

## **BUDGET MONITORING REPORT - APRIL 2019 TO JUNE 2019 (Finance – Paul French)**

### **Synopsis of report:**

**To report the latest financial projections for the 2019/20 financial year for General Fund, Housing Revenue Account and Capital Programme.**

### **Recommendation(s):**

**For information**

## **1 Context of report**

- 1.1 The Medium Term Financial Strategy (MTFS), the Capital Programme and the detailed General Fund budgets for 2019/20 were approved by the Corporate Management Committee on 24 January 2019 and subsequently by Full Council on 10 February 2019.
- 1.2 The detailed HRA budget for 2019/20 was approved by the Housing Committee on 9 January 2019 and subsequently by Full Council in February 2019.
- 1.3 Starting in July, all budget managers are provided with a monthly budgetary control statement showing total budget, profiled budget and spend to date (including commitments). A full salary listing is also provided on an ad-hoc basis to chief officers. Budget managers are expected to work with the accountancy team to report any variations and projected spend to 31 March.
- 1.4 Budget managers should constantly monitor their budgets and are accountable for their budget and service performance. The projected outturns shown in this report are manager's best estimates as at 30 June 2019.

## **2 General Fund Revenue Budget**

- 2.1 The detailed General Fund budget for 2019/20 was approved in February 2019 along with the MTFS. Since then various changes have occurred and a summary of the current projected use of balances for the General Fund can be seen in table 1 below:

<b>Table 1 – Projected use of General Fund balances</b>			
	<b>Original Budget £'000</b>	<b>Forecast Outturn £'000</b>	
Net Expenditure/(income) on Services	(8,780)	(7,706)	Paragraph 2.3 below
Transfers and accounting adjustments	(3,244)	(3,244)	
Treasury and financing	17,445	14,580	Paragraph 2.9 below
Government grants	(1,145)	(1,145)	Paragraph 2.13 below
Business Rates and Council Tax collection	(5,316)	(5,316)	Paragraph 2.14 below
<b>Projected contribution to balances in 2019/20</b>	<b>1,040</b>	<b>2,831</b>	

An updated General Fund Summary (in the Budget Book format) setting out these changes is set out at Annex 1 and is explored in more detail in the following paragraphs.

- 2.2 Assuming the predictions for the forecast outturn shown in table 1 materialise at the year end, this will increase the General Fund working balance by £2.831m taking it from £3.878m at the start of the year to £6.709m at 31 March 2020. This is predominantly due to delays in the start of capital schemes funded by borrowing.

Net Expenditure on Services

- 2.3 The General Fund Summary set out in Annex 1 sets out the net expenditure for each service area against the forecast outturn as at 30 June 2019. The forecast outturn is made up of the original budget amended for any anticipated changes. A summary of the more significant changes (over £5,000) at the Net Expenditure on Services level is set out in Annex 2.
- 2.4 Annex 2 shows that net expenditure/(surplus) on services is forecast to be (£7,705m), an increase in net expenditure of £1.074m on the original budget as seen at Annex 1. This increase can be broken down as follows:

<b>Table 2 – Analysis of budget increases</b>	
	<b>£'000</b>
Increased Expenditure:	
- Planned underspends carried forward from 2018/19	553
- Approved supplementary estimates	299
- Other cost pressures	362
Reduced Expenditure	(172)
Increased Income	(275)
Reduced Income	307

- 2.5 The table set out below shows the performance of the Council's key income drivers (excluding property). Where these are anticipated to vary significantly from the budget, an estimate of the year end effect has been included in table 2 above accordingly.

