

REVENUE BUDGET MONITORING - QUARTER 1

Head of Service:	Lee Duffy, Chief Finance Officer
Wards affected:	(All Wards);
Urgent Decision?	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	None

Summary

This report presents the forecast revenue outturn position for the current financial year 2021/22, as at Quarter 1 (30 June).

Recommendation (s)

The Committee is asked to:

- (1) Receive the revenue budget monitoring report, which sets-out a projected £2.63m budget deficit for 2021/22, along with provisional funding for the deficit;
- (2) Agree that a report should be taken to Community & Wellbeing Committee to present mitigation options for the budget pressures within the Housing service, and a post implementation review of Defoe Court;
- (3) Agree that a report should be taken to Community & Wellbeing Committee to present a recovery plan for the Venues;
- (4) Agree that the updated Quarter 2 position will be reported back to Audit, Crime & Disorder and Scrutiny Committee in November.

1 Reason for Recommendation

- 1.1 To present the 2021/22 forecast revenue outturn position to members, as at Quarter 1.

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2 Background

- 2.1 In February 2021, Full Council agreed a total net expenditure budget of £8.612m for 2021/22. The budget anticipated no use of general fund working balances, which stand at £3.383m. Under the Medium Term Financial Strategy, the Council maintains a minimum general fund working balance threshold of £2.5m.
- 2.2 Throughout Quarter 1, Covid-19 has continued to have a major impact on the Council's services and is the main driver behind a projected budget deficit of £2.63m for 2021/22.
- 2.3 The projected £2.63m deficit assumes that no further government support will be forthcoming, and is principally due to increased expenditure incurred to manage homelessness, combined with significant reductions in income from service areas such as car parks and the Council's venues.
- 2.4 To partially address the projected deficit, the Council's budget contains a £950,000 contingency that can be deployed. In addition, officers will submit a claim to MHCLG for eligible lost income. MHCLG's income compensation scheme reimburses councils for c.71% of eligible lost income up to 30 June 2021, which is the scheme end date.
- 2.5 It is important to recognise that uncertainty remains heightened around future projections. As the economic recovery (hopefully) continues, the extent to which demand levels for services and income levels will recover or normalise should become clearer. The budget position will continue to be monitored closely, with forecasts updated and reported to members accordingly through the year.

3 Forecast Position

- 3.1 A summary of the forecast outturn position by service area for 2021/22 is shown in the following table:

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Forecast Outturn by Service	Current Approved Budget	Forecast Outturn	Forecast Variance
	£'000	£'000	£'000
<u>Strategy & Resources Committee</u>			
Democratic & Civic	692	692	0
Corporate Functions	579	579	0
Corp Financial Management	1,904	1,906	2
Tax Collection & Benefits	1,066	1,066	0
Land Charges	(1)	(6)	(5)
Land & Property	(2,363)	(2,363)	0
Economic Dev. & Prosperity	92	92	0
Employee and Support Services	406	221	(185)
Subtotal Strategy & Resources	2,375	2,187	(188)
<u>Environment & Safe Communities Committee</u>			
Car Parking	(2,135)	(1,102)	1,033
Environmental Services	3,501	3,528	27
Planning & Building Control	746	1,030	284
Community Safety	92	92	0
Environmental Health	217	220	3
Subtotal Environment & Safe Communities	2,421	3,768	1,347
<u>Community and Wellbeing Committee</u>			
Housing	1,561	2,170	608
Personal Social Services (Route Call, Community Alarm, Disabled Facilities Grant)	432	487	55
Support for Voluntary Orgs.	262	262	0
Social Centre	491	550	58
Health & Wellbeing	43	43	0
Countryside, Parks & Open Spaces	2,112	2,185	73
Sports, Leisure & Cultural	1,218	1,896	678
Precepting & Levying Bodies (NJMC & EWDC)	365	365	0
Subtotal Community & Wellbeing	6,485	7,958	1,472
Capital Charges	(2,669)	(2,669)	0
Total General Fund	8,612	11,243	2,631

3.3 The projected budget deficit across services for 2021/22 is £2.63m, which can be provisionally funded as set-out in the following table:

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2021/22	£'000
Projected Deficit, Pre-Government Support	2,631
Less Government Income Protection Scheme	(662)
Projected Deficit, Post-Government Support	1,970
<u>Provisional Funding</u>	
Corporate Contingency for Covid-19	(950)
Corporate Projects Reserve	(137)
General Fund Balance	(883)
Subtotal Funding	(1,970)
Total	0

3.4 The table shows that officers anticipate the Council will be able to claim £662k in lost income compensation from MHCLG to partially offset the deficit. The Council's budgeted contingency of £950k, plus unbudgeted contributions of £137k from the Corporate Projects Reserve (note - this is in addition to the existing budgeted contribution of £306,000 from the Corporate Projects Reserve) and £883k from the General Fund balance, can also be provisionally earmarked to fund the projected deficit. Deficit funding will remain under review throughout the year and will only be finalised at year-end, when the actual outturn position is known.

