

7. **Budget Monitoring Report – April 2021 To September 2021 (Finance – Paul French)**

Synopsis of report:

To report the latest financial projections for the 2021/22 financial year for the General Fund, Housing Revenue Account and Capital Programme as at 30 September.

Recommendation:

For information.

1 Context and background of report

- 1.1 The Medium-Term Financial Strategy (MTFS), the Capital Programme and the detailed General Fund budgets for 2021/22 were approved by the Corporate Management Committee on 21 January 2021 and subsequently by Full Council on 9 February 2021.
- 1.2 The detailed HRA budget for 2021/22 was approved by the Housing Committee on 6 January 2021 and subsequently by Full Council in February 2021.

- 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. Due to the effects of the coronavirus pandemic and the need to report regularly to central Government on predicted income losses, the budget management regime was started earlier than usual.
- 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 managers' best estimates as at 30 September 2021.

2 General Fund Revenue Budget

2.1 The Council began the year with General Fund working balance of £15m. This was an increase of £7m over that predicted during the peak of the Covid19 emergency due to increased Government grants, better than predicted commercial income and the measures implemented following the Extraordinary Council meeting held on 28 September 2020 including:

- A continued recruitment freeze
- A freeze on non-essential expenditure
- Removal of uncommitted growth from the existing budget
- Producing plans to reduce the base budget by £2 million

2.2 The detailed General Fund budget for 2021/22 was approved in February 2021 along with the MTFS. Since then various changes have occurred and a summary of the current projected use of balances for the General Fund (in the Budget Book format) setting out these changes is set out at Appendix 'C' and is explored in more detail in the following paragraphs.

2.3 The original MTFS set a £2m savings target over two years with £0.5m included as a target for 2021/22. Due to the increased working balance at the start of the year, the achievement of these savings can now be programmed in over a longer period – although they still need to be made to balance future budgets.

2.4 The General Fund Summary set out in Appendix 'C' sets out the net expenditure for each service area against the forecast outturn as at 30 September 2021. 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 Appendix 'D'.

2.5 Assuming the predictions for the forecast outturn shown in Appendix 'C' materialise at the year end, this will reduce the General Fund working balance by £2.164m taking it from £15.188m at the start of the year to £11.522m at 31 March 2022. Whilst this is a betterment of £0.909m over the figures predicted at the start of the year, this has been mainly achieved through prudent treasury management actions (see report set out elsewhere on this agenda) which are masking an increase in expenditure on services in the current year of £1.257m.

Income from Fees and Charges

2.6 For some services the post-Covid recovery in income has not been as quick as hoped. The table set out below shows the performance of the Council's key income drivers (excluding property) comparing the pre-Covid figures of 2018-19 with the original and actuals for the current year. Where these are anticipated to vary significantly from the budget, an estimate of the year end effect has been included in Appendix 'D'.

Table 1 – Performance of key income drivers				
	2018-19 Actual £000	Original Budget £000	Profiled Budget £000	Actual to Date £000
Halls income	168	23	2	2
Cemetery income	213	235	113	118
Community meals (Day Centre)	229	244	32	21
Community meals (Meals at Home)	166	215	103	94
Green Waste income	450	505	480	497
Trade waste income	520	473	330	347
Off street parking P&D income	960	636	299	145
Planning fees	666	600	300	520
Local land charge search fees	228	235	120	125
TOTALS	3,600	3,367	1,927	1,897

2.7 Whilst some services like Cemetery income and Green Waste income have thrived during the last 18 months, and planning income seems to be catching up for lost time, most concerning is the severe drop in income for car parking. With more people working from home and with some businesses struggling or having closed, parking income is anticipated to be £300k lower than the reduced forecast at the start of the year (excluding lost income from the parking suspensions at test/vaccine centres).

2.8 In 2020/21 the Government gave a grant to Councils to offset a proportion of lost fees and charges resulting from the pandemic. Runnymede was able to claim back £875,000 through this mechanism. This scheme was extended to include the first 3 months of the current financial year and officers have put in a claim for £153,000.