<b>Table 3 – Performance of key income drivers</b>			
	<b>Original Budget £000</b>	<b>Profiled Budget £000</b>	<b>Actual to Date £000</b>
Halls income	138	44	39
Cemetery income	231	41	59
Community meals (Day Centre)	157	36	34
Community meals (Meals at Home)	172	45	39
Green Waste income	438	407	322
Trade waste income	545	315	287
Off street parking P&D income	677	149	163
Yellow bus service income	408	193	32
Planning fees	840	210	146
Local land charge search fees	235	59	69
<b>TOTALS</b>	<b>3,841</b>	<b>1,499</b>	<b>1,190</b>

- 2.6 Income from Green Waste is a little behind profile for the first quarter. Payment reminders were sent out to customers in early July which saw the income take an upward turn during the July reporting period.
- 2.7 The yellow bus service income includes Sponsorship of £12,500 and Section106 planning development contributions of £199,000. As at the end of June no Section106 money was available and no sponsorship income had been received. Section106 money is heavily reliant on the activation of triggers in planning development agreements (e.g. completion of a scheme) and the receipt of it cannot be relied on with any certainty. At this point in the year it is assumed that this income will be forthcoming.
- 2.8 One of the biggest areas of the Council's income and expenditure relates to investments in property and regeneration schemes. The following table sets out the original property related budgets, offset by the financing costs, against the revised figures estimated at 30 June.

<b>Table 4 – Property investment</b>		
	<b>Original</b>	<b>Forecast</b>

	<b>Budget £000</b>	<b>Outturn £000</b>
Rental income from all commercial property	(24,866)	(24,679)
Expenditure incurred in managing portfolio	2,829	3,172
Borrowing costs (Interest)	14,200	11,974
Minimum Revenue Provision (MRP)	4,460	3,868
<b>Net income</b>	<b>(3,377)</b>	<b>(5,665)</b>

- 2.9 It is assumed in the above figures that the full capital allocation for the purchase of property held within the capital programme is spent on 1 October 2019. It should also be noted that these figures include the loss of income from properties in the Egham Gateway development area.

#### Treasury and Financing

- 2.10 The 2019/20 Treasury Management Strategy report was presented to this committee in January 2019.
- 2.11 One major factor affecting the treasury operations and budgets of the Council is the timing of borrowings required to fund capital schemes. Borrowing is usually undertaken at the most opportune time where it can be planned in advance, however this is not always possible (e.g. when a property required for a future development scheme comes to the market, money is often required at short notice to fund the purchase).
- 2.12 The 2019/20 treasury and financing budget was based on the Council having borrowed an additional £60m at the end of 2018/19 to fund some more property purchases however this scheme was put on hold. The Capital Programme for 2019/20 contains that unspent £60m. It also assumed that the Egham Gateway and Ashdene developments would have been started in the first quarter of the year. For this reason the Council has borrowed far less at the current time than it had anticipated and the figures in Table 1 above have been amended to reflect this.
- 2.13 A full report on all treasury activity during the first six months of the year will be reported to this Committee in October.

#### Government Grants

- 2.14 Government Grants encompass the New Homes Bonus Grant and any other non-service specific grants that the government release during the year. At the current time there is no change to the original estimate for these grants.

#### Business Rates and Council Tax Collection

- 2.15 A significant income stream for the Council is the income from taxation. Collection rates for both business rates and council tax are monitored on a monthly basis. Collection rates for the period (as at 30 June) were as follows:

	<b>Council Tax £'000</b>	<b>Business Rates £'000</b>
Collectable debit for the year*	65,544	59,309
Cash received for period	19,951	18,159
% of cash received for the year – Target	98.60%	98.80%
% of cash received for the period – Target	31.00%	29.00%
% of cash received to date – Actual	30.44%	30.62%

% of collectable debit written off	0.00%	0.00%
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\* The collectable debit for the year will vary throughout the year as houses/businesses are added or removed from the list and revaluation appeals are settled.

