

COUNCIL FINANCES AS AT THE 31ST DECEMBER 2020

SUMMARY

To provide the Performance and Finance Scrutiny Committee with a high-level view as to the Financial Performance for the 3rd Quarter of 2020/21.

PORTFOLIO	Finance
WARDS AFFECTED	All

RECOMMENDATION

The Performance and Finance Scrutiny Committee is advised to **NOTE** the report.

1. KEY ISSUES

- 1.1 This is the third quarter monitoring report against the 2020/21 approved budget, which provides an update on the Revenue, Treasury and Capital budget position as at the 31st December 2020.
- 1.2 As we are three quarters of the way a through a very challenging year. At this stage it remains difficult to draw an outturn conclusion due to the ever-changing landscape caused by the current COVID pandemic. However, we continue to forecast an overspend at year-end and this report is intended to give an update as to where services currently are against profiled budget for the 3rd Quarter.

2. RESOURCE IMPLICATIONS

Revenue Budget

- 2.1 Actuals against Budget for the third quarter are shown in the attached Appendix A. Corporately, it is forecast that we will be approximately £1,100k overspent at the end of the financial year. This is a decrease of £300k compared to the forecast reported to this Committee in November 2020, which was based on income and expenditure to 30 September 2020. The position is summarised in the table below:

Service	Budget £'000	Forecast Outturn £'000	Variance £'000
Finance	1,880	2,175	295 adverse
Transformation	3,997	3,697	300 favourable
Corporate	1,772	1,687	85 favourable
Business	654	1,094	440 adverse
Regulatory	2,327	1,510	817 favourable
Legal & Property	-1,620	-1,620	On budget
Investment & Development	-611	1,189	1,800 adverse
Community	4,496	4,247	249 favourable
TOTAL	12,895	13,979	1,084 adverse

Capital Budget

- 2.2 At the end of the third quarter, £16.9m had been spent against the capital programme with a further £0.7m committed against a total budget of £34.2m. A breakdown of the larger items of expenditure are: £0.75m relating to Surrey Heath's contribution to the work upgrading the Meadows roundabout, £2.4m on the public realm project and £11.8m on the building of the new leisure centre. All expenditure has been contained within the overall funding agreed for the 2020/21 Capital Programme in February 2020, supplemented by additional COVID Grant to offset the costs of delay in completing various schemes.

Treasury Investments

- 2.3 The Council currently has £11.746m in cash investments and £170.0m in borrowings. Based on the advice of our Treasury advisers, on 31st December 2020 £53.0m of these debts were made up of longer-term loans from the Public Works Loans Board with the remainder being shorter-term loans from the other local authorities. Committee should note that in February 2021 the Council moved £25.0m of short-term loans to a longer dated fixed loan of forty years with Phoenix Life Limited. This re-financing will be reflected in the Treasury Outturn report that will be produced after the end of the financial year on 31st March 2021.

3. Debtors

Sundry Debts

- 3.1 Sundry debts include all debts owed to the Council except those relating to Housing Benefits. On the 31st of December 2020 these amounted to £2,579,328 compared with £3,730,485 at the end of Quarter 2. Much of the decrease of £1,151,157 relates to lower value invoices being raised for the recharge of the Joint Waste Service to the other partner authorities and quicker settlement of outstanding debts by those same authorities.

4. Housing Benefit Debts

- 4.1 These debts arise when an overpayment in housing benefit has been made and thus must be recovered. On the 31st of December 2020, the balance was £515k compared with £537k at the end of the September 2020. During the last 3 months £63k was collected and £41k of new debts was raised.

5. OFFICER COMMENTS

- 5.1 The report covers income and expenditure up to the third quarter of the year and is based on performance so far.

6. OPTIONS

- 6.1 The report is for noting.

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

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

BACKGROUND PAPERS	None
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HEAD OF SERVICE	Martin Hone Executive Head of Finance Martin.Hone@surreyheath.gov.uk

Summary Information on the Revenue Budget Position on 31st December 2020

The statements below show the outturn position against budget as at the 31st December 2020 excluding pensions, redundancy and asset recharges. These have been excluded as they are not in the control of the services themselves.

NB: Only key variances for each service are highlighted below, so these do not sum to the total variance for the service.

Summary:

Service	Budget £'000	Forecast Outturn £'000	Variance £'000
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TOTAL	12,895	13,979	1,084 adverse

Finance: Budget £1,880k, Forecast Outturn £2,175k. £295k adverse variance

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

Housing Benefit: There is a small overspend of £25k due to additional Covid related work and more demand from local residents.

Court action on the collection of both Council Tax and Business Rates has been reduced due to the impact of Covid 19 and we are projecting a £150k overspend because of reduced legal fee income. There are also additional software and licence costs of £20k that have been incurred to date for the revenues systems.

Accountancy agency costs will be over budget by approximately £100k due to covering the vacant S151 officer post.

