Guildford Borough Council

# Report to: Executive Briefing

# Date: 14th February 2024

# Ward(s) affected: All

# Report of Director: Joint Executive Head of Finance (section 151)

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# Report Status: Open

## Month 9 Financial Monitoring 2023/24

### Executive Summary

The report summarises the projected outturn position for the Council’s General Fund (GF) revenue account and Housing Revenue Account (HRA), based on the latest actual and accrued data.

The revised budget has been adjusted to reflect the changes agreed to bring the budget back into a balanced position. Officers are projecting an underspend within services on the GF revenue account of £0.712 million which includes specific reserves transfers. Corporate adjustments, provisions and external interest receivable, is forecast to overachieve by £0.402 million to give an overall favourable variance of £1.114 million. Any surpluses or deficits would impact reserves at year end.

Officers are projecting an overspend on the HRA of £0.953 million, details are highlighted in the report.

GF reserves are forecast to be £34.481 million at year end, of which £31.292 million are earmarked and £3.189 million are available and classed as usable, this excludes the GF working balance.

Progress against the capital programme is underway. The Council expects to spend £74.4million on its capital schemes by the end of the financial year against a budgeted expenditure of £228.58 million. This forecast supports the report of the Interim Executive Head of Finance reducing the Capital Programme by £96.6 million

### Recommendation to Committee

That the Committee notes:

* 1. The Council’s latest financial monitoring for the financial year 2023/24 and pass any comments and observations to the Executive.

### Reason(s) for Recommendation:

* 1. To ensure that councillors and Executives fulfil their responsibilities for the overall financial management of the Council’s resources.

### Exemption from publication

* 1. No.

### Purpose of Report

* 1. This report shows the projected outturn for 2023/24 for the GF and HRA based on the latest actual position and assumptions, and progress against capital projects within its capital programme.

### Strategic Priorities

* 1. Councillors have reviewed and adopted a Corporate Plan for the period 2021-2025. Monitoring of our financial position during the year is a crucial part of managing the resources that will ultimately support the delivery of the corporate plan.

### Background

* 1. The Council’s Corporate Management Board, Chief Financial Officer and Deputy review monitoring reports. Financial monitoring for all services is reported to the Council’s Corporate Governance and Standards Committee on a regular basis.
  2. This report sets out the financial monitoring and covers the GF, Capital and HRA monitoring.

### Consultations

* 1. Finance specialists prepare the financial monitoring in consultation with the relevant service managers, Joint Executive Heads of Service and Directors.
  2. The lead councillor for finance has been consulted on the content of this report.

### Key Risks

* 1. Any overspend on the GF will impact on the Councils reserve position and potentially in future years depending on the reasons for the over spend.
  2. Any overspend on the HRA will impact on the ringfenced reserves held within the HRA.
  3. The value of unpaid work held within the orchard system may have significant impact on GF and HRA reserves.

### Financial Implications

**General Fund Revenue Account**

* 1. The current forecast spending against the council’s net GF budget for the year is projected to be a favourable position of £1.114 million. The forecast is based on the worst-case scenario for expenditure pressure.

