

8. **BUDGET MONITORING REPORT – APRIL 2021 TO JUNE 2021  
(FINANCIAL SERVICES – PAUL FRENCH)**

**Synopsis of report:**

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

**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 June 2021.

2 **General Fund Revenue Budget**

- 2.1 The Council began the year with General Fund balances 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
  - Produce 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 'G' 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 'G' sets out the net expenditure for each service area against the forecast outturn as at 30 June 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 'H'.
- 2.5 At the present time none of the savings from the recently approved Voluntary Redundancy (VR) scheme have been recorded in these figures as negotiations are ongoing with staff as to leaving dates etc. Once these have been firmed up in the next month and as Corporate Heads start returning their budget submissions for 2022-23 these will be fed into an updated MTFS to be submitted to the Committee by December.
- 2.6 As reported to the June meeting of this Committee, it is anticipated that the VR scheme will create net revenue savings of £0.5m in a full year with one-off termination costs of approximately £1.3m being capitalised.

### Commercial Income

- 2.7 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.
- 2.8 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).

### General Fund Reserves & Balances

- 2.9 The following table sets out the predicted movement in General Fund reserves for the next 4 years if no savings are made to the base budget. The General Fund Working Balance line shows that there is an underlying deficit of approximately £2.5m which is not sustainable. This is why the Council has set itself a £2m savings target, starting with the VR scheme and restructuring plans currently being implemented.

<b>ESTIMATE July 21</b> <b>(Excluding savings targets)</b>	Balance at 31 March 2021	Movement in 2021/22	Balance at 31 March 2022	Movement in 2022/23	Balance at 31 March 2023	Movement in 2023/24	Balance at 31 March 2024	Movement in 2024/25	Balance at 31 March 2025
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>General Fund Working Balance</b>	15,188	-2,968	12,220	-2,940	9,280	-2,656	6,624	-2,450	4,174
Business Rates (NNDR) equalisation reserve	10,880	-4,000	6,880	-4,000	2,880	-2,880	0	0	0
Englefield Green Maintenance	237	0	237	0	237	0	237	0	237
Equipment repairs and renewals reserve	889	-651	238	22	260	316	575	-237	339
Infrastructure Feasibility Reserve	222	-170	52	0	52	0	52	0	52
Insurance Reserve	106	0	106	0	106	0	106	0	106
Investment Property income equalisation reserve *	3,750	0	3,750	0	3,750	0	3,750	0	3,750
Property repairs and renewals reserve	1,945	-1,700	245	0	245	0	245	0	245
<b>Total</b>	<b>33,217</b>	<b>-9,488</b>	<b>23,729</b>	<b>-6,919</b>	<b>16,810</b>	<b>-5,221</b>	<b>11,589</b>	<b>-2,686</b>	<b>8,903</b>
* NB: 2027 Potentially need £7m+ to cover for rent free lease periods									

- 2.10 In total the General Fund assets total close to £1bn. A reserve for repairs and maintenance and income variations of £4m is not adequate for a General Fund asset base close to £1billion – commercial assets, community assets, the civic centre etc. and needs to be increased. However, this cannot be done when there is a substantial ongoing annual General Fund deficit.

2.11 The Equipment repairs and renewals fund is also at a low level while the Council has significant commitments to replace community transport vehicles, refuse collection vehicles etc.

### 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 'I'. This summary sets out the net expenditure for each service area against the forecast outturn as at 30 June 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 'J'.

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 'I' is expected to drop by £184,000 from £4.320m to £4.136m. 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.

4.2 Exempt Appendix '3' at pages 100 to 102 of the Confidential Part II agenda for this meeting (exempt under paragraph 3 of Schedule 12A to Part 1 of the Local Government Act 1972 and circulated only to Council Members) summarises the latest capital programme to the end of June 2021 updated for predicted movements in payment profiles and forecast under/overspends on the schemes as a whole. Included in the 2021/22 figures are:

- £3m of budgets that have been carried forward from 2020/21 where schemes and/or payments were delayed.
- £25m for the HRA New Build Programme (approved by the Housing Committee as part of the HRA Business Plan in March 2021)
- A new sum for the Addlestone One refurbishment works (CMC – July 2021)
- Provisions for:
  - ANPR Car parking Programme
  - Restructuring and Transformation costs
  - Addlestone One Internet upgrade
  - Parking Services system
- Reprofiting of the provision for Digital Transformation and Runnymede Pleasure Ground schemes

#### Capital receipts

4.3 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

4.4 The table on the next page 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:

	<b>Original Estimate £'000</b>	<b>Latest Prediction £'000</b>	
Usable receipts in hand	7,773	3,579	
<b>New Receipts:</b>			
DIYSO Sales	300	200	
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
Less used to Finance Capital	(18,406)	(18,412)	
<b>Usable receipts at year end</b>	<b>8,186</b>	<b>106</b>	

4.5 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 'G' materialise at the year end, this will reduce the General Fund working balance by £2.968m taking it from £15.188m at the start of the year to £12.220m at 31 March 2021. The HRA surplus for the year shown in Appendix 'I' is expected to drop by £184,000 from £4.320m to £4.136m.

