

Executive Report

Ward(s) affected: All

Report of Chief Finance Officer

Author: Claire Morris

Tel: 01483 444827

Email: claire.morris@guildford.gov.uk

Lead Councillor responsible: Tim Anderson

Tel: 07710 328560

Email: tim.anderson@guildford.gov.uk

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Revenue Outturn Report 2019-20

Executive Summary

General Fund (GF) Revenue Account

Overall, the outturn on the General Fund was £331,208 less than we originally budgeted, which reflects our continued sound financial management. The report sets out the major reasons for the variance.

Our net income from interest receipts is £1.194 million more than estimated and the minimum revenue provision (MRP) for debt repayment is £39,640 lower than estimated.

The general fund summary is set out at **Appendix 1** and reasons for the major variances by service are set out in **Appendix 2** (which excludes depreciation and capital charges).

The Chief Finance Officer, in consultation with the Leader of the Council and the Lead Councillor for Resources have used their delegated authority to transfer the underspend to the Invest to Save Reserve to support the transformation agenda.

Earmarked reserves

The closing balance on each of the Council reserves are set out in **Appendix 3** together with the ongoing policy for each.

Collection Fund

The Business Rates balance on the Collection Fund is particularly susceptible to movements in the number and value of appeals that businesses have made against their rateable values. We have no control over these appeals, and have limited information from the Valuation Office to help us assess the potential impact.

The Collection Fund revenue account for the year is set out in **Appendix 4**. There is an overall deficit on the Collection fund of £1.37 million.

The outturn position was included in the Statement of Accounts signed by the Chief Finance Officer on 31 August 2020, which is currently being audited by Grant Thornton.

This report was considered by the Corporate Governance and Standards Committee at its meeting on 30 July 2020. The Committee commended the report to the Executive.

Recommendation to Executive

That the Executive notes the Council's final outturn position for 2019-20 and endorses the decisions taken under delegated authority to transfer the amounts set out in Section 5 of the report to the relevant reserves.

Reasons for Recommendation:

- To note the final outturn position and delegated decisions taken by the Chief Finance Officer which will be included within the statutory accounts the Chief Finance Officer signed at the end of August.
- To facilitate the ongoing financial management of the Council.

Is the report (or part of it) exempt from publication? No

1. Purpose of Report

- 1.1 This report gives the final position on the General Fund and the Collection Fund revenue accounts for the 2019-20 financial year. It explains the major variances from the General Fund revised estimate and reports how the available balance has been used.
- 1.2 The outturn position on the General Fund Capital Programme and the Housing Revenue Account has been included in separate reports within the agenda papers.

2. Strategic Priorities

- 2.1 Good financial management underpins the achievement of the council's strategic framework.

3. Background

- 3.1 The Secretary of State's announced on 16 March 2020 his intention to extend the statutory audit deadlines for 2019-20, after taking into consideration the increasing impact of COVID-19.
- 3.2 In accordance with that decision and the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020:
- the publication date for final, audited, accounts will move from 31 July to 30 November 2020 for all local authority bodies.
 - no later than 31 August the Chief Finance Officer (CFO) must sign and date the statement of accounts and certify that it presents a true and fair view
 - the audit will take place after 31 August and conclude before the final accounts are presented to councillors for approval

- to give local authorities more flexibility, local authorities must commence the public inspection period on or before the first working day of September 2020. Therefore, before completion of the audit, the accounts will be open for scrutiny by the public for 30 working days. The accounts will be open for inspection on our website from 31 August 2020 to 13 October 2020 <https://www.guildford.gov.uk/soa>
- the CFO must re-certify the statement of accounts prior to its approval by the Council or a committee
- no later than 30 November, the Council or a committee must consider and approve the statement of accounts, which are then signed by the person presiding at the meeting. The Corporate Governance and Standards Committee will be asked to consider and approve the audited accounts at its meeting on 19 November 2020.
- we must publish the audited accounts by 30 November 2020.

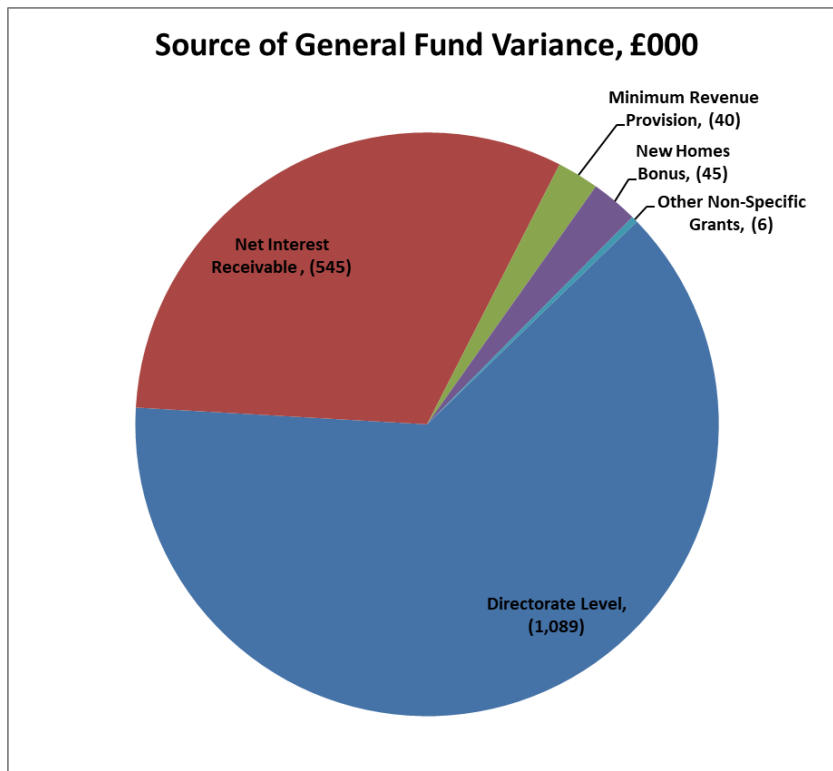
3.3 