Commercial Income

2.9 By far the biggest income generator for the Council is our rental income from commercial property. In the 2020/21 financial year the Council invoiced £29.1m in rent to various businesses ending the year with arrears of only £1.3m (having previously written off £0.7m during the year). This fell far short of the £4m provision for bad debts predicted at the start of 2021 as businesses struggled with the third national lockdown.

2.10 Despite this achievement, there is still a need to be wary in regard to the long-term ramifications of Covid on the business sector. The effect on businesses as the furlough scheme ends, the future demand for office space and the ability to relet properties at current rental levels are all currently unknown. For this reason, the budget assumes a 5% bad debt provision in the current year (£2.7m) and a 3.5% provision for lower rent levels/delays to reletting vacant properties (£1.0m).

2.11 Commercial debt outstanding as at 30 September stood at £2.8m which is in line with the assumptions made in the budget. It is too soon to see whether the bad debt provision is sufficient as the unknown effects of the recent ending of the furlough scheme, increased inflation and energy costs and the ending of the moratorium on chasing outstanding debts have not yet filtered through.

Savings Progress

2.12 At the start of the year the Council had a £2m underlying deficit on the General Fund. Progress towards making this target has been slow and additional new cost pressures (energy inflation, National Insurance increases etc) only add to the target. Whilst there are several plans to make savings, some of these will take time to

deliver (e.g. winning new CCTV contracts). Progress towards the savings to end of September was as follows:

Table 3 – Anticipated General Fund Savings				
	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000
Achieved				
Voluntary Redundancy Programme (Net)	165	380	380	380
Surrey wide Travellers Site contribution	75	45	45	45
Deferment of School Bus Service	200	-	-	-
Potential				
Additional income from Egham Orbit	-	200	200	200
Anticipated new CCTV Contracts		150	150	150
Property partnership deal with NHS (Net)		125	125	125
Rental of additional Civic Centre space		100	100	100
Shared services income & efficiencies		100	100	100
New Careline & Out of Hours contracts		24	24	24
TOTALS	440	1,124	1,124	1,124

3 Housing Revenue Account (HRA)

- 3.1 The detailed HRA budget for 2021/22 was approved in February 2021. Since then, various changes have occurred and an updated HRA summary (in the Budget Book format) setting out these changes is set out at Appendix 'E'. This summary sets out the net expenditure for each service area against the forecast outturn as at 30 September 2021. 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 Appendix 'F'.
- 3.2 The HRA 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.
- 3.3 The HRA surplus for the year shown in Appendix 'E' is expected to drop by £169,000 from £4.320m to £4.151m. In addition to this it is currently estimated that there will be around £4.423m of balances in the Housing Major Repairs Reserve on 31 March 2022.

4 Capital Expenditure and Receipts

Capital expenditure

- 4.1 The Capital Strategy and detailed Capital budget for 2020/21 was approved in February 2021. 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. Exempt Appendix '7' at page 142 of the Part II agenda for this meeting (information exempt under paragraph 3 of Schedule 12A to Part 1 of the Local Government Act 1972) summarises the latest capital programme spend to the end of September 2021.

Capital receipts

4.2 The Council started the year with £6.8m in available capital receipts which can be used to fund future acquisition of assets. However, £4.0m 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

4.3 The table below sets out the anticipated usable (non set-aside) capital receipts position as at the 31 March 2021 based on the current forecast outturn in capital spend and receipts:

	Original Estimate £'000	Latest Prediction £'000	
Usable receipts in hand	7,773	3,579	
New Receipts:			
DIYSO Sales	300	349	
Addlestone One	3,065	256	
Loan Repayments	23	13	
Barbara Clark House	1,000	1,825	
Egham Gateway – Sale to RBCI	14,431	12,645	Revised figures
Egham Gateway – Sale to Hsg Assoc	5,300	5,300	
Less used to Finance Capital Expenditure	(18,406)	(22,867)	
Usable receipts at year end	13,486	1,100	

4.4 The above table shows that the Council is uncomfortably close to not having enough usable receipts in hand to be able to fund its capital spend in the current year. Natural slippage in this year's Capital Programme at the year-end should alleviate this problem. However, the ongoing issues will prevail unless property sales in the Addlestone and Egham regeneration schemes do not materialise in early 2022/23. Officers are monitoring this situation closely.