The table below shows the GF Summary monitoring report. Officers have prepared the projected outturn on the latest available information. Monitoring takes place against the revised budget for the year (original budget approved by Council in July 2023 plus any virements or supplementary estimates during the year).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **GENERAL FUND SUMMARY** | **Original Estimate** | **Latest Estimate** | **Projected Outturn** | **Variance to latest** |
|  | **2023-24** | **2023-24** | **2023-24** | **2023-24** |
|  | **£** | **£** | **£** | **£** |
| Community Wellbeing | 18,037,833 | 17,973,424 | 18,107,615 | 134,191 |
| Place | (2,044,480) | (2,472,930) | (1,779,511) | 693,419 |
| Transformation and Governance | 10,190,811 | 9,437,718 | 7,898,507 | (1,539,211) |
| **Total Directorate Level** | **26,184,164** | **24,938,211** | **24,226,611** | **(711,600)** |
| Less capital charges | (8,772,936) | (8,772,936) | (8,772,936) | 0 |
|  | **17,411,228** | **16,165,276** | **15,453,675** | **(711,600)** |
| Corporate Items |  |  |  |  |
| External interest receivable (net) | (2,794,690) | (3,394,690) | (3,813,777) | (419,087) |
| Interest payable to Housing Revenue Account | 1,375,960 | 1,375,960 | 1,307,779 | (68,181) |
| Minimum Revenue Provision | 1,780,745 | 1,618,674 | 1,617,981 | (693) |
| Other reserve movements | 9,940 | 9,940 | 95,786 | 85,846 |
| Business Rates GF impact | (3,152,126) | (3,152,126) | (3,152,126) | 0 |
| Other Govt Grants | (227,765) | (227,765) | (227,765) | 0 |
| New Homes Bonus | (1,282,629) | (1,282,629) | (1,282,629) | 0 |
| Council Tax Collection Fund | 0 | 140,061 | 140,061 | 0 |
|  |  |  |  |  |
| **Net General Fund Cost** | **13,120,662** | **11,252,699** | **10,138,984** | **(1,113,715)** |
| Council Tax requirement | 11,252,700 | 11,252,700 | 11,252,700 | 0 |
| **Shortfall / (surplus)** | **1,867,962** | **(0)** | **(1,113,716)** | **(1,113,715)** |

The table below shows variances within the directorates spending with major variances across services explained in Appendix 1

|  |  |  |  |
| --- | --- | --- | --- |
| **Directorate** | **2023/24 Revised Budget £ million** | **2023/24 Year-end Forecast £ million** | **2023/24 Variance £ million** |
| Community Wellbeing | 17.973 | 18.108 | 0.134 |
| Place | (2.473) | (1.780) | 0.693 |
| Transformation & Governance | 9.438 | 7.899 | (1.539) |
| **Totals** | **24.938** | **24.227** | **(0.712)** |

* 1. **Housing Revenue Account**

The HRA is forecast to have an adverse variance this financial year by £0.953 million, as summarised in table below. This would reduce the transfer to reserves if action cannot be taken to reduce this.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2023/24 Revised Budget £ million** | **2023/24 Forecast £ million** | **2023/24 Variance £ million** |
| Expenditure  Income  Transfer to Reserves | 21.761  (36.654)  14.893 | 23.222  (37.162)  13.940 | 1.461  (0.508)  (0.953) |
| **(surplus)/deficit** | **0.000** | **0.000** | **0.000** |

All significant variances are shown in appendix 2

* 1. **Reserves Monitoring**

The GF earmarked revenue reserves estimate as at 31 March 2024 includes £31.292 million of projected earmarked reserves which are not available for general spending because they are contingent in nature (for example the insurance reserve) or are earmarked for specific future spending such as car parks maintenance which helps even out expenditure on the GF.

The Council is also required, under accounting practice, to hold endowment funds received as developer planning contributions in earmarked reserves for the long-term repairs and maintenance expenditure on Special Protection Areas (SPA) or Suitable Alternative Natural Greenspaces (SANGs), these reserves are required to fund the revenue costs of SPA / SANGS in perpetuity.  Earmarked reserves for SPA and SANGS are projected to be £14.202 million at 31 March 2024.

The level of projected earmarked reserves available for general purposes, to support the revenue or capital budgets is therefore the balance of the MTFP £3.189 million.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Balance at 31 March 2023** | **Receipts in Year** | **Transfers out in Year** | **Estimated Balance at 31 March 2024** |
|  | **£000** | **£000** | **£000** | **£000** |
| **General Fund Reserves** |  |  |  |  |
| MTFP | (4,277,712) | 0 | 1,088,950 | (3,188,762) |
| Carried Forward Items | (870,238) | 0 | 122,000 | (748,238) |
| ICT Renewals | (1,894,367) | (500,000) | 926,000 | (1,468,367) |
| Insurance | (500,000) | 0 | 0 | (500,000) |
| Spectrum | (773,352) | 0 | 352,631 | (420,721) |
| Car Parks Maintenance | (2,330,540) | 0 | 394,049 | (1,936,491) |
| Car Parks Equalisation reserve | 0 | (500,000) | 0 | (500,000) |
| Business Rates equalisation | (2,930,539) | (5,619,763) | 0 | (8,550,302) |
| Special Protection Areas (SPA) sites | (13,588,745) | (723,924) | 110,641 | (14,202,028) |
| BR Covid ongoing | (330,462) | 0 | 0 | (330,462) |
| Other reserves | (1,361,017) | (1,781,994) | 507,837 | (2,635,174) |
| **TOTAL** | **(28,856,972)** | **(9,125,682)** | **3,502,108** | **(34,480,546)** |

