

2020/21 Quarter 2: Revenue Budget Monitoring

Summary

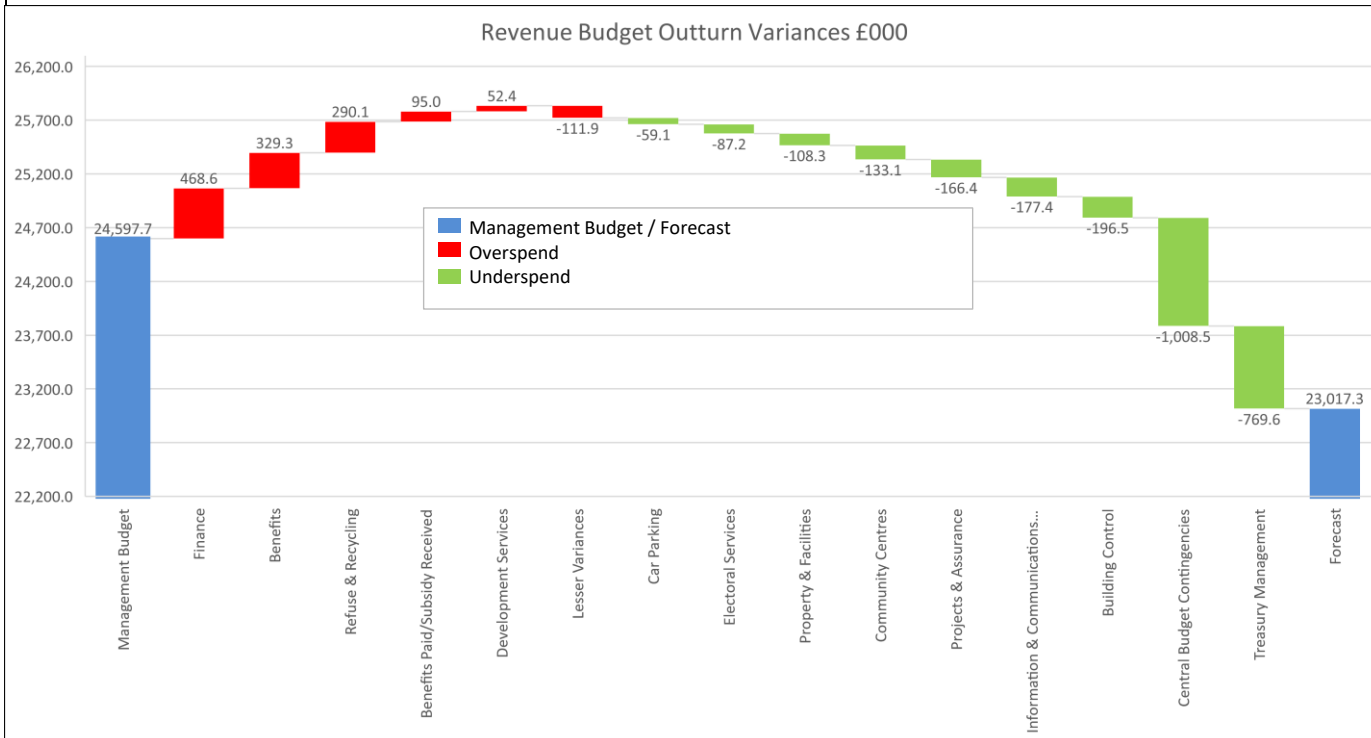
The full year forecast at the end of Period 6 for Service budgets is £0.166m (1.1%) higher than the management budget; the Central budgets are reporting £(1.746m) (18.6%) lower than budget, resulting in an overall forecast of £(1.580m) (-6.4%) lower than budget.

Reconciliation of Original Budget to Management Budget for 2020/21

	£000	£000
Original Budget		24,459.6
Transfers from Reserves:		
Corporate Plan Delivery Fund Reserve	241.0	
New Posts Reserve	39.8	
Reduction in Contingency	-142.7	
		138.1
Management Budget		<u>24,597.7</u>

Headline Revenue Budget Information 2020/21

	£000
Management Budget	24,597.7
Year End Forecast	<u>23,017.3</u>
Projected underspend	<u>(1,580.4)</u> (-6.4% of the budget)



Forecast for Services is £0.166m over budget:

Finance: £468k overspend is mostly attributable to the costs of interim staff covering vacant posts and additional support needed for the closure of accounts. Permanent Staff recruitment has now been completed with four of the permanent staff already in post and one expected to start in October 2020. The forecast includes some overlap to ensure adequate handover from the interim staff.