3.5 The following section of the report details the individual budget variances that make up the projected deficit of £2.63m within services.

4 Budget Variances

4.1 The main variances to budget are shown by Committee in the following tables:

Strategy & Resources Committee	Adverse / (Favourable) Variance £'000	Detail
Employee and Support Services	(185)	<p>The Council is currently £230k under its year-to-date overall employee budget of £3.34m.</p> <p>This favourable variance is partially offset by increased cleaning costs at Town Hall, which are expected to exceed the budget by £15k in 2021/22.</p> <p>In addition, external legal support to manage unauthorised encampments, combined with</p>

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		HR costs including recruitment advertising fees associated with the restructure, are the principal cause of a further net £30k adverse budget variance within the service group.
Land & Property	0	<p>Although the overall variance within Land and Property is nil, there are compensating variances to report.</p> <p>The Medium Term Financial Strategy includes a target to achieve £225k additional annual income from rent reviews across Council owned sites. A number of rent reviews are expected to be completed, resulting in £189k additional annual income being achieved. The remaining £36k targeted income will need to be achieved from future rent reviews.</p> <p>Should any existing tenants choose to exercise break clauses and end their tenancies, a management plan would be reported to S&R Committee and, as an interim measure, reductions in income could be mitigated by the Property Income Equalisation reserve, which holds a balance of £5.496m.</p>
Other miscellaneous variances	(3)	
Total Strategy & Resources Variance	(188)	

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Environment & Safe Communities Committee	Adverse / (Favourable) Variance £'000	Detail
Car Parking	1,033	<p>Car park visitor numbers have yet to recover to pre-Covid levels. The parking income forecast has been based on the first three months performance, with an assumption that usage will increase by 33% for the rest of the financial year. The result is a projected £1,033k under-recovery of income, as broken down below:</p> <p>Surface Car Parks: £222k</p> <p>Ashley Centre: £656k</p> <p>Atkins: £25k</p> <p>Hook Road: £109k</p> <p>Ewell Car Parks: £21k</p> <p>The loss of income to 30 June will form part of our Income Compensation Scheme claim to MHCLG. In the meantime, officers are exploring further opportunities to generate additional income through offering car park spaces to businesses.</p>
Domestic Waste	56	<p>Fuel costs have recently increased and are predicted to reach a ten-year high, resulting in a £39k adverse variance to budget.</p> <p>Furthermore, increased agency costs of £17k are expected due to staff on long-term sickness and cover for five vacancies within the team. These areas of spend are being monitored by the Service Manager and mitigating action taken to minimise spend wherever possible. The long term sickness cases are being managed in line with HR policies.</p>

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Bulky Waste	(33)	There is a £33k reduction in staffing costs due to one vacancy in the bulky waste team. This partially offsets the agency overspend in Domestic Waste above.
Building Control (Planning & Building Control)	154	<p>The service is being temporarily covered by Elmbridge Borough Council following the retirement of two staff members and difficulties recruiting new staff, resulting in a projected loss of income to EEBC of £154k for the year. A public consultation is underway to seek views on future service delivery models, as agreed at S&R Committee on 27 July.</p> <p>The loss of income to 30 June will form part of our Income Compensation Scheme claim. Any permanent reductions in income that may arise, following the establishment of a new service delivery model, will need to be factored into the Council's future budget plans.</p>
Development Control (Planning & Building Control)	129	<p>Since the pandemic began, the service has seen a decrease in income, projected as a £109k adverse variance in 2021/22.</p> <p>The loss of income to 30 June will form part of our Income Compensation Scheme claim.</p> <p>In December 2020, S&R agreed £96,000 funding from reserves to cover the cost of responding to planning appeals. However, a further £20k costs over and above the £96,000 budget is now anticipated in relation to recent planning appeals.</p> <p>To support the planning service, an additional £190,000 of one-off funding was agreed at S&R Committee on 27 July, to be</p>