Transformation: Budget £3,997k, Forecast Outturn £3,697k. £300k 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; of more significance 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 has contributed to the recruitment budget showing a £20k projected adverse variance at year end.

Telephone spend is projected to be £19k underspent.

There will also be an underspend on Economic Development grants namely the Kevin Cantlon fund of approx £65k and Swift Lane monies that have been carried forward from the previous year.

There are also some savings on salary budgets where some vacant posts are not filled due to reconfiguring of roles within individual services.

Corporate: Budget £1,772k, Forecast Outturn £1,687k. £85k 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, (e.g., the International Business Festival and the business breakfasts) with a large reduction in expenditure resulting in a £21k favourable variance.

There is a £30k underspend relating to 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 reduction in member allowances due to an overall reduction in members and a current vacancy.

Business: Budget £654k, Forecast Outturn £1,094k. £440k 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 £440k.

The pantomime and the theatre catering will be overspent by £149k due to the pantomime 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 being run until next financial year.

Car Parks are currently projecting a deficit of £1.55m 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 affected due by the various lockdown's and is projecting a £7k overspend due to a reduction in income.

Parks and Open Spaces including Frimley Lodge and Lightwater Country Parks are projecting an adverse variance in the region of £160k but that is offset in part by £20k reduction in leisure related expenditure including leisure grants paid, due to recalculation of subsidies given, reduced marketing & support and development because of the cancellation of festivals and carnivals and the Surrey Youth Games.

We are expecting to receive approximately £1.4m from the Government's income guarantee scheme to cover some of the lost income during the year.

Regulatory: Budget £ 2,327k, Forecast Outturn £1,510k. £817k 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 projected £20k overspent on consultants and legal costs dealing with planning appeals. The overall planning variance is £120k.

Land charges has suffered because of the effects of Covid and it is forecast to be £40k over budget at year end mainly due to loss of income throughout the year.

Land drainage is projecting savings of £15k due to contracts being delayed by the pandemic and bad weather.

There are savings around the local plan of £70k due mainly to reduced spend on consultants 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 have also received some unbudgeted housing grant income that will be asked to be carried forward or transferred to a reserve at the end of the financial year for use on various housing projects over the coming years.

We are expecting to receive £157k from the government's income guarantee scheme to cover some of the lost income during the year.

Legal & Property: Budget £-1,620k, Forecast Outturn £-1,620k. On budget.

Our rental income on our internally managed properties is forecast to be close to budget, but arrears are rising and we are having to make more individual payment arrangements with tenants or offering rent free periods in exchange for granting of longer leases etc. 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.

Investment & Development: Budget £ -611k, Forecast Outturn £1,189k. £1,800k adverse variance

Strategic Property Development & Regeneration are projected to have a year-end underspend of £500k due to limited activity during the first 9 months of the year plus having several staff vacancies.

Town Centre investment: Budgeted income from the Town Centre is £3,789k for 2020/21. Trading in the town centre has been very challenging over the past 9 months. There was a significant drop in footfall due to the lockdowns and the collection of rent has become more challenging from QTR 2 onwards. Collections at the end of the QTR 2 were down to 71% compared to the QTR 1 figure of 97%. In QTR 3 (at the end of September) collection had fallen further to 59%. However, in QTR 4 (at the end of December), the collection rate rose slightly (up to 63%). Overall, the forecast anticipates a shortfall against budgeted income of £1,500k.

One of the main reasons for the overall drop during the year to date is the number of retailers who moved to monthly payments rather than quarterly in advance. However, it should be noted that rent collection in the Town Centre has still outperformed other centres around the Country.

Rent arrears are rising and there is a substantial risk of write-offs due to the number of CVAs and company restructures that may influence the amount of the sums finally passed over to the Council.

Community: Budget £4,496k, Forecast Outturn £4,247k. £249k favourable variance

Overall, the year end projection is £249k underspend, but this is made up of several variances both favourable and adverse, the details of which are as follows:

Meals at Home has seen an increased demand for its services since the start of the financial year and is projecting a £54k underspend due to increase income.

There are also savings in food safety of £56k due to the Executive Head acting up as the Interim Chief Executive with no back filling and the award of a Covid grant from Government to cover an Environmental Health Officers costs.

The Pandemic has also had a drastic effect on income on some community services like Community Transport, but these losses have been compensated by savings in not recruiting to vacant posts and lower fuel use which will result in a projected favourable variance of £24k.

Windle Valley Day Centre income has also seen drastic reductions in its income over the year.

Refuse & Recycling are projecting an overspend of £85k due to increases in business rates and contract monitoring costs.

It should be noted that in November 2020 the Council received the sum of £588k in respect of historical garden waste income owed and contractual refunds relating to the Joint waste Service. At Full Council on 24th February 2021, it was agreed that these funds should be applied to the 2021/22 General Fund Revenue Budget, and so they are not included in the overall outturn forecast for 2020/21.

We are expecting to receive £58k from the government's income guarantee scheme to cover some of the lost income during the year.