

End of Year Financial Outturn and Carry Forward of Unspent Budget 2020/21

Summary

To provide Executive with a high level view as to the Financial Performance for the year 2020/21.

The Executive is asked to approve the carry forward requests.

Portfolio - Finance – Cllr Perry

Date Signed off: 6 July 2021

Wards Affected

All

Recommendation

The Executive is asked to RESOLVE that:

- (i) The Financial Performance for the year 2020/21 be noted; and
- (ii) The Carry Forward requests for 2020/21 of £345,897, as set out at Annex C to this report, be agreed.

1. Key Issues

- 1.1 This report covers the entire financial year to the 31st March 2021 and is intended to give members a high level view as to the financial performance of services for the year highlighting significant variances against budget. The variances reported only include controllable costs. Costs relating to asset charges, revaluations and accrued pensions have been excluded since under local authority accounting rules they do not impact the overall financial outturn.
- 1.2 This has been a challenging year with pressure on commercial rents and fees and charges income due to the Covid pandemic, though partially offset by one-off grants received from the Government or via the County Council. For the 2020/21 financial year, overall net expenditure will be over budget by £1.0m. This is consistent with forecasts reported to Policy & Finance Scrutiny Committee and Executive in previous committee cycles.

2. Resource Implications

- 2.1 As stated in paragraph 1.2 above, the outturn financial position of the Council compared to the budget agreed in February 2020 was a shortfall of £1 million pounds as summarised in the following table:

Summary by Service Area

	Budget	Actual	Variance
	£000	£000	£000
Finance	1,880,424	3,543,541	(1,663,117)
Transformation	4,036,718	3,374,343	662,375
Corporate	1,776,932	1,534,145	242,787
Business	704,786	1,210,706	(505,920)
Regulatory	2,326,709	1,201,123	1,125,586
Legal	345,286	272,446	72,840
Property Management	(1,974,647)	(2,277,822)	303,175
Investment & Development	(611,201)	1,522,101	(2,133,302)
Community	4,495,988	3,629,016	866,972
	12,980,995	14,609,599	(1,028,604)

2.2 A review of any actual net expenditure against budget which has generated a variance greater than £25k at the end of the year is shown in the attached Annex A. Because of the impacts of Covid, many of the variances (both positive and negative) are 'one-off', non-recurring sums that will not impact on the 2021/22 budget agreed in February 2021 or on the Council's overall financial standing. These 'one-off' items are identified by an asterisk (*) in Annex A.

2.3 It will be seen that the greatest variance in the table above relates to Investment & Development, and Annex A shows that despite off-setting underspends in other areas of that service, the shortfall on Town Centre Investment income against budget is shown as £2,700k. This is made up as follows:

Write-Off of Rents - £450k

Doubtful Debts - £1,000k

Debts Carried Forward to 2021/22 for further action - £1,250

Treasury Investments

2.4 The Council currently has £22.3m invested in a variety of banks, building societies and funds.

2.5 A list of investments held at the 31st March 2021 is shown in Annex B. It should be noted that because of the nature of investment management, funds move in and out of the Council on a daily basis. Therefore, the position at 31st is very much a 'snapshot' of the balances on that day. In total, the number and net value of investments held by the Council is equivalent to reserves held for future earmarked spending plans, summing to c£32 million.

Borrowing

- 2.6 The Council has borrowed £180m to fund property acquisitions. Based on the advice of our Treasury advisers £78m is made up of longer-term loans from the Public Works Loans Board and the Phoenix Group with the remainder being shorter term loans from other local authorities. The Council has entered into an arrangement to forward fix a further £25m of debt in 2021/22 to minimise the risk of interest rate increases.
- 2.7 At the moment, interest rates remain low, and at the time of writing the borrowing terms agreed with Phoenix are at a higher rate than currently available from the PWLB. However, since November 2020, the PWLB will not lend to local authorities that plan to buy commercial assets primarily for yield. The Phoenix borrowings allow the Council greater flexibility in commercial property decisions. In addition, there is an expectation that interest rates will begin to rise over the next year as post-Covid economic activity begins to feed through into inflationary increase in both wage settlements and costs of materials.

3. Debtors

Sundry Debts

- 3.1 Sundry debts include all debts except those relating to housing benefits. At the 31st March 2021 these amounted to £2.923m compared with £3.990m for the same period last year, a reduction of £1.067m. There are a number of reasons for this reduction mainly more timely payment of invoices by our joint waste service partnering authorities along with a reduction in community service arrears over the past year. Car Park arrears have also reduced but this is down to a timing difference of when an invoice will be raised for 2021/22 parking charges due to a large credit on the customers account.

Housing Benefit Debts

- 3.2 The Council pays over £15m in Housing Benefit each year, and the nature of the Housing Benefit Scheme means that overpayments arise because of changing circumstances of the recipients. These debts have to be recovered. At the 31st March 2021 the accumulated debt was £476k compared with £515k at the end of the last quarter. During the last 3 months £92k was collected and £53k of new debt was raised. These figures are consistent with budget forecasts of Housing Benefit debt.