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		funded from the Corporate Projects Reserve.
Other Miscellaneous Variances	8	
Total Environment and Safe Communities Variance	1,347	

Community & Wellbeing Committee	Adverse / (Favourable) Variance £'000	Detail
Housing	608	<p>Numbers of households in temporary accommodation have been reducing slightly during Q1 but remain at around 90 as at June. Based on the number of households in temporary accommodation remaining at 90 throughout 2021/22, it is anticipated that additional temporary accommodation costs net of rental/benefit income will be £608k over budget.</p> <p>To mitigate the situation, Defoe Court is being brought into use as soon as possible, with 5 rooms currently occupied. Work is progressing (such as ordering beds, tables, chairs, kitchen equipment etc) to prepare and utilise the other 18 rooms. Officers are also collaborating with Rosebery Housing Association to identify alternative accommodation options, to reduce the numbers in expensive nightly paid accommodation. The Homelessness Working Party including senior officers meets monthly to manage the Council's response and to capitalise on any MHCLG funding opportunities.</p>

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<p>Personal Social Services – Route Call, Community Alarm, Higher Needs Service and Disabled Facilities Grant</p>	<p>55</p>	<p>Routecall passengers have been slow to return to the service. Based on usage recovering to 50% of pre-Covid levels by year-end, a £25k adverse variance to budget is forecast.</p> <p>Within the Higher Needs Service, clients are gradually returning. Based on usage recovering to 50% of pre-Covid levels between September and year end, a £45k adverse variance to budget is forecast.</p> <p>The loss of income to 30 June will form part of our Income Compensation Scheme claim.</p> <p>Partially offset against these adverse budget pressures is a favourable £15k transfer from the Home Improvement Agency reserve to fund the costs of administering the Disabled Facilities Grant service.</p>
<p>Social Centre</p>	<p>58</p>	<p>Members and hirers are also gradually returning to the Community & Wellbeing Centre. Based on income from meals and other services recovering to 25% of 2019/20 levels for July and August, and to 50% of 2019/20 levels from September to year end, a £38k adverse variance to budget is forecast.</p> <p>In addition, reduced income from lettings and loss of some regular hirers is expected to result in a £20k adverse variance to budget.</p> <p>The loss of income to 30 June will form part of our Income Compensation Scheme claim.</p>
<p>Parks and Open Spaces</p>	<p>73</p>	<p>Sports activities and BBQs at parks have been reduced during the spring and summer months, resulting in £45k adverse variance to budget. There have also been fewer bookings at the Harrier Centre (£18k adverse). Based on bookings to date income at Hook Road Arena will be under budget (£8k adverse). Statutory reports on the Great Pond Dam are above budget (£2k adverse)</p> <p>The loss of income to 30 June will form part of our Income Compensation Scheme claim.</p>

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Sports, Leisure and Cultural	678	Bourne Hall and the Playhouse have now reopened and there has been a gradual return of hirers and ticket sales. It is forecast that between September and year end net income at both venues will be 50% of that for the same period in 2019/20. (Bourne Hall £158k adverse. Playhouse £360k adverse) Ewell Court House is not expected to re-open for events during 2021/22 (£79k adverse) No income is expected on the GLL contract at the Rainbow Centre for the first quarter 2021/22 (£81k adverse), although the income loss to 30 June will form part of our Income Compensation claim
Total Community & Wellbeing Variance	1,472	

5 Employee Costs

- 5.1 At the end of June, the Council is £230k under its year-to-date employee budget of £3.34m, as non-essential recruitment had been paused in order to manage the adverse financial impact of Covid-19.
- 5.2 Following the Council's restructure and transition to a new operating model, recruitment is underway to fill vacant posts. Employee costs are monitored monthly to ensure any adverse variances are flagged promptly to Heads of Service, thereby enabling prompt mitigating action to be taken.
- 5.3 To support the planning service with additional staffing resources, £190,000 of one-off funding was agreed at S&R Committee on 27 July, to be funded from the Corporate Projects Reserve.

6 Epsom & Ewell Property Investment Company (EPPIC)

- 6.1 The Council's budget includes £0.6m expected dividend income from Epsom and Ewell Property Investment Company, generated from its two commercial properties. Income from EPPIC is currently forecast to be on budget, with all rent to date collected from tenants.