Benefits Team and Benefits Paid/Subsidy Received: Combined forecast is £424k over budget. A £95k reduction in Housing Benefit Subsidy is currently predicted as the collection rate for 20/21 is likely to be 99.30%, down from 99.60% (the 18/19 rate which the target is based on). Additionally, £155k of Printing & Software related cost pressures are expected to continue from 2019/20. It is also expected that a £92k loss will arise from commercial activities in the underlying service area. These pressure are offset by £20k of additional minor favourable variances.

Refuse and Recycling: Expenditure: A £290k overspend is forecast on Temporary Staff £55k, Overtime £45k which are deemed to be necessary to deliver the service in the current climate. The balance comprises a shortfall of Trade refuse income of £45k and other smaller variances.

Income: Excluding the COVID-19 cost implication being reported separately, the overall income is expected to be on budget.

Development Services: There is a £120k underspend on salaries due to maternity leave and vacancies, which is offset by £180k overspend on consultancies.

Electoral Services: The current expectation of expenditure this year is significantly reduced as elections will no longer take place in 20/21. However, this will adversely affect next year, as there will be multiple elections to be held at that point.

Community Centres: £133k underspend relates to a reduction in cost of services (catering and activities) as a result of long term closure.

Projects and Assurance: The £166k underspend is a result of three vacant posts.

Information & Communication Technology: The £177k forecast underspend comprises a £30k underspend on salaries due to vacancies, £135k underspend on Software charges and two roughly £10k underspends relating to Telephone rentals and Hardware maintenance.

Building Control: The forecast underspend of £197k relates to a partnership provision that is currently not expected to be drawn upon this year.

Forecast for Central Budgets is £1.713m under budget

Treasury Management: Forecast of £1,008k under budget. The primary driver for the interest forecast is the second loan to Greensand Holdings Limited (for the purchase of land at Horley). The forecast also includes interest receivable, based on current interest rates for on-lending and investments.

Budget Contingencies: £770k underspend is forecast, no demand for these is predicted at this stage.

COVID-19 Budget Impacts

These are detailed at Section 3

1. General Fund Reserve			£000
Balance at start of year			8,949.0
Less: Transfers out (Payment of Three Year Employer Pension Contribution in advance)			(4,693.0)
	Add Projected underspend at 31 March 2021		1,580.4
Anticipated balance at end of year before Reserves Review/Reallocations *			5,836.4
*Minimum General Fund Balance Required (15% of total Management Budget)			2,738.3
2. Corporate Plan Delivery Fund (CPDF) Reserve			£000
Balance at start of year			1,000.0
C20-01 Principal Development Manager post	Place	88.0	
C20-09 c/f Data Protection Compliance	Housing Services	15.6	
C20-09 c/f Customer Relationship Management	I.C.T	8.8	
C20-10 c/f Salaries	Community Centres	118.6	
C20-11 Environmental Sustainability Strategy	Corporate Policy	10.0	241.0
<u>Capital</u>			
None			0.0
Balance before any further transfers in year			759.0
3. Feasibility Studies (Commercial Ventures) Reserve			£000
The Feasibility Studies (Commercial Ventures) Reserve was established to ensure that funding is available to prepare business cases and obtain external professional advice for new initiatives designed to deliver new capital schemes, including new sources of sustainable commercial income streams. Once a Capital scheme is approved by Executive, the costs can be capitalised and the funds will recycle back to the Feasibility Studies (Commercial Ventures) Reserve.			
Balance at start of year			1,934.4
FS 20-01 Feasibility work Horley High Street Car Park	Place	103.4	
FS 20-02 Delivering Change in Horley Town Centre	Place	83.3	
FS 20-03 Charitable Community Benefit Society feasibility study costs	Property & Facilities	8.5	
FS 20-04 Site appraisal costs	Property & Facilities	7.4	
FS 20-05 Property appraisal costs	Property & Facilities	37.2	
FS 20-06 Tax Advice	Property & Facilities	20.0	
FS 20-07 Merstham Recreation Ground Refurbishment	Place	45.0	304.7
<u>Capital</u>			
Project Baseball (New Crematorium)	Property & Facilities	650.0	650.0
			979.7

