

## 2020/21 Period 9: Revenue Budget Monitoring

## Summary

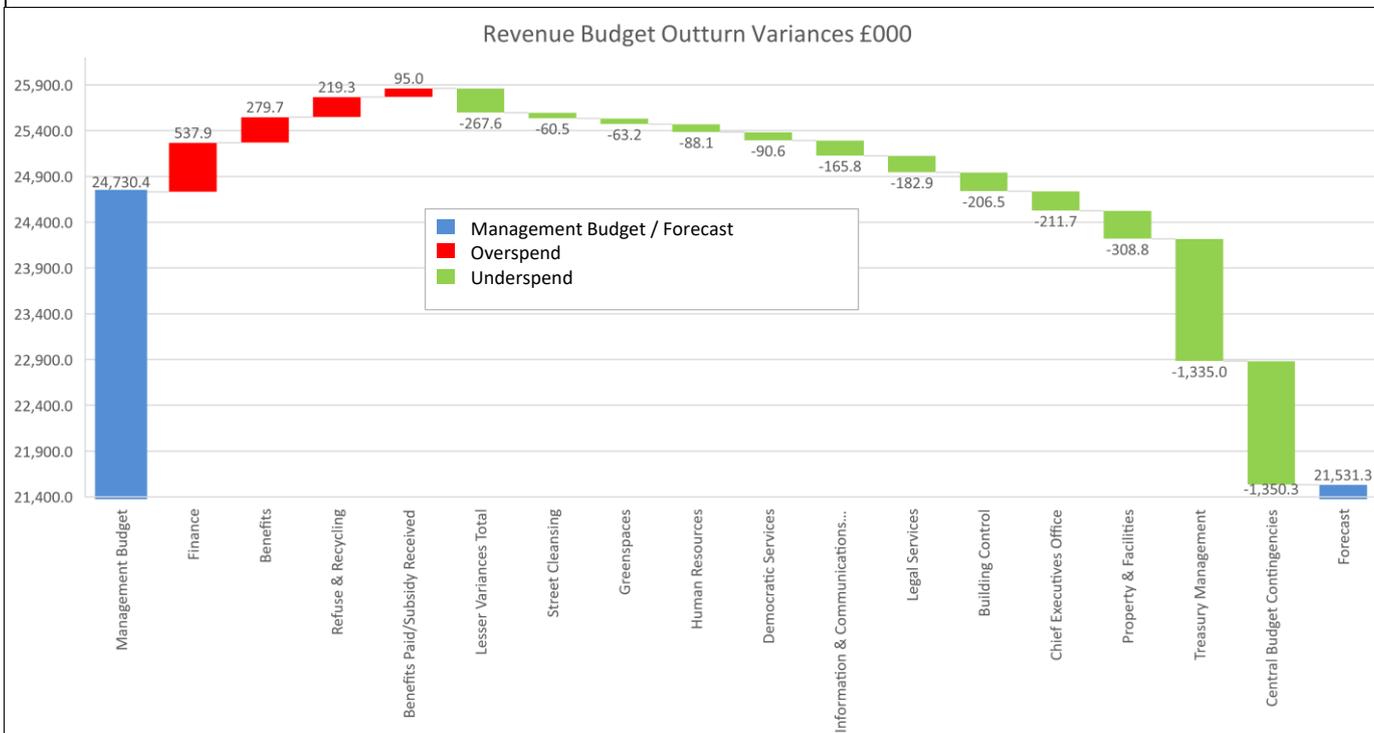
The full year forecast at the end of Period 9 for Service budgets is £0.513m (-3.4%) lower than the management budget; the Central budgets are reporting £2.685m (27.6%) lower than budget, resulting in an overall forecast of £3.199m (-12.9%) lower than budget.