### 3 **Housing Revenue Account (HRA)**

- 3.1 The detailed HRA budget for 2019/20 was approved in February 2019. Since then various changes have occurred and a summary of the current projected use of balances for the HRA can be seen in table 6 below:

<b>Table 6 – Projected use of HRA balances</b>			
	<b>Original Budget £'000</b>	<b>Forecast Outturn £'000</b>	
HRA Working Balance (as per the budget book)	(21,472)	-	
Actual HRA Working Balance @ 1 April 2019	-	(22,645)	
Surplus in year	(4,532)	(4,054)	Paragraph 3.2 below
Capital expenditure - new purchases	910	910	Paragraph 3.3 below
Capital expenditure - new build programme	1,522	1,522	Paragraph 3.3 below
Capital expenditure - further potential	2,555	2,555	Paragraph 3.3 below
<b>Projected HRA balance at 31 March</b>	<b>(21,017)</b>	<b>(21,712)</b>	

- 3.2 An updated HRA summary (in the Budget Book format) setting out these changes is set out at Annex 3. This summary sets out the net expenditure for each service area against the forecast outturn as at 30 June 2019. The forecast outturn is made up of the original budget amended for any anticipated changes. A summary of the more significant changes (over £5,000) at the Surplus in year level is set out in Annex 4.
- 3.3 The Housing Revenue Account usually funds (70%) of the costs of new housing property acquisitions, and new build costs and these are funded from the HRA working balances. At the current time it is assumed that all schemes are on budget.
- 3.4 In addition to the HRA working balances (shown above) it is currently estimated that there will be around £1.381m of balances in the Housing Major Repairs Reserve at 31 March 2020.

### 4 **Capital Expenditure and Receipts**

#### Capital expenditure

- 4.1 The detailed Capital budget for 2019/20 was approved in February 2019. It is important to remember that the timing of capital expenditure can sometimes be difficult to predict and can be spread over several financial years.
- 4.2 (Confidential) Annex 5 summarises the current capital programme to the end of June 2019 updated for predicted movements in payment profiles and forecast under/overspends on the schemes as a whole. Included in the 2019/20 figures are £82.7m of budgets that have been carried forward from 2018/19 where schemes and or payments were delayed.

#### Capital receipts

- 4.3 The Council started the year with £5.151m in available capital receipts which can be used to fund future acquisition of assets. However, £4.581m of these receipts have been generated from the sale of dwellings under right-to-buy legislation or sales of land and legislation requires this is set aside for specific purposes. In Runnymede's case this is principally:

- Future funding of new affordable housing
- Repayment of housing debt over the next 30 years

4.4 Table 7 sets out the anticipated capital receipts position as at the 31 March 2019 based on the current forecast outturn in capital spend and receipts as set out in Annex 5:

<b>Table 7 – Capital receipts</b>				
	<b>Debt Repayment £'000</b>	<b>Housing replacement £'000</b>	<b>General use £'000</b>	<b>Total Receipts £'000</b>
<b>Total Capital Receipts at 1 April 2019</b>	<b>2,655</b>	<b>1,926</b>	<b>570</b>	<b>5,151</b>
Capital Receipts generated in the Year	32	0	733	765
Use of Receipts in year	(26)	(79)	(217)	(322)
<b>Projected Receipts at 31 March 2020</b>	<b>2,661</b>	<b>1,847</b>	<b>1,086</b>	<b>5,594</b>

4.5 The original estimate for the generation of Capital Receipts in the year included income from both the sale of properties in the Addlestone One and Edwards Close (Marshall Place) developments and from the sale of properties/land in Englefield Green (Ashdene House). As at 30 June progress has been as follows:

<b>Table 8 – Progress on Sales</b>			
	<b>Original Estimate £'000</b>	<b>Receipts Generated £'000</b>	<b>Sales under negotiation £'000</b>
<b>Addlestone One</b>	<b>6,000</b>	<b>732</b>	<b>1,653</b>
Ashdene House	6,000	0	0
Edwards Close	3,000	0	2,675

## **5 Legal Implications**

5.1 Section 28 of the Local Government Act 2003 requires authorities to monitor their income and expenditure against their budget, and be ready to take action if overspends or shortfalls in income emerge. If monitoring establishes that the budgetary situation has deteriorated, authorities are required to take such action as they consider necessary. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or the authority might decide to take no action but to finance the shortfall from reserves.