Revenue ANNEX 2: Section 2

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
Simon Bland	Economic Prosperity	397.2	9.0	406.2	405.4	(0.8)	A small underspend is expected on salaries as one member of staff is currently filling a full-time post on a part-time basis.
Kate Brown	Human Resources	764.4	0.0	764.4	764.4	0.0	The needs and requirements of the organisation need to be assessed and future forecast amended based on outcomes.
Richard Robinson	Housing Services	1,009.4	15.6	1,025.0	1,022.6	(2.4)	Small underspends at Q2. The nature of B&B and Temporary Accommodation spend is highly volatile so this forecast is subject to change as the year continues.
Frank Etheridge	Senior Management Team	1,127.4	(90.0)	1,037.4	1,060.6	23.2	There is a 25k forecast for consultancy fees with 8k forecast overspend relating to Corporate subscriptions. Underspends relate to current and expected travel and mileage expenses being lower in 2019/20.
	Emergency Planning	29.7	0.0	29.7	29.1	(0.6)	Minor variance.
Catherine Rose	Projects & Assurance	594.9	0.0	594.9	428.5	(166.4)	Underspends attributable to three vacant posts
Caroline Waterworth	Corporate Support	182.0	0.0	182.0	145.3	(36.7)	In the first months of the year there has been significantly less need for the purchase of office stationary and postage. The current forecast expects these levels to have picked up and returned to normal by the end of the financial year.
Justine Chatfield	Community Development	406.2	0.0	406.2	406.2	0.0	
	Partnerships	419.3	0.0	419.3	415.1	(4.2)	Minor variance.
	Community Centres	407.5	(9.6)	397.9	289.6	(108.3)	Underspend relates to a reduction in cost of services (catering and -activities) as a result of long term closure.
	Voluntary Sector Support	295.1	0.0	295.1	295.1	0.0	
Peter Boarder	Place Delivery	292.8	88.0	380.8	395.2	14.4	An overspend of around £14k is currently forecast. This results from recent payments in respect of staff appraisals which were higher than the current budget allows.