## 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	211.0	
New Posts Reserve	59.8	
		270.8
Management Budget		<u>24,730.4</u>

## Headline Revenue Budget Information 2020/21

	£000
Management Budget	24,730.4
Year End Forecast	21,531.3
Projected underspend	<u>(3,199.1)</u> (-12.9% of the budget)



## Forecast for Services is £0.513m under budget. Significant variances summarised below:

**Finance: £538k 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 staff already in post. The forecast includes some overlap to ensure adequate handover from the interim staff.

**Benefits Team and Benefits Paid/Subsidy Received: £374k combined overspend.** A £95k reduction in Housing Benefit Subsidy is currently predicted as the collection rate for 20/21 is likely to be 99.30%. Salaries are currently overspending by £144k after a recent detailed review of salaries paid across in-house work and commercial activities. There is an additional cost pressure of £155k against Software Acquisitions & External printing which continued on from 19/20. Commercial activities are expected to make a small loss in 20/21 of around £88.5k, with £70k of this loss is directly related to COVID-19 (reported in COVID-19 section) and the remaining £18.5k relates to underlying activities.

**Refuse and Recycling: £219k overspend** is due to expected overspend on Temporary Staff of £123k, an Overtime overspend of £54k, 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 £21k.

**Street Cleansing: £60 underspend.** £43k lower fuel costs. Remainder relates to vacancies unfilled due to lower current activity levels.

**Greenspaces: £63k underspend.** £54k relates to vacancies unfilled to to lower current activity levels.

<p><b>Human Resources: £66k underspend.</b> The forecast reflects that there were budgeted posts that were not filled during the earlier months of the year. With regard to recruitment costs the needs and requirements of the organisation need to be assessed and future forecast amended based on outcomes.</p>
<p><b>Democratic Services: £91k underspend.</b> A part year vacancy is the reason for the majority of this variance. Other contributors are reduced forecast spend on Mayoral events and significantly lower forecasts for spend on member training in 20/21.</p>
<p><b>Information &amp; Communication Technology: £156k underspend</b> This 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 and other minor variances.</p>
<p><b>Legal: £183k underspend.</b> Significant levels of staffing vacancies within the year, these posts have been recruited to and staff are expected to join the Council towards the end of the current financial year. In previous years high levels of external fees have been paid to cover the internal vacancies, 20/21 however has not seen costs of comparable level.</p>
<p><b>Building Control: £207k underspend</b> relates to a partnership provision that is currently not expected to be drawn upon this year.</p>
<p><b>Chief Executive's Office: £212k underspend</b> relates to forecast expenditure for staffing being lower than originally budgeted. There is a 25k forecast for additional consultancy fees that is covered within this underspend.</p>
<p><b>Property &amp; Facilities: £309k underspend.</b> £137k over-recovery relating to tenants staying on in properties that were forecast to be vacant for a short while.</p>
<p><b>Forecast for Central Budgets is £2.685m over budget</b></p>
<p><b>Treasury Management: £1.335m underspend.</b> The primary reason for the higher than budget interest forecast is the second loan to Greensand Holdings Limited (for the purchase of land at Horley). Borrowing is also lower than forecast when the budget was set.</p>
<p><b>Budget Contingencies: £1.350m underspend.</b> No further calls on these budgets are predicted at this stage.</p>
<p><b>COVID-19 Budget Impacts</b></p>
<p>These are detailed at Section 3</p>

<b>1. General Fund Reserve</b>			<b>£000</b>
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		3,199.1
Anticipated balance at end of year before Reserves Review/Reallocations *			<u>7,455.1</u>
*Minimum General Fund Balance Required (15% of total Management Budget)			2,738.3
<b>2. Corporate Plan Delivery Fund (CPDF) Reserve</b>			<b>£000</b>
Balance at start of year			1,000.0
C20-01 Principal Development Manager post	Place	68.0	
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	
			211.0
<u>Capital</u>			
None			0.0
Balance before any further transfers in year			<u><u>789.0</u></u>
<b>3. Feasibility Studies (Commercial Ventures) Reserve</b>			<b>£000</b>
<p>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.</p>			
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 Community Benefit Society feasibility study costs	Commercial	8.5	
FS 20-04 Site appraisal costs	Commercial	7.4	
FS 20-05 Property appraisal costs	Commercial	37.2	
FS 20-06 Tax Advice	Commercial	20.0	
FS 20-07 Merstham Recreation Ground Refurbishment	Place	45.0	
FS 20-08 CIPFA Consultancy	Commercial	15.0	
			319.7
<u>Capital</u>			
Project Baseball (New Crematorium)	Commercial	650.0	
			650.0
			<u><u>964.7</u></u>