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 Assuming the predictions for the forecast outturn shown in Appendix 'C' materialise at the year end, this will reduce the General Fund working balance by £2.164m taking it from £15.188m at the start of the year to £11.522m at 31 March 2021. The HRA surplus for the year shown in Appendix 'E' is expected to drop by £169,000 from £4.320m to £4.151m.

6.2 The budget for this year assumed reductions in income with a slow build up back to normal levels during the year. However, in December 2020 to February 2021 when the budget was set, it was generally assumed the lockdowns would end Spring 2021 and the economy would recover. That now appears to be too optimistic. Appendix 'D' shows a further fall of £893,000 over and above the planned income reductions.

- 6.3 As well as lost /declining income, future inflation pressures are also a worry. With many Council contracts linked to CPI currently running at 2.5% (August 2021) and expected to rise as inflated energy prices feed into the system, and with wage inflation and additional National Insurance costs to contend with, additional cost pressures are placing an increasing strain on the Council's budgets – General Fund and HRA alike.
- 6.4 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 year, it may be necessary to further delay some capital schemes.

(For information)

Background papers

None stated

General Fund Financial Monitoring Statement

30 September 2021

Service Area	Original Budget £000	Forecast Outturn £000	Variance £000
Housing Committee	2,050	2,058	8
Community Services Committee	5,507	5,413	(94)
Environment & Sustainability Committee	4,067	4,512	445
Licensing Committee	31	31	0
Regulatory Committee	98	108	10
Planning Committee	1,645	1,840	195
Corporate and Business Services	(15,712)	(15,518)	194
Efficiencies & Revenue Reductions	(500)	0	500
Net expenditure/(surplus) on services	(2,814)	(1,557)	1,257
Accounting and other adjustments:			
Reversal of depreciation charges	(2,737)	(2,737)	0
Cost of capital charge to HRA	(43)	(43)	0
Transfer to/(from) reserves:			
Business Rates Equalisation Reserve	(3,880)	0	3,880
Equipment Repairs and renewals reserve	750	750	0
Property repairs and renewals reserve	500	500	0
Investment property income equalisation reserve	0	0	0
Financing and investment income			
Investment income - General	(209)	(260)	(51)
Dividends and Loan interest	(1,477)	(1,484)	(7)
Capital financing costs	15,097	12,916	(2,181)
Minimum Revenue Provision	3,973	4,275	302
Taxation and Non-specific grant income:			
Council Tax	(5,832)	(5,832)	0
Business rates retention	1,144	(2,549)	(3,693)
New Homes Bonus	(599)	(599)	0
Lower Teir Services Grant	(800)	(800)	0
Other Grants - COVID-19: emergency funding	0	(416)	(416)
(Contribution to) / Use of Working Balance	3,073	2,164	(909)

General Fund Working Balance:		
Assumed GF Working Balance at 1 April	5,489	13,686
2020/21 in year movement (from above)	(3,073)	(2,164)
Assumed GF Working Balance at 31 March	2,416	11,522
Note: Minimum Working Balance £3m		

Key:

Original Budget - Approved at Full Council on 11 February 2020

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 September 2021

() = reduced expend or increased income

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

APPENDIX 'D'