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Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
Morag Williams	Fleet	860.9	0.0	860.9	890.0	29.1	The ageing fleet of waste vehicles gives rise to the £29k overspend and until they are replaced they will require increasing levels of expenditure on spare parts. These vehicles are planned to be replaced over a three year period beginning this year.
	Refuse & Recycling	1,211.3	0.0	1,211.3	1,540.6	329.3	The £180k overspend reported here is due to expected overspend on Temporary Staff of £55k, an Overtime overspend of £45k, increased costs for the disposal of Dry Mixed Recyclate of £14k, and a shortfall of Trade refuse income of £49k. There are other minor variances totalling £17k.
	Engineering & Construction	109.2	(50.0)	59.2	58.1	(1.1)	Minor variance.
	Environmental Health & JET	1,066.5	10.0	1,076.5	1,043.5	(33.0)	The variance is the net underspend of several of cost centres. Food inspection work has seen an unbudgeted £10.5k of one-off income as a result of recovery of costs involving sampling of private water supply. In addition, the expenditure forecast has been adjusted to show an underspend of £7.3k in Housing standards due in part to a reduction in property clearance costs, so far this year. We have also benefited from an underspend for Public Health Funerals at £12.3k due to the favourable recovery of costs through inheritance and insurance cash receipts. There are other minor variances.
	Environmental Licencing	(212.8)	0.0	(212.8)	(181.4)	31.4	Lower demand for licencing than originally forecast, especially for taxis.
	Greenspaces	1,410.9	0.0	1,410.9	1,365.8	(45.1)	The underlying service area is likely to underspend by £43k, £54k of which is due to several operative vacant posts. It is anticipated that these vacancies will be filled in a few months time. The remaining £11k overspend is due to the purchase of equipment that was delayed from 2019/20 and some minor variances.
	Car Parking	(2,036.7)	0.0	(2,036.7)	(2,095.8)	(59.1)	The underlying variance of £59k is generated by vacant posts expected to last for the remainder of the year; there being little point in filling them if parking activity remains at a low level.
Street Cleansing	991.9	0.0	991.9	980.9	(11.0)	The forecast includes £-6.8k for the cheaper cost of fuel, earlier this year. It has also includes £-5.5k reflecting a reduction in use of Temporary Staff, as well £-5.3k for an unused personal vehicle use budget of £5.5k. There are other minor variances.	
Catherine Rose	Corporate Policy	0.0	140.0	140.0	119.2	(20.8)	Underspend attributable to part year vacancy
Duane Kirkland	Supporting People	157.5	0.0	157.5	158.7	1.2	
	Supporting Families	90.0	0.0	90.0	90.0	0.0	
	Harlequin	351.4	0.0	351.4	318.8	(32.6)	Income reduced due to lower demand.
	Leisure Services	(93.3)	0.0	(93.3)	(108.9)	(15.6)	Negotiations with leisure provider continue following closure for the COVID-19 pandemic.
Andrew Benson	Building Control	221.5	0.0	221.5	25.0	(196.5)	The underlying service is expected to underspend by £161.7k. This is made up of £120k underspend on salaries (vacancies & maternity leave) offset by approximately £180k of Consultancy to cover these posts and a £197k Building Control underspend. The Building Control underspend relates to a partnership loss provision that is not currently expected to be drawn upon this year. An old £20k Drainage budget will no longer be spent and is being offered up as a 21/22 saving.
	Development Services	211.4	0.0	211.4	263.8	52.4	
	Planning Policy	362.8	0.0	362.8	345.2	(17.6)	
Carys Jones	Communications	609.9	(53.6)	556.3	536.3	(20.0)	Forecast reflects the difference between budgeted values for 3 issues of Borough News with only 2 expected in 20/21.
	Customer Contact	389.1	0.0	389.1	372.4	(16.7)	There are also salary underspends currently forecast within the Web team. Underspends due to differences in Salary costs from budgeted values due to vacant funded hours.

Revenue ANNEX 2: Section 2

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
Darren Wray	Information & Communications Technology	1,778.9	62.4	1,841.3	1,663.9	(177.4)	Forecast shows a £30k underspend on Salaries, £135k underspend on Software charges and two roughly £10k underspends relating to Telephone rentals and Hardware maintenance.
Caroline Waterworth	Democratic Services	850.1	0.0	850.1	829.5	(20.6)	A part year vacancy is the reason for the majority of this variance. Other contributors are reduced forecast spend on Mayoral events.
Joyce Hamilton	Electoral Services	442.7	0.0	442.7	355.5	(87.2)	The previous expectation of election expenditure this year, has been significantly reduced as elections are not being held. However, this will adversely affect next year, as there will be multiple elections to be held at that point.
	Legal Services	792.2	0.0	792.2	840.3	48.1	The overspend relates to under-recoveries of budgeted income, most notably the budgeted s106 income target which is now unachievable due to the service being outsourced. There are significant changes expected to recruitment and outsourcing requirements which are currently forecast but susceptible to change pending potential recruited staff going forward.
	Land Charges	(107.8)	0.0	(107.8)	(146.7)	(38.9)	Levels of income from Land charges are subject to seasonal variation. Current trends show a large increase in quantity of requests and therefore higher levels of income.
	Property & Facilities	(1,691.0)	128.2	(1,562.8)	(1,695.9)	(133.1)	Some adjustments were made to the income forecasts to include Reading Arch Road and Salfords. Otherwise very little movement.
Pat Main	Finance	1,159.5	0.0	1,159.5	1,628.1	468.6	Overspend is mostly attributable to the costs of interim staff covering vacant posts and additional support needed for the closure of accounts. Permanent staff have now been recruited for all vacant posts filled as of October 2020. The forecast includes some overlap to ensure adequate handover to permanent staff. Other overspends relate to the increased cost of financial software and transactional related charges from our banking provider.
Simon Rosser	Benefits Paid/Subsidy Received	342.8	125.2	468.0	563.0	95.0	The underlying service is currently forecast to overspend by £430k. A £95k reduction in Housing Benefit Subsidy is currently being predicted as our collection rate for 20/21 is likely to be 99.30%, i.e. less than the 99.60% (18/19 rate) which the budget is based on. £160k of Printing & Software related cost pressures are expected to continue from 19/20. This budget is being reviewed as part of the 2021/22 Service and Financial Planning process. The costs of 5x staff (£145k) are currently being borne by the budget as a result of staff being transferred away from Commercial activities, and therefore no longer being able to generate any income. Commercial activities are expected to make a loss in 20/21 of around £109k whilst the Head of Service continues to build the contract base. £80k of this loss is directly related to Covid whilst £29k relates to underlying activities. Losses will reduce as more work is brought on stream and additional contracts are confirmed. Approx. £30k of additional payments were made to staff in P4 relating to appraisals etc, all of which is unbudgeted.
	Benefits	(295.3)	(74.4)	(369.7)	(79.6)	290.1	
	Benefits Commercial Activities	0.0	0.0	0.0	28.7	28.7	
Total Services		14,899.5	300.8	15,200.3	15,366.1	165.8	1.1%