4. Officer Comments

- 4.1 Overall, this has been a very challenging year for Surrey Heath due to the Covid 19 Pandemic. Despite this a majority of services are coming in on or under budget. Services have monitored their spend over the year using the Civica financial system which gives them real time actual and committed expenditure.

5. Options

- 5.1 The Executive is advised to note the report regarding financial performance for the year 2020/21 and agree the carry forward requests.
- 5.2 The Executive has the option to agree the carry forward requests, with or without any amendments it considers appropriate.

6. Proposals

- 6.1 It is proposed that the Executive notes the financial performance for the year 2020/21 and agrees the carry forward requests.

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 31st March 2021 Annex B - Investments at 31st March 2021 Annex C – Carry forward request details
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 at 31st March 2021

Most of the revenue accounts have now been closed so the outturn on an individual service level can now be reviewed. The figures provided to services and reported below exclude asset charges as these are not controllable by service managers.

Individual variances increased at year end due to the current service cost element of the annual IAS19 valuation of the pension fund, over which the Council has no control. These costs are not chargeable to General Fund by statute and are managed through statutory reserves.

The tables below list significant variances against budget greater than £25k together with an explanation. “+” denotes favourable and “-“denotes adverse. Although there are a significant number of underspends some of these will be carried forward to next year.

Summary

	Budget £000	Actual £000	Variance £000
Finance	1,880,424	3,543,541	(1,663,117)
Transformation	4,036,718	3,374,343	662,375
Corporate	1,776,932	1,534,145	242,787
Business	704,786	1,210,706	(505,920)
Regulatory	2,326,709	1,201,123	1,125,586
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Property Management	(1,974,647)	(2,277,822)	303,175
Investment & Development	(611,201)	1,522,101	(2,133,302)
Community	4,495,988	3,629,016	866,972
	12,980,995	14,609,599	(1,028,604)

Finance

Budget £1,880,424

Actual £3,543,541

Function	Variance	Notes
Corporate Management	£1,235m*	Consultant and legal fees paid above budget, a number of year-end adjustments were carried for which resulted in increased accumulated absences provision and a credit note issued for a large debtor.
Council tax Cost of Collection	-£73k	Reduction in Legal fees collected, plus increased computer software and licence costs.
NNDR Cost of Collection	-£50k	Reduction in income plus increased computer software and licence costs.
Housing Benefits	-155k	Reduction in rent allowance payments offset in part by increased software costs.
Pension Compensation Payments	-£59k	Payments to compensate the pension fund for early leavers
Accountancy/Transactions	-£137k*	Agency Staff to cover vacant posts
Remaining	+£46k	

Transformation
Budget £ 4,036,718
Actual £ 3,374,343

Function	Variance	Notes
Community development	-£42k	Increased salary spend.
Economic development	+£65k*	Kevin Canlton fund underspend due to low take up of grants from the scheme.
Revenue Grants	+£80k	Excess of lottery income and a reduction in transport and supplies and services expenditure.
Corporate Training	+£42k	Lower training expenditure due to change in working arrangements within the organisation.
ICT	+£82k	Reduction in supplies and services expenditure
Recruitment	-£25k*	Increased expenditure, the majority of which was around the recruitment of the CEO.
Salaries	+£173k	Savings in various service areas by not recruiting to vacant posts.
Counter Fraud fund	+£260k*	This is the remainder of an anti-fraud grant and a supplementary estimate for Swift Lane.
Remaining	+ £27k	

Corporate

Budget £ 1,776,932

Actual £ 1,534,145

Function	Variance	Notes
Members	+£29k	Reduction in members allowances and supplies & services expenditure.
Electoral Registration	+£49k	Reduction in employee, printing expenses and some grant income not budgeted for.
Contact Centre	+£63k	Reduction in employee expenses due to vacant posts.
Remaining	+£101k	Savings in post room and postage costs £43k. Savings in public relations, consultation, Heath Scene and Web development etc.

Business

Budget £ 704,786

Actual £ 1,210,706

Function	Variance	Notes
Theatre	-£67k*	Although the level of subsidy remains below that in the identified in 2014 business plan. The net revenue from shows fell short of the budget set at the start of the year.
Theatre Catering	-£83k*	Large reduction in income due to the closure of the theatre for much of the year offset by a reduction in stock purchases.
Car Parks	-£411k*	Reduction in Income due to the pandemic offset by savings in salaries and supplies and services.
Parks and Open Spaces	+£78k	Reduction in premises and supplies and services expenditure plus an increase in fees and charges income.
Frimley Lodge Park	-£98k*	Reduction in fees and charges income.
Leisure Grants	+£25k	Reduction in grants paid.
Remaining	+£50k	

