdown and the collection of rent has become a lot harder from QTR 2 (i.e., April-June) onwards. Collections at the end of the QTR 2 were down to 71% compared to the QTR 1 (January-March) figure of 97%. In QTR 3 (at the end of September) collection had fallen further to 59%. One of the main reasons for this drop is the number of retailers who moved to monthly payments rather than 'Quarterly in advance' and rent collection at the Square is still significantly higher than the national picture of 19%.

Rent arrears are slowly rising and there is a substantial risk of write offs due to numbers of CVAs and company restructures which has an effect on the sums passed over to the Council.

Community: Budget £4,495,988, Forecast Outturn £4,496,988. £25k adverse variance

Overall the year end projection is £25k overspend, but this is made up of a number of variances both favourable and adverse, the details of which are as follows, Meals on Wheels which has seen an increased demand for its services since the start of the financial year and is projecting a £50k underspend due to increase income. There are also savings from the vacant post of Executive Head Community services.

The Pandemic has also had a drastic effect income wise on some community services like Community transport and the Windle Valley Day Centre, which combined will be showing a £76k overspend due to loss of income. There is

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also a £26k overspend on licensing due to temporary staff having to cover staff shortages and refuse where there is a projected overspend of £53k due to increases in business rates and contract monitoring costs.

We are expecting to receive £55k from the government's income guarantee scheme to cover some of the lost income during the year.

Supporting information on upcoming capital schemes

Watchetts Tennis Courts

Since the initial Watchetts Redevelopment report was approved by the executive during the summer, a contractor was brought in on recommendation from the Lawn Tennis Association (LTA) to assist in creating a specification prior to going out to tender. The contractor, Sports Facility Planning and Design Ltd (SFPAD), inspected the courts in detail including the taking of a sample after which it became apparent there are underlying issues with the sub-base of the courts which were not anticipated. There are various levels of remedial work that can be completed, each with increasing costs but importantly with longer lifespans and therefore better value for money. The contractor SFPAD were not engaged prior to the initial report due to associated cost and the desire not to spend any money until there was an indication from members that this was a project the Council was prepared to fund.

The Initial project cost of £135k was based on two contractors offering quotes based on passing site visits and indicative information from the LTA, but obviously these did not factor in the underlying surface issues. It has also become apparent from engaging with the consultant that there are some smaller additional costs such as ducting and draw pits for cabling and column sockets which were not considered within the original budget as they were not referred to within the initial quotes.

The updated figure being requested of £274k would provide a high level rebuild of the underlying surface and provide stability for 12-15 years. The new requested budget is considered a worst-case scenario and it is hoped then when tenders are received, they will come in at a lower figure. A second opinion is being pursued in addition to the information provided by SFPAD, but the latest lockdown restrictions are likely to make this challenging to obtain in a short timescale. There are options to reduce the cost such as by providing a lower level of rebuild of the surface, removing the floodlighting or trying to repair the existing fencing rather than installing new fencing but these all come with risks including shorter lifespan (and therefore poorer value for money), reduced profitability and capacity for netball, and security issues accordingly.

Wheelchair swing at Frimley Lodge Park

Following recent playground consultations and reviewing the feedback, this Council recognises the need to improve play facilities for those children with disabilities, and as such it is proposed to install a wheelchair swing at Frimley Lodge Park. The new swing will be a great addition to the playground and allow children in wheelchairs to experience being on a swing, something that many children enjoy and may take for granted.

Frimley Lodge Park was refurbished in 2019, during which an accessible ground level roundabout was installed, which has proven incredibly popular. In adding a wheelchair swing will further develop this play area allowing more

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children to play along with their friends and family. This would be the first wheelchair accessible swing installed in a play area maintained by the Council.

The cost of installation, surfacing and fencing of the swing will be circa £28,000, ongoing inspections and maintenance will be included within the grounds maintenance budget. To protect the swing, it will be secured and accessed with the use of a radar key, which if not a key holder, will be held on site by the groundsman and the cafe.