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Narrative
<b>1. SERVICE BUDGETS</b>							
<b>1a. ORGANISATION</b>							
Carys Jones	Communications	609.9	-53.6	556.3	517.6	-38.7	Forecast reflects the difference between budgeted values for 3 issues of Borough News with only 2 expected in 20/21. There are also salary underspends currently forecast within the Web team.
	Customer Contact	389.1	0.0	389.1	384.8	-4.3	Underspends due to differences in Salary costs from budgeted values due to vacant funded hours.
Pat Main	Finance	1,159.5	0.0	1,159.5	1,697.4	537.9	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.
Darren Wray	Web & Information	194.9	-194.9	0.0	0.0	0.0	
	Information & Communications Technology	1,584.0	320.1	1,904.1	1,738.3	-165.8	Forecast shows a £30k underspend on Salaries, £135k underspend on Software charges.
Catherine Rose	Corporate Policy	0.0	198.8	198.8	171.6	-27.2	Underspend attributable to part year vacancy
	Projects & Business Assurance	594.9	-396.5	198.4	170.8	-27.6	Underspends attributable to three vacant posts
Caroline Waterworth	Property & Facilities	-1,691.0	128.2	-1,562.8	-1,871.6	-308.8	Some adjustments were made to the income forecasts to include Reading Arch Road and Salfords. Otherwise very little movement.
	Corporate Support	182.0	0.0	182.0	138.2	-43.8	During 20/21 there has been significantly less need for the purchase of office stationery and postage. The current forecast expects these levels of requirement to be continued for the rest of the year.
Joyce Hamilton	Democratic Services	850.1	0.0	850.1	759.5	-90.6	A part year vacancy is the reason for the majority of this variance. Other contributors are reduced forecast spend on Mayoral events and significantly lower forecasts for spend on member training in 20/21.
	Electoral Services	442.7	0.0	442.7	442.7	0.0	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. Forecast reflects carry forward of any available funds to supplement 21/22 expenditure.
	Legal Services	792.2	0.0	792.2	609.3	-182.9	Significant levels of staffing vacancies within the year, these posts have been recruited to and staff are expected towards the end of the current financial year. In previous years high levels of external fees have been paid to cover the internal vacancies, 20/21 however has not seen costs of comparable level.
	Land Charges	-107.8	0.0	-107.8	-131.5	-23.7	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.
Kate Brown	Organisational Development & Human Resources	764.4	0.0	764.4	676.3	-88.1	The forecast reflects that there were budgeted posts that were not filled during the earlier months of the year. With regard to recruitment costs the needs and requirements of the organisation need to be assessed and future forecast amended based on outcomes.