## **6 Conclusion**

6.1 The projected contribution to General Fund balances shown in Table 1 of the report shows an increase from £1.040m to £2,831m based on information at 30 June 2019. The HRA surplus for the year shown in Table 6 of the report is expected to drop by £478,000 from £4.532m to £4.054m.

6.2 The financing of the Capital Programme remains heavily reliant on income from the sale of development properties. Should sales activity not be forthcoming over the next few months, it may be necessary to delay some capital schemes and/or temporarily borrow money to fund the developments.

## General Fund Financial Monitoring Statement

### April 2018 to June 2019

Service Area	Original Budget	Forecast Outturn	Variance
	£000	£000	£000
Housing Committee	2,299	2,350	51
Community Services Committee	4,966	5,117	151
Environment & Sustainability Committee	3,728	3,674	(55)
Licensing Committee	26	26	0
Regulatory Committee	49	49	0
Planning Committee	1,238	1,449	211
Corporate and Business Services	(21,663)	(20,948)	715
Estimates in the MTFS yet to be agreed	577	577	0
<b>Net expenditure/(surplus) on services</b>	<b>(8,780)</b>	<b>(7,706)</b>	<b>1,074</b>
Accounting and other adjustments:			
Reversal of depreciation charges	(2,640)	(2,640)	0
Cost of capital charge to HRA	(43)	(43)	0
Revenue contributions to capital expenditure	235	235	0
Transfer to/(from) reserves:			
Business Rates Equalisation Reserve	(2,296)	(2,296)	0
Equipment Repairs and renewals reserve	1,000	1,000	0
Property repairs and renewals reserve	500	500	0
Financing and investment income			
Investment income - General	(252)	(352)	(100)
Dividends and Loan interest	(1,414)	(1,360)	54
Capital financing costs	14,535	12,309	(2,226)
Minimum Revenue Provision	4,576	3,983	(593)
Taxation and Non-specific grant income:			
Council Tax	(5,499)	(5,499)	0
Business rates retention	183	183	0
New Homes Bonus	(1,145)	(1,145)	0
Other Grants	0	0	0
<b>(Contribution to) / Use of Working Balance</b>	<b>(1,040)</b>	<b>(2,831)</b>	<b>(1,791)</b>

## Key:

Original Budget - Approved at Full Council on 12 February 2019

Forecast Outturn - Officer prediction of the year end position based on activity in the year to date

## GENERAL FUND - Changes in Net Expenditure on Services as at 30 June 2019

Annex 2

( ) = reduced expend or increased income

P/U = Planned Underspend (budget carried over from previous year)

	Increased Expenditure			Reduced Expend £'000	Increased Income £'000	Reduced Income £'000	Total £'000
	P/U C/fwd £'000	Supp Est £'000	Virement £'000				
<b>Housing Committee</b>							0
							0
Benefits reorganisation - termination costs - Committee report awaited				51			51
							0
<b>Community Services Committee</b>							0
Day centres - Woodham – P/U – strategic maintenance	16						16
Community services admin - P/U - short courses	3						3
Community services specials - P/U - F&E equipment	6						6
Community services - To increase hours within the social prescribing service	9						9
Halls – Thorpe Village - P/U – strategic maintenance	32						32
Halls – Chertsey - P/U – strategic maintenance	40						40
Halls - Amendments to pricing structure (CS Cttee - 14/3/19)			6		19		25
Sports Development – P/U – SSYC training and contribution to sportability festival	2						2
Museum – P/U – in house exhibitions -Chertsey Abbey	1						1
Allotments – P/U – Grounds maintenance	7						7
Parks - General – P/U – maintenace of sports equipment	15						15
Parks - Chertsey – P/U – strategic maintenance	15						15
Parks - General – P/U – Major tree works	5						5
Parks - Wages covered by SANGS funding					(12)		(12)
Parks - Increased staffing (CMC - July 2018)				28			28
Cemeteries - Savings from outsourcing (CMC - July 2018)				(28)	(12)		(40)
							0
<b>Environment and Sustainability Committee</b>							0
Contaminated land - increased provision (E&S 21 March 2019)			10				10
Pollution - P/U - General - Technical Equipment	1						1
Recycling Initiatives - P/U	4						4
Trade Waste - income - reduced customer numbers						10	10
Energy Management - P/U - Advertising - Public	1						1
Energy Management - P/U - Advertising - Promotion	1						1
Markets - P/U - provision for Englefield Green market	2						2
A320 Study - Contributions expected covering 2018/19 and 2019/20 expenditure				117	(200)		(83)
							0
							0
<b>Planning Services</b>							0
Planning Policy - Staffing - S042 June 2019			68				68
Planning Policy - Counsel - Local Plan	1						1
Planning Policy - Conservation Advice	22						22
Planning Policy - Planning Advice	4						4
Development Management - CIL staffing and income not before April 2020					(104)	70	(34)