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6.2

7 Revenue Reserves

- 7.1 At Q1, the general fund balance is forecast to reduce to £2.5m (from £3.383m) by the end of this year, as per the provisional funding of the projected deficit in the following table:

2021/22	£'000
Projected Deficit, Pre-Government Support	2,631
Less Government Income Protection Scheme	(662)
Projected Deficit, Post-Government Support	1,970
<u>Provisional Funding</u>	
Corporate Contingency for Covid-19	(950)
Corporate Projects Reserve	(137)
General Fund Balance	(883)
Subtotal Funding	(1,970)
Total	0

- 7.2 The provisional balance on strategic reserves including the collection fund account was £17.1m at 1 April 2021 (balances subject to audit). These reserve balances are forecast to reduce to £14.3m at 31 March 2022, principally due to budgeted drawdowns from the business rates equalisation reserve (£320k), flexible housing support grant reserve (£278k) and property maintenance reserve (£199k), combined with the unbudgeted provisional deficit funding of £137k and other agreed in-year allocations from the corporate projects reserve (such as for the Local Plan and other planning resources).
- 7.3 A review of reserves will be presented to Financial Policy Panel on 7 September.
- 7.4 The Council holds other revenue reserves which are commuted sum receipts totalling £1.46m. The commuted sums are used to generate interest to fund on-going maintenance to specific parks and open spaces.

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7.5 Summary of Revenue Reserves

	01 April 2021 £'000	31 March 2022 forecast £'000
General Fund	3,383	2,500
Strategic Reserves & Collection Fund Account	17,080	14,284
Commuted Sums	1,464	1,464
Total	21,927	18,248

8 Actions and Next Steps

8.1 To address the projected budget deficit, the Council's senior management is progressing the following key initiatives:

- 8.1.1 Measures to mitigate increased expenditure within homelessness, including bringing Defoe Court into use, with 5 rooms currently occupied. Work is underway (such as ordering beds, tables, chairs, kitchen equipment etc) to prepare and utilise the other 18 rooms. Officers are also collaborating with Rosebery Housing Association to identify alternative accommodation options, to reduce the numbers in expensive nightly paid accommodation. The Homelessness Working Party meets monthly to manage the Council's response.
- 8.1.2 Officers will submit a claim to MHCLG for lost income to 30 June 2021.
- 8.1.3 For the venues, the Head of Service will prepare a report to Community & Wellbeing Committee, setting-out a recovery plan for the venues.
- 8.1.4 The Head of Service will prepare a report to Community & Wellbeing Committee to update members more fully on the situation and mitigation options within homelessness.
- 8.1.5 Finance officers will continue to monitor the funding landscape to ensure the Council is kept aware of any new government funding announcements (if there are any).

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- 8.2 Budget plans for 2022/23 will be kept under review to take account of any permanent underlying changes to expenditure and income levels. The Council's budget position is continuously monitored by the finance team and budget managers. It is expected that the next budget monitoring report to members will be the updated quarter two forecasts in November 2021.

9 Risk Assessment

Legal or other duties

9.1 Impact Assessment

- 9.1.1 Ultimately, all services will be impacted in some way by the Council's overall budget position over the long term.

9.2 Crime & Disorder

- 9.2.1 None arising directly from the contents of this report.

9.3 Safeguarding

- 9.3.1 None arising directly from the contents of this report.

9.4 Dependencies

- 9.4.1 None arising directly from the contents of this report.

9.5 Other

- 9.5.1 None arising directly from the contents of this report.

10 Financial Implications

- 10.1 Financial implications are set-out in the body of the report.
- 10.2 **Section 151 Officer's comments:** There remains uncertainty around future demand levels for the Council's services and income streams. For 2021/22, contingency budgets and reserves can provisionally mitigate the overall projected deficit. However, officers will continue to monitor the position and ultimately, should income streams not recover or increased expenditure pressures not be mitigated, budget plans for future years including 2022/23 will need to be adjusted accordingly.
- 10.3 Quarter 2 forecasts for 2021/22 will be brought back to Audit Crime & Disorder and Scrutiny Committee in November, and the financial planning framework for 2022/23 will be reported to Strategy & Resources Committee in September.

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11 Legal Implications

- 11.1 There are no direct legal implications arising from this report.
- 11.2 **Monitoring Officer's comments:** None arising from the contents of this report.

12 Policies, Plans & Partnerships

- 12.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.
- 12.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 12.3 **Climate & Environmental Impact of recommendations:** None arising directly from the contents of this report.
- 12.4 **Sustainability Policy & Community Safety Implications:** None arising directly from the contents of this report.
- 12.5 **Partnerships:** None arising directly from the contents of this report.

13 Background papers

- 13.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Budget Report to Full Council – 16 February 2021

Other papers:

- None