Regulatory

Budget £ 2,326,709

Actual £ 1,201,123

Function	Variance	Notes
Supporting People	+£79k	Reduced salary and transport related expenditure, plus increased grant expenditure received.
Land Charges	-£30k	Reduced income due to pandemic
Refugees Project	+£141k*	Reduced salary expenditure plus an increase in grant and other income received.
Surrey Heath Local Plan	+£92k	Grant Income and underspend on consultants. Local plan work now being done in 2021/22
DFG's	+67K	Grant income received that was not budgeted for and a reduction in supplies and services expenditure.
Homelessness	+£788k*	Grant received that was not budgeted for and carry forwards from 19/20 that were not spent during 20/21.
Remaining	-£12k	

Property Management

Budget £ - 1,974,647

Actual £ - 2,277,822

Function	Variance	Notes
Corporate Land Management	+£45k	Reduced premises and supplies and services expenditure offset by agency costs covering vacant posts.
St Georges Industrial estate	+£63k	Reduction in Supplies and Services expenditure along with an increase in rental income.
Trade City Industrial Estate	-£78k	Reduction in rental income received plus increased premises related expenditure.
Albany Park	+£200k	Increased Rental income and reduced supplies and services expenditure.
Theta Building	+£38k	Reduction in Supplies and Services expenditure and an insurance recharge.
Ashwood House	+£64k	Reduction in premises related and supplies and services expenditure offset by a reduction in rental income.
Remaining	-£29k	

Investment & Development

Budget £ (611,201)

Actual £ 1,522,101

Function	Variance	Notes
Regeneration	+£61k	Reduced spend on consultants
Strategic Property Development	+£506k*	Lower Salary costs, plus carry forwards from 2019/20 not used and reduced consultant spend.
Town Centre Investment	-£2.7m*	Our town centre revenues are under pressure due to the changing nature of retail and the effects of the pandemic and the lockdown. See paragraph 2.3 of covering report for details.

Legal

Budget £ 345,286

Actual £ 272,446

Function	Variance	Notes
Legal	+£72k	Reduced salaries due to vacant posts and restructure.

Community

Budget £ 4,495,988

Actual £ 3,629,016

Function	Variance	Notes
Meals at Home	+54k	Increased Income due to greater take up of the service during the pandemic.
Community Transport	+44k	Service was badly affected by the pandemic, but the government did partly compensate for loss of income. Vehicle expenditure was under budget due to the low use of the buses throughout the year.
Joint Waste Service:		
Core Waste Contract (Collection of refuse bins)	+£30k	Savings in main core contract costs due to lower contract inflation.
Variable Waste Contract	+258k	Increased Income due to higher tonnage figures plus contractor settlement.
Recycling	-61k	Increased Business rates and contractor costs.
Waste	+450k*	Increased income received including the contractor settlement.
Remaining Variances	+£92	

***Denotes 'one-off' non-recurring income or expenditure that has no impact on the 2021/22 budget agreed in February 2021.**

Annex B Investments at 31.03.2021

	£	£
Banks		
Nat West Central Account	426,755.00	
Nat West Reserve Account SIBA	<u>2,373,575.00</u>	
		2,800,330.00
Total Banks		
DMO investments		12,802,000.00
Money Market Funds Investments		
Aberdeen Investment Cash OEIC Fund	3,000,000.00	
CCLA Public Sector Deposit Fund - Share Class	700,000.00	
Federated Short-Term Sterling Prime Fund (class 3)	<u>1,000,000.00</u>	
		4,700,000.00
Longer term investments		
CCLA property fund	<u>2,091,447.00</u>	
Total Long term Investment		2,091,447.00
Total Investments		<u><u>22,393,777.00</u></u>

Annex C – 2020/21 Carry forward requests.

Service	Description	Amount	Comments
Corporate	Electoral Registration	£3,500	Prudent budgeting resulted in an underspend on the supplies and services budget to provide on legal advice around election issues that cannot be provided in house.
Corporate	Camberley Town Centre	£8,500	Savings from Camberley International festival that did not take place. The carry forward will support the Celebrate Camberley event and paid media coverage to promote the event.
Corporate	Franking Machine	£18,000	Underspend to be used as a capital contribution for the purchase of a new franking machine.
Legal	Legal	£51,000	The salary underspend to be carried forward to provide temporary recruitment of a property Solicitor.
Transformation	Kevin Cantlon Fund	£83,000	Low take up of the fund during the year.
Business	Museum	£,4000	To provide funding for the generational rocks project from various underspends.
Business	Leisure Facility Project	£,43,551	Professional fees for the new Leisure facility.
Regulatory	Chobham Flood Alleviation	£15,000	Unspent grant to be carried forward.
Planning	Planning Development	£91,000	Impact of Covid and staff redeployed, undertaking welfare calls and delay in budget approval impacted the timescale for progressing the local plan.
Planning	Planning Development	£28,346	Unspent grant income for the review, revision & publishing of the Brownfield land register.
Total		£345,897	