## GENERAL FUND - Changes in Net Expenditure on Services as at 30 June 2019

Annex 2

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P/U = Planned Underspend (budget carried over from previous year)

	Increased Expenditure				Reduced Expend £'000	Increased Income £'000	Reduced Income £'000	Total £'000
	P/U C/fwd £'000	Supp Est £'000	Virement £'000	Other £'000				
Development Management - Padd Farm - Court Costs - Enforcement	49							49
Development Management - Padd Farm - Task Force costs (SO42 - 20 June 2019)		20						20
Development Management - Design Quality - Conservation Advice	81							81
								0
								0
<b>Corporate Management Committee - Corporate Management</b>								0
Economic Dev Strategy - P/U - Other Professional	29							29
Economic Dev Strategy - P/U - Promotional costs	10							10
Economic Dev Strategy - Provision deferred					(6)			(6)
Enterprise Zone - P/U - Marketing	11							11
Elections - extension of temporary staffing to 31 Dec 2019 - financed from Reorganisation funds			15					15
Public relations - additional staffing - (CMC May 2019) - financed from Reorganisation funds			4					4
Council tax - staffing changes - financed from Reorganisation funds			3					3
Council tax increase in costs recovered offset by Business rates reduced collection allowance						(14)	14	0
								0
								0
<b>Corporate Management Committee - Other</b>								0
Civic Centre – P/U – strategic maintenance	17							17
Salaries - Provision used/vired to other services			(98)					(98)
Financial services Accountancy - P/U - Computer maintenance & Development	4							4
Financial services Income - P/U - Computer development	6							6
Financial services Income - Income management System running costs - CMC March 2019		11						11
Computer services - P/U - Project training	3							3
Computer services - P/U - Computer development	5							5
Computer services - Windows licences - Committee report awaited				44				44
Law & governance - Temporary staffing (maternity) cover (SO42) - CMC March 2019		12						12
Runnymede web - P/U - Promotions	5							5
Customer services - P/U - Computer development	3							3
Customer services - P/U - Search fees	3							3
Projects & procurement - P/U - Temporary staffing costs rechargeable to HRA	15					(19)		(4)
Human resources - P/U - Other professional fees	6							6
Human resources - Fees - financed from reorganisation funds			12					12
Legal Services staffing - financed from Reorganisation funds - Committee report awaited			64					64
								0
								0
								0
<b>Sub Total – General Fund net growth (Excluding Commercial Property)</b>	<b>433</b>	<b>127</b>	<b>0</b>	<b>212</b>	<b>(134)</b>	<b>(214)</b>	<b>94</b>	<b>518</b>
								0
<b>Corporate Management Committee – Commercial Property related</b>								0

## GENERAL FUND - Changes in Net Expenditure on Services as at 30 June 2019

Annex 2

( ) = reduced expend or increased income

P/U = Planned Underspend (budget carried over from previous year)