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Narrative
<b>1b. PLACE</b>							
Simon Bland	Economic Prosperity	397.2	9.0	406.2	359.0	-47.2	Underspend predominantly driven as no Awards/Sponsorships (e.g. for entrepreneurship) were granted as activity had ceased in 20/21 due to COVID against a £30k budget. Costar Analytics is confirmed to underspend by £10k, as Outturn has been confirmed and paid.
Morag Williams	Fleet	860.9	0.0	860.9	908.4	47.5	The ageing fleet of waste vehicles gives rise to the £48k 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	1,430.6	219.3	The £219k overspend reported here is due to expected overspend on Temporary Staff of £123k, and an Overtime overspend of £54k. We are experiencing increased costs for the disposal of Dry Mixed Recyclate, as the annual tonnage so far is giving rise to a forecast that is 500 tonnes higher than expected.
	Engineering & Construction	109.2	-50.0	59.2	88.8	29.6	Minor variance due to reactive work to prevent flooding.
	Environmental Health & JET	1,066.5	4.0	1,070.5	1,033.2	-37.3	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	-168.8	44.0	Lower demand for licencing than originally forecast, especially for taxis.
	Greenspaces	1,410.9	0.0	1,410.9	1,347.7	-63.2	The underlying service area is likely to underspend by £63k, £54k of which is due to several operative vacant posts. It is anticipated that these vacancies will be filled shortly. The remaining underspend is due to minor variances.
	Car Parking	-2,036.7	0.0	-2,036.7	-1,990.6	46.1	This includes an overspend on equipment and tools of £12k, and an overspend on equipment maintenance and support of £21k.
	Street Cleansing	991.9	0.0	991.9	931.4	-60.5	The forecast includes -£43k for the cheaper cost of fuel, earlier this year. In addition there is an underspend on salaries, due to unfilled vacancies. There are other minor variances.
Peter Boarder	Place Delivery	292.8	88.0	380.8	401.1	20.3	The overall outturn variance is forecast to be an overspend of £20k after it was decided SCC had decided they will not be contributing towards our joint financing for Place Delivery work in 20/21. This would result in loss of potential income of an anticipated £31k. There is however, some underspend in consultancy costs, as 75% had been capitalised due to the nature of the work undertaken by the consultant.

## Budget Monitoring: Summary 2020-21

## 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	Narrative
Andrew Benson	Building Control	221.5	0.0	221.5	15.0	-206.5	The Building Control underspend relates to a partnership provision that is not currently expected to be drawn upon this year for the most part. However, there is a current expectation of paying out £15k as the COVID-19 grant applied to by our partners, is expected to be less than anticipated post audit. The underlying service is expected to declare a small overspend of £6k. This is made up of £223k underspend on salaries (vacancies & maternity leave) which is somewhat offset by an overspend of £190k Consultancy and a further £77k casual wages to cover these vacant posts. An old £20k Drainage budget will no longer be spent and is being offered up as a 21/22 saving. Planning Policy would also see an underspend of £43k within salaries to reflect current vacancies, although this is masked slightly with the overspends within consultancy charges.
	Development Services	211.4	0.0	211.4	217.3	5.9	
	Planning Policy	362.8	0.0	362.8	334.4	-28.4	