There is no statutory minimum for the level of General Fund Balance to be held although it is widely accepted that a between 5% – 10% of net budget is best practice. For the Council this would be between £1.249 million and £2.498 million

* 1. **Capital Programme**

The table below summarises the current position on the various strands of the Council’s capital programme. A detailed explanation is provided in paragraphs below.



**Approved (main) programme** Expenditure is expected to be £72.12 million representing a £105.82 million variance to the revised estimate of £177.94 million. If a project is on the approved programme, it is an indicator that the project has started or is near to start following the approval of a final business case by Executive. Whilst actual expenditure for the period of £39.69 million (as shown in appendix 4) may seem low, several significant projects are in progress and delivery of the corporate projects and programmes is progressing. See appendix 3 for details of the movements.

**Provisional programme**

Expenditure on the provisional programme is expected to be £0.458 million, against the revised estimate of £48.77 million, representing a variance of £48.31 million. These projects are still at feasibility stage and will be subject to Executive approval of a business case before they are transferred to the approved capital programme. It is only once the business case is approved that the capital works can begin. Monitoring the progress of these projects is key to identifying project timescales.

The re-profiling of schemes has resulted in a lower level of expenditure than planned in 2023/24.

**S106 programme**

Capital schemes funded from s106 developer contributions are expected to total £303,000. Developer contributions are time limited and if they are not used within the timescales to fund a capital project then they will need to be repaid to the developer. As a result, it is important that the Council closely monitors the S106 funds it has and puts plans in place to spend the contributions within the required timescales. There is regular reporting to CGSC on the position of s106 agreements.

**Reserves**

Some capital schemes are funded from the Council’s specific reserves. The outturn is anticipated to be £1.50 million. The main projects are:

* Expenditure on car parks £330,000.
* ICT renewals and infrastructure improvements £962,000

**Capital Resources**

When the Council approved the budget in February 2023, the estimated underlying need to borrow for 2023/24 was £149.35 million. The current estimated underlying need to borrow is £20.84 million. The reduction is due to significant changes in the programme where schemes have been re-profiled into future years, removed from the programme or moved to the Capital Vision (as agreed as part of the Financial Recovery Plan in December).

**Capital Funding**

The table below outlines the various streams of grant and s106 funding for our two main Capital Projects, Weyside Urban Village (WUV) and Ash Road Bridge.



**Housing Investment Programme Approved Capital**

The HRA approved capital programme is expected to outturn at £34.537 million against a revised estimate of £60.955 million. Several projects are in progress.

The Guildford Park, Bright Hill and various small site new build projects and acquisition of land and buildings into the HRA is partially funded by receipts generated through Right to Buy (RTB) Sales of Council Houses. With the changes on RTB Pooling the council now has 5 years in which it can spend RTB receipts and can fund 40% of the cost of replacement housing from the RTB receipts. Should the Council not spend enough money on its Housing Investment Programme in order to utilise its RTB receipts within the timescales then they will need to be repaid to government with interest at base rate plus 4%. The RTB schedule below details:

* the amount of expenditure required to avoid repayment, based on actual spend to date and assumption of 20 RTB sales per year, and
* A forecast of expenditure to be incurred as detailed on the approved housing capital programme.

Based on this scenario there is no current risk of repayment over the MTFP period, however, should the capital programme be subject to delay and slippage this risk will increase.