	Increased Expenditure				Reduced Expend £'000	Increased Income £'000	Reduced Income £'000	Total £'000
	P/U C/fwd £'000	Supp Est £'000	Virement £'000	Other £'000				
Staffing costs in excess of established budget - Committee report awaited				150				150
Addlestone One - Compensation for lease termination						(61)		(61)
Egham Car Park compensation part agreed					(38)			(38)
Laser House - P/U - Surveyors fees	15							15
Laser House - refurbishment - S/E (CMC May 2019)		172						172
Pine Trees - P/U - Surveyors fees	105							105
Rental income - Chertsey Metrode - delayed purchase - no income to be received this year							153	153
Rental income - Other income variations							60	60
<b>Sub Total – Commercial Property</b>	<b>120</b>	<b>172</b>	<b>0</b>	<b>150</b>	<b>(38)</b>	<b>(61)</b>	<b>213</b>	<b>556</b>
<b>Total changes in net expenditure</b>	<b>553</b>	<b>299</b>	<b>0</b>	<b>362</b>	<b>(172)</b>	<b>(275)</b>	<b>307</b>	<b>1,074</b>

Original Net Expenditure on Services (as per the 2019/20 Budget Book)	£'000
Total changes in net expenditure	(8,779)
Forecast Net Expenditure on Services	1,074
	(7,705)

## HRA Financial Monitoring Statement April 2019 to June 2019

Service Area	Original Budget	Forecast Outturn	Variance
	£000	£000	£000
<b>Expenditure</b>			
General management	1,737	2,187	(450)
Special services management	753	781	(28)
Supporting people for Council tenants	132	132	0
Mobile home site (Net)	(66)	(66)	0
Housing repairs	8,233	8,233	0
Less funded from major repairs reserve	(4,915)	(4,915)	0
Other HRA Expenditure	482	482	0
Debt charges	3,426	3,426	0
Depreciation charges	2,055	2,055	0
	<b>11,837</b>	<b>12,315</b>	<b>(478)</b>
<b>Income</b>			
Rent from dwellings	15,949	15,949	0
Non-dwelling rents and income	187	187	0
Interest on balances	233	233	0
	16,369	16,369	0
<b>Revenue Surplus / (deficit) in the year</b>	<b>4,532</b>	<b>4,054</b>	<b>478</b>
<b>Less Capital Contributions</b>			
Strategic purchases	(910)	(910)	0
New Build programme	(1,522)	(1,522)	0
Further potential schemes (not yet approved)	(2,555)	(2,555)	0
<b>Overall Surplus / (deficit) in year</b>	<b>(455)</b>	<b>(933)</b>	<b>478</b>
<b>Major Repairs Reserve</b>			
Opening balance 1 April 2019	4,714	4,714	0
Annual contribution	2,055	2,055	0
Expenditure funded from Reserve	(5,388)	(5,388)	0
<b>Closing balance 31 March 2020</b>	<b>1,381</b>	<b>1,381</b>	<b>0</b>

**Key:**

Original Budget - Approved at Full Council on 12 February 2019

Forecast Outturn - Officer prediction of the year end position based on activity in the year to date

## HRA - Changes in Revenue Account Working Balance as at 30 June 2019

Annex 2

( ) = reduced expend or increased income

	Increased Expenditure				Reduced Expend £'000	Increased Income £'000	Reduced Income £'000	Total £'000
	P/U C/fwd £'000	Supp Est £'000	Virement £'000	Other £'000				
<b>Revenue Expenditure &amp; Income</b>								
General Management - Planned Underspend for costs (IT & Consultancy) deferred from 2018/19	55							55
General Management - Tenancy Management restructuring report (Hsg Ctee - March 2019)		125						125
General Management - New development consultancy / Feasibility study (Hsg Ctee - March 2019)		270						270
Special Services Management - Planned Underspend for Housing estates works deferred from 2018/19	28							28
								0
<b>Total changes in net expenditure</b>	<b>83</b>	<b>395</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>478</b>

	£'000
Original surplus in year (as per the 2019/20 Budget Book)	(455)
Total changes in net expenditure	(478)
Forecast Net Expenditure on Services	(933)