	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				
Housing Committee								0
Reallocation of Housing IT system costs between GF & HRA				8				8
								0
Community Services Committee								0
<u>Community Services</u>								0
Community Services - Admin - Fees	9							9
Parks General - Casuals	20							20
Parks General - Grounds Specials	15							15
Parks - consultancy costs for Grounds maintenance review				35				35
Parks General - wages					(35)			(35)
Parks - Fees and Charges - Camping at Barrsbrook farm							8	8
Parks Chertsey Meads income - ESSO Pipeline						(13)		(13)
Parks - Contribution to Surrey Traveller site delayed until 22/23					(75)			(75)
Cemeteries - reduction in income from fees and charges							36	36
Leisure development - legal Advice re Achieve Lifestyle				2				2
Leisure development - Independent financial review Achieve Lifestyle				10				10
Family support program 21/22 - missed during budget setting process				89				89
Museum - reduced fees and charges as activities not started until Sept							5	5
Travel initiative - delay in start of school bus service					(200)			(200)
								0
Environment and Sustainability Committee								0
<u>Environmental and Regulatory Services</u>								0
Air Quality - Budget provision - deferred to 22/23	3				(3)			0
Refuse and recycling - sale of bins						(10)		(10)
Refuse - bulky waste project on hold plus one off collection income lower than estimated							7	7
Trade Waste Collection - disposal costs, price per tonne lower than estimated					(17)			(17)
Trade Waste Collection - increased income						(24)		(24)
Surrey Environmental Partnership financial mechanism - fixed payment (net)						(5)		(5)
Street Cleansing - litter and dog fouling fines - contractor not replaced in 2021/22					(40)		60	20
								0
<u>Highways and Transport Services</u>								0
Flood Mitigation - Civil Engineering	8							8
Flood Mitigation - Ground Maintenance	1							1
Car Parks - Chertsey Library, charging suspended until March whilst vaccination centre open							70	70
Car Parks - Woodlands, NHS testing in car park reduced income							100	100
Car Parks - Pay & Display income at other sites lower							215	215
Car Parks - Reduction in non residents permits and season tickets							50	50

GENERAL FUND - Changes in Net Expenditure on Services as at 30 September 2021

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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				
Parking - PCNs - CMC June 2021 - suggested £100k pa increased income, plus additional management costs				3		(50)		(47)
Car Parks - PCN income lower than estimated							60	60
On Street Parking- PCN income lower than estimated							25	25
Environmental Maintenance - RBC - hanging baskets and troughs cancelled for 21/22					(8)			(8)
								0
Regulatory Committee								0
Taxi Licensing - Income Loss							10	10
								0
Planning Services								0
Local Plan- Planning & Development Advice					(25)			(25)
Neighbourhood Forum - Grant from RBC to Egham Hythe					(4)			(4)
Planning Policy - Government Grants							15	15
Planning Policy - Conservation Area Works					(2)			(2)
Padd Farm - Court costs - Enforcement	44							44
Local Plan - Other Professional	2							2
Neighbourhood Planning	21							21
Policy Implementation - Councils Local Plan	25							25
Policy Implementation - Conservation Advice	20							20
Policy Implementation - Neighbourhood Planning	8							8
Policy Implementation - Other Professional	10							10
Building Control - Anticipated reduction in income							60	60
Longcross Garden Village - £130k Grant received in 2020/21 with expenditure in 2021/22				130		(30)		100
Padd Farm - Court costs - Enforcement costs and costs recovered				70		(149)		(79)
								0
Corporate Management Committee								0
Corporate, Democratic and Central Services								0
Corporate Management - After Covid celebration - CMC 23 Sept 2021		15						15
Corporate Management - Fraud - increased recharges to HRA						(30)		(30)
Corporate Management - Fraud - additional costs of R&B, offset by salary savings				25				25
Corporate Management - External audit - increased charges				30		(7)		23
Corporate Management - External audit - contribution frm PSAA						(7)		(7)
Democratic Representation - Independent remuneration panel - every three years				3				3
Council tax - increased use of Hybrid mail				20				20
Council tax - reduced costs recovered							30	30
Business rates - Business support administration grant						(167)		(167)
Register of electors - IER grant used to finance temp staffing				6		(6)		0
								0
Commercial Property & Business Services								0
Pine Trees Viability - Surveyors Fees	45							45