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Narrative
<b>1c. PEOPLE</b>							
Justine Chatfield	Community Development	406.2	30.0	436.2	417.6	-18.6	Minor variance to staff salary costs; a number of vacancies/posts were filled under budget due to spine point award and will be corrected for 2021-22. Minor variance to non-staff costs, COVID-19 impacted the normal operational
	Partnerships	419.3	-20.0	399.3	376.0	-23.3	
	Community Centres	407.5	-9.6	397.9	397.9	0.0	
	Voluntary Sector Support	295.1	0.0	295.1	295.1	0.0	
Richard Robinson	Housing Services	1,009.4	15.6	1,025.0	975.8	-49.2	The nature of B&B and Temporary Accommodation spend is highly volatile so this forecast is subject to change as the year continues. There has been a saving proposed for 21/22 of 40k
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 £393k. A £95K reduction in Housing Benefit subsidy is expected due to an increase in private supported accommodation in the borough, for which the Council does not get fully reimbursed by the government. The subsidy rate on all Housing Benefit expenditure is expected to be 99.3% of net expenditure, less than the usual rate of 99.6% that was received in the years leading up to 2019/20. Salaries are currently overspending by £144k after a detailed review of salaries across in-house work and commercial activities was carried out in conjunction with the Head of Service. There is also a potential cost pressure of £155k against Software Acquisitions and External printing which are continued to continue from 19/20. This budget is being reviewed as part of the 2021/22 Service and Financial Planning process. Commercial activities are expected to make a small loss in 20/21 of around £88.5k, with £70k of this loss is directly related to COVID-19 (reported in COVID-19 section) and the remaining £18.5k relates to underlying activities. Losses will reduce as more work is brought on stream and additional contracts are confirmed.
	Benefits	-295.3	-74.4	-369.7	-90.0	279.7	
	Benefits Commercial Activities	0.0	0.0	0.0	18.5	18.5	
Duane Kirkland	Supporting People	157.5	0.0	157.5	117.2	-40.3	Underspend attributable to a vacant post.
	Supporting Families	90.0	0.0	90.0	90.0	0.0	
	Harlequin	351.4	0.0	351.4	303.7	-47.7	Income reduction is reported in the COVID-19 section. So far in 20/21 the venue has been open for 18 weeks during which no live events have been able to take place it is expected that when the venue does open there will be continued strain on income due to social distancing. In the current forecast there are lower levels of expenditure due to reduced requirement of casual staff and other overheads.  Negotiations with the leisure provider continue following closure for the COVID-19 pandemic. Lower costs as certain schemes of activity work not undertaken in 20/21.
	Leisure Services	-93.3	0.0	-93.3	-111.6	-18.3	
<b>1d. MANAGEMENT TEAM</b>							
Frank Etheridge	Chief Executives Office	1,127.4	8.7	1,136.1	924.4	-211.7	Underspend relates to forecast expenditure for staffing being lower than originally budgeted. There is a 25k forecast for consultancy fees with covered within this underspend. Minor variance.
	Emergency Planning	29.7	0.0	29.7	25.8	-3.9	
<b>Total Services</b>		<b>14,899.5</b>	<b>128.6</b>	<b>15,028.1</b>	<b>14,514.3</b>	<b>-513.8</b>	<b>(3.42%)</b>

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Narrative
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**2. CENTRAL BUDGETS**

Pat Main	Insurance	482.1	0.0	482.1	489.6	7.5	Insurance contract at higher rate than forecast when the budget was set.
	Treasury Management - Interest on Investments	-54.0	-528.0	-582.0	-1,298.1	-716.1	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	321.1	-600.9	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
	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	321.2	-206.8	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
	Employer Pension costs	6,579.0	0.0	6,579.0	6,579.0	0.0	This budget represents 3 years of pension costs that have been paid in 2020/21.
Pat Main	Central Budget Contingencies	1,207.7	111.0	1,318.7	288.0	-1,030.7	See analysis below.
	New Posts Fund	158.8	0.0	158.8	0.0	-158.8	Current expectations are that there will be no call on these funds
	External Audit Fees	50.3	-20.0	30.3	53.6	23.3	Expectation of fees based on PSAA forecast.
	Internal Audit Fees	0.0	61.2	61.2	58.5	-2.7	Minor variance.
Kate Brown	Apprenticeship Levy	71.4	0.0	71.4	71.4	0.0	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, any 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	74.7	17.9	The variance presented relates to expected training costs.

**Total Central Items** 9,560.1 142.2 9,702.3 7,017.0 -2,685.3 (27.68%)

**Grand Total** 24,459.6 270.8 24,730.4 21,531.3 -3,199.1 (12.94%)

**Central Budget Contingencies**

Pat Main	Miscellaneous salaries	77.1	188.1	265.2	0.0	-265.2	Current expectations are that there will be no call on these funds
	Headroom Contingency Budget	1,073.1	-77.1	996.0	250.2	-745.8	The current forecast outturn costs are the settlement payments relating to the former Chief Executive
	Preceptor Grants	57.5	0.0	57.5	37.8	-19.7	Expected pay over is expected to be less than budgeted values

**Total Central Budget Contingencies** 1,207.7 111.0 1,318.7 288.0 -1,030.7

**COVID-19**

Pat Main	Covid-19 (MT20900)	0.0	0.0	0.0	4,554.2	4,554.2	
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**Total Covid-19 Costs** 0.0 0.0 0.0 4,554.2 4,554.2