### Sundry Debt

* 1. As at the 31st December 2023 the sundry debt (including Housing Benefit overpayments) position is £5.760 million of which £558k is less than 30 days and within payment terms, leaving £5.202 million overdue debt. Of that, £1.505 million is supported by payment plans leaving £3.697 million which is debt due to the council. This has risen from last month as the Legal Quarter billing was done for 25th December combined with a holiday period. We saw £1 million move into overdue from last month of which one invoice for £620k (SAMM Contribution) is currently being worked on and expected to be paid before the end of January.



The Christmas period is generally a difficult time for collections due to a reduction in working days but we are expected to be back on track by the end of January. Debt over 31 days overdue is £3.418m which is £200k down on previous month showing the good work the team are doing to reduce the old debt.

Age of Debt

Age of debt is monitored to ensure our response is appropriate and effective.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Age of Debt** | **Overdue by less than 30 days** | **Overdue between 31 & 60 days** | **Overdue between 61 & 90 days** | **Overdue between 3 to 12 months** | **Overdue by more than 12 months** | **Total Debt** |
| **Type of Debt** | **£** | **£** | **£** | **£** | **£** | **£** |
| **Sundry Debt on a Payment plan** | **1,321** | **9,546** | **1,120** | **201,952** | **667,249** | **887,100** |
| **Remaining Sundry Debt** | **1,752,460** | **98,484** | **51,940** | **368,703** | **292,279** | **3,109,070** |
| **Housing Benefit Debt on Payment Plan** | **0** | **5,177** | **8,871** | **9,917** | **593,679** | **617,645** |
| **Remaining Housing Benefit Debt** | **29,583** | **762** | **2,699** | **57,346** | **1,048,679** | **1,146,337** |
| **Total Debt** | **1,783,364** | **113,970** | **64,631** | **637,919** | **2,601,888** | **5,760,152** |

NB: Green = value is less than last month Red = value is higher than last month

1. December is a notoriously difficult month due to the festive period and reduced working hours and this is reflective in the £1m that has moved to overdue.
2. Monthly reviews of the case team debt portfolio are scheduled and has benefited the team with clear prioritisation and more support on difficult customers
3. Escalation process is continuing to progress with services now receiving the debt reports for their services and also the wider finance team include the debt position into the regular conversations being had around budget monitoring.
4. Any overdue debt at the end of the financial year will give rise to a bad debt calculation and impact on the GF revenue account.

### Legal Implications

* 1. Financial reporting is consistent with the Section 151 officer’s duty to ensure good financial administration of the council.

### Human Resource Implications

* 1. There are no human resources implications arising from this report.

### Equality and Diversity Implications

* 1. There are no direct equality and diversity because of this report. Each Executive Head of Service will consider these issues when providing their services and monitoring their budgets.
  2. This duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications arising directly from this report.

### Climate Change/Sustainability Implications

* 1. This duty has been considered in the context of this report and it has been concluded that there are no climate change or sustainability implications arising directly from this report.

### Summary of Options

* 1. This report outlines the anticipated end of year position for the 2023/24 financial year based on the latest assumptions and actual data. This report should be considered in the current economic context and the updated December Finance Recovery Plan

### Conclusion

* 1. The report summarises the financial monitoring position to date for the 2023/24 financial year.
  2. There is currently a net favourable variance from budget of £1.114 million on the general fund. Services must review all known risks and continue to manage budgets to ensure this remains favourable.

### Background Papers

* 1. None.

### Appendices

* 1. Appendix 1 Summary Directorate Variances
  2. Appendix 2 HRA Summary Variances
  3. Appendix 3 Approved Capital Programme Movements
  4. Appendix 4 Capital Programme

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| --- | --- |
| **Service** | **Sign off date** |
| Finance / S.151 Officer |  |
| Legal / Governance |  |
| HR |  |
| Equalities |  |
| Lead Councillor |  |
| CMB |  |
| Executive Liaison/briefing |  |
| Committee Services |  |

Please ensure the following service areas have signed off your report. Please complete this box and do not delete.