GENERAL FUND - Changes in Net Expenditure on Services as at 30 September 2021

() = 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				
Land & Prop Portfolio - Surveyors Fees	125							125
Magna Sq Landlord costs - Marketing	18							18
Addlestone One - S&W cat ladder installment				6				6
Professional advice				10				10
St Judes - remedial works & compensation for loss of income				28				28
Pine Trees - fit out contribution				37				37
Property Development - Ashdene - abortive costs				282				282
Corporate property income/rents (predominantly Egham Gateway delays)							142	142
								0
Control & Establishment								0
Staffing - Net Voluntary Redundancy savings in current year					(165)			(165)
Staffing - Current variance over vacancy provision					(200)			(200)
Civic Centre - additional covid cleaning (financed by Grant on GF Summary page)				20				20
Civic Centre - Communications development - Telephone system				9				9
Civic Centre - rent increase						(21)		(21)
Chertsey Depot - Reorganisation professional fees	23							23
Training - Management development	13				(13)			0
Financial services - Accountancy ACE recruitment costs				20				20
Financial services - Accountancy computer developments	2							2
Financial services - Income computer developments	6							6
Financial services - Increase in Internal Audit contract fees				4				4
Digital services - additional IT training costs				12				12
Digital services - Modern.Gov CMC May 2021				11				11
Digital services - Transformation Programme - Increased computer maintenance costs				21				21
								0
Efficiencies & Revenue Reductions								0
Variations in Strategic Maintenance Plan as agreed at CMC February 2021					(32)			(32)
Variations in Strategic Maintenance Plan additional savings identified Sept 2021					(51)			(51)
Variations in Transport costs - due to reduced usage identified Sept 2021					(70)			(70)
Removal of Savings target with savings included elsewhere above				500				500
								0
Total changes in net expenditure	418	15	0	1,391	(940)	(519)	893	1,257

	£'000
Original Net Expenditure on Services (as per the 2021/22 Budget Book)	(2,814)
Total changes in net expenditure	1,257
Forecast Net Expenditure on Services	(1,557)

HRA Financial Monitoring Statement

30 September 2021

Service Area	Original Budget	Forecast Outturn	Variance
	£000	£000	£000
Expenditure			
General management	2,016	2,138	(122)
Special services management	872	872	0
Supporting people for Council tenants	145	177	(32)
Mobile home site (Net)	(83)	(83)	0
Housing repairs	6,606	6,606	0
Less funded from major repairs reserve	(2,976)	(2,976)	0
Other HRA Expenditure	481	511	(30)
Debt charges	3,425	3,425	0
Depreciation charges	1,948	1,948	0
	12,434	12,618	(184)
Income			
Rent from dwellings	16,574	16,574	0
Non-dwelling rents and income	180	180	0
Interest on balances	0	0	0
	16,754	16,754	0
Revenue Surplus / (deficit) in the year	4,320	4,136	184

HRA Working Balance:			
Assumed HRA Working Balance at 31/3/21	28,223	29,254	(1,031)
In year movement	4,320	4,136	184
<u>Less Capital Contributions</u>			
Strategic purchases	(910)	(910)	0
New Build programme	(843)	(5,343)	4,500
Further potential schemes (not yet approved)	(1,550)	(1,550)	0
Assumed HRA Balance at 31/3/22	29,240	25,587	3,653

Key:

Original Budget - Approved at Full Council on 9 February 2021

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 September 2021

APPENDIX 'F'

() = reduced expend or increased income

	Increased Expenditure				Reduced Expend £'000	Increased Income £'000	Reduced Income £'000	Total £'000
	P/U B/fwd £'000	Supp Est £'000	Virement £'000	Other £'000				
Revenue Expenditure & Income								
Management General - Increased staffing (Hsg Ctte - March 2021)		85						85
Reallocation of Housing IT system costs between GF & HRA (contra G Fund Housing)				(8)				(8)
Increased Housing insurance premiums wef July 2021 - (perceived flood risk)				45				45
Reallocation of Corporate Fraud costs wef 10/21 (CMC July 2021)				30				30
								0
Special Management - Community Alarm charges for 2021/22 cancelled							32	32
								0
								0
								0
Total changes in net expenditure	0	85	0	67	0	0	32	184

Original surplus in year (as per the 2021/22 Budget Book)
 Total changes in net expenditure
 Forecast Net Expenditure on Services

£'000
 (4,320)
 184
 (4,136)

	Increased Expenditure				Reduced Expend £'000	Increased Income £'000	Reduced Income £'000	Total £'000
	P/U B/fwd £'000	Supp Est £'000	Virement £'000	Other £'000				
<u>Changes in Capital Programme -</u>								0
Land acquisition in Chertsey (Hsg Ctte - April 2021)		4,500						4,500
								0
								0
Total changes in capital expenditure funded from working balance	0	4,500	0	0	0	0	0	4,500