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Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
Central Budgets							
Pat Main	Insurance	482.1	0.0	482.1	496.3	14.2	Insurance contract at higher rate than forecast.
	Treasury Management - Interest on Investments	(54.0)	(528.0)	(582.0)	(1,247.5)	(665.5)	The primary driver for the interest forecast is the second loan to Greensand Holdings Limited (for the purchase of land at Horley). The forecast also includes interest receivable, based on current interest rates for on-lending and investments.
	Treasury Management - Interest on Borrowing	922.0	0.0	922.0	922.0	0.0	The interest payable forecast is based on the expected borrowing required to implement the Capital Program. The current borrowing forecast reflects the latest Capital Programme forecast and is lower than that assumed when the budget was set.
	Treasury Management - Interest on Trust Funds	36.0	0.0	36.0	18.0	(18.0)	The forecast reflects the UK's current low investment return rate, which is expected to continue throughout 2020/21, due to uncertainties in the economy caused by the COVID-19 pandemic
	Minimum Revenue Provision	0.0	528.0	528.0	203.0	(325.0)	The interest payable forecast is based on the expected borrowing required to implement the Capital Programme. The current borrowing forecast reflects the latest Capital Programme forecast and is lower than that assumed when the budget was set.
	Employer Pension costs	6,579.0	0.0	6,579.0	6,579.0	0.0	This budget represent 3 years pension costs that have been paid in 2020/21
	Central Budget Contingencies	1,207.7	(150.2)	1,057.5	287.9	(769.6)	See analysis below.
	New Posts Budget	158.8	0.2	159.0	158.8	(0.2)	
External Audit Fees	50.3	(0.3)	50.0	53.6	3.6	Expectation of fees based on PSAA forecast.	
Kate Brown	Apprenticeship Levy	71.4	(2.4)	69.0	71.4	2.4	Expected to be on budget at outturn
	Recruitment Expenses	40.0	0.0	40.0	40.0	0.0	The recruitment of multiple senior staff can account for nearly all of the budget in this area, further recruitment spend will push this budget into overspend although at this time further costs have not been identified/quantified.
	Corporate Human Resources Expenses	66.8	(10.0)	56.8	68.7	11.9	The variance presented relates to expected training costs.

Total Central Budgets		9,560.1	(162.7)	9,397.4	7,651.2	(1,746.2)	(18.6%)
Grand Total		24,459.6	138.1	24,597.7	23,017.3	(1,580.4)	(6.4%)
Pat Main	Central Budget Contingencies						
	Miscellaneous salaries	150.2	(150.2)	0.0	0.0	0.0	Current expectations are that there will be no call on these funds
	Headroom Contingency Budget	1,000.0	0.0	1,000.0	250.2	(749.8)	The current forecast outturn costs are the settlement payments relating to the former Chief Executive
	Preceptor Grants	57.5	0.0	57.5	37.7	(19.8)	Expected payover is expected to be less than budgeted values
Central Budget Contingencies		1,207.7	(150.2)	1,057.5	287.9	(769.6)	