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 year, it may be necessary to further delay some capital schemes.

6.3 The basic problems now facing the General Fund budgets have the following two major causes:

- (i) The budget was to be balanced by investing £100m in commercial assets to generate a net income of £2.5m which would increase over time and debt charges would be fixed. This would provide for Members' growth aspirations and contribute to the earmarked reserves to fund short life capital assets. The Covid 19 pandemic halted that strategy
- (ii) Government have now prohibited commercial investment using PWLB borrowing. If other sources of borrowing are used there is a potential risk the PWLB will not lend to this Council in the future.

6.4 The budget for this year assumed reductions in income from car parks etc. 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 'H' shows a further fall of £641,000 over and above the planned income reductions. In total Appendix 'H' shows a reduction in the working balance of £1.6 million.

- 6.5 There are a number of projects carry forwards shown at Appendix 'H' and budgets not yet committed contractually, such as school transport provision which Members could re-visit to reduce spending.
- 6.6 In a similar way capital receipts are almost fully depleted and Members may wish to defer some projects.
- 6.7 Council policy is only to borrow when the debt charges can be funded by an increased revenue stream – a necessarily prudent approach. The only two large projects which could conceivably be loan funded are the Thames flooding and A320 project. Borrowing £7m would increase interest charges, at 1.5% fixed for 50 years, by £105,000 plus MRP set aside to repay £7m. However, there would be no additional income to offset this which would place even greater risk on the General Fund balance.

**(For information)**

### **Background Papers**

None stated

## General Fund Financial Monitoring Statement June 2021

Service Area	Original Budget £000	Forecast Outturn £000	Variance £000
Housing Committee	2,050	2,058	8
Community Services Committee	5,507	5,447	(60)
Environment & Sustainability Committee	4,067	4,373	306
Licensing Committee	31	31	0
Regulatory Committee	98	98	0
Planning Committee	1,645	1,803	158
Corporate and Business Services	(15,712)	(15,028)	684
Efficiencies & Revenue Reductions	(500)	0	500
<b>Net expenditure/(surplus) on services</b>	<b>(2,814)</b>	<b>(1,218)</b>	<b>1,596</b>
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)	(4,000)	(120)
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)	(209)	0
Dividends and Loan interest	(1,477)	(1,477)	0
Capital financing costs	15,097	13,579	(1,518)
Minimum Revenue Provision	3,973	4,526	553
Taxation and Non-specific grant income:			
Council Tax	(5,832)	(5,832)	0
Business rates retention	1,144	944	(200)
New Homes Bonus	(599)	(599)	0
Lower Teir Services Grant	(800)	(800)	0
Other Grants - COVID-19: emergency funding	0	(416)	(416)
<b>(Contribution to) / Use of Working Balance</b>	<b>3,073</b>	<b>2,968</b>	<b>(105)</b>

<b>General Fund Working Balance:</b>		
Assumed GF Working Balance at 1 April	5,489	15,188
2020/21 in year movement (from above)	(3,073)	(2,968)
<b>Assumed GF Working Balance at 31 March</b>	<b>2,416</b>	<b>12,220</b>
<b>Note: Minimum Working Balance £3m</b>		

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 June 2021**
**APPENDIX 'H'**

( ) = 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				
<b>Housing Committee</b>								0
Reallocation of Housing IT system costs between GF & HRA				8				8
								0
<b>Community Services Committee</b>								0
<b><u>Community Services</u></b>								0
Community Transport - Anticipated savings from delay in restart of School Bus Service					(200)			(200)
Community Services - Admin - Fees	9							9
								0
<b><u>Community Development</u></b>								0
Parks General - Casuals	20							20
Parks General - Grounds Specials	15							15
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
Safer Runnymede - contract income - Spelthorne out of hours calls and answering service						(5)		(5)
								0
<b>Environment and Sustainability Committee</b>								0
<b><u>Environmental and Regulatory Services</u></b>								0
Air Quality - Budget provision	3							3
Refuse and recycling - sale of bins						(5)		(5)
Green Waste - additional round required for 2 months, increased weight/tonnage of waste				20				20
Refuse - bulky waste project on hold							4	4
Trade Waste Collection - Income							20	20
Trade Waste Collection - disposal costs, price per tonne lower than estimated					(30)			(30)
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
<b><u>Highways and Transport Services</u></b>								0
Flood Mitigation - Civil Engineering	8							8
Flood Mitigation - Ground Maintenance	1							1
Car Parks - Chertsey Library, charging suspended until Sept whilst vaccination centre open							40	40
Car Parks - Pay & Display income at other sites lower							200	200
Car Parks - Reduction in non residents permits and season tickets							40	40
Car Parks - PCN income lower than estimated							5	5
Environmental Maintenance - RBC - hanging baskets and troughs cancelled for 21/22					(15)			(15)
								0
<b>Planning Services</b>								0
Padd Farm - Court costs - Enforcement	44							44
Local Plan - Other Professional	2							2

## GENERAL FUND - Changes in Net Expenditure on Services as at 30 June 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				
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							7	7
Longcross Garden Village - £100k 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
<b>Corporate Management Committee</b>								0
<b>Corporate, Democratic and Central Services</b>								0
Corporate Management - Economic development strategy potential income						(6)		(6)
Corporate Management - Fraud increased recharges to HRA						(30)		(30)
Democratic Representation - Independent remuneration panel - every three years				3				3
Register of Electors - IER grant funding						(6)		(6)
Council tax - increased use of Hybrid mail				20				20
Business rates - Business support administration grant						(167)		(167)
Additional Covid19 costs (covered by Grant on GF Summary page)				20				20
								0
<b>Commercial Property &amp; Business Services</b>								0
Pine Trees Viability - Surveyors Fees	45							45
Land & Prop Portfolio - Surveyors Fees	125							125
Magna Sq Landlord costs - Marketing	18							18
Addlestone One - S&W ventilation improvements				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)							265	265
								0
<b>Control &amp; Establishment</b>								0
Civic Centre - rent increase						(21)		(21)
Chertsey Depot - Reorganisation professional fees	23							23
Training - Management development	13					(13)		0
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				10				10
Digital services - Modern.Gov CMC May 2021				11				11
Digital services - Transformation Programme - Increased computer maintenance costs				21				21
Digital services - Comms development				9				9

## GENERAL FUND - Changes in Net Expenditure on Services as at 30 June 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				
								0
<b>Efficiencies &amp; Revenue Reductions</b>								0
Variations in Strategic Maintenance Plan as agreed at CMC February 2021					(31)			(31)
Unmet Savings target				500				500
(Note: Voluntary Redundancy savings currently being worked out based on leaving dates)								0
								0
<b>Total changes in net expenditure</b>	<b>418</b>	<b>0</b>	<b>0</b>	<b>1,290</b>	<b>(329)</b>	<b>(424)</b>	<b>641</b>	<b>1,596</b>

	<b>£'000</b>
<b>Original Net Expenditure on Services (as per the 2021/22 Budget Book)</b>	<b>(2,814)</b>
<b>Total changes in net expenditure</b>	<b>1,596</b>
<b>Forecast Net Expenditure on Services</b>	<b>(1,218)</b>

## HRA Financial Monitoring Statement June 2021

Service Area	Original Budget	Forecast Outturn	Variance
	£000	£000	£000
<b>Expenditure</b>			
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
	<b>12,434</b>	<b>12,618</b>	<b>(184)</b>
<b>Income</b>			
Rent from dwellings	16,574	16,574	0
Non-dwelling rents and income	180	180	0
Interest on balances	0	0	0
	<b>16,754</b>	<b>16,754</b>	<b>0</b>
<b>Revenue Surplus / (deficit) in the year</b>	<b>4,320</b>	<b>4,136</b>	<b>184</b>

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

## 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 June 2021

( ) = reduced expend or increased income

## APPENDIX 'J'

	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				
<b>Revenue Expenditure &amp; Income</b>								
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
<b>Total changes in net expenditure</b>	<b>0</b>	<b>85</b>	<b>0</b>	<b>67</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>184</b>

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				
<b>Changes in Capital Programme -</b>								0
Land acquisition in Chertsey (Hsg Ctte - April 2021)		4,500						4,500
								0
								0
<b>Total changes in capital expenditure funded from working balance</b>	<b>0</b>	<b>4,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,500</b>

9. **UPGRADE OF HOUSING IT SYSTEM  
(HOUSING – ANDY VINCENT)**

To follow.

10. **URGENT ACTION – STANDING ORDER 42  
(LAW AND GOVERNANCE – JOHN GURMIN)**

A copy of proforma 982 detailing action taken after consultation with the Chairman and Vice – Chairman of this Committee and the Chairman and Vice-Chairman of the Housing Committee is attached at Appendix 'K'. Approval by email has been given by the Chairman of the Housing Committee to this Urgent Action and a copy of the signed and dated proforma will be forwarded to officers when physically possible.

**(For information)**

**Background Papers**

Email from Chairman of the Housing Committee approving Urgent Action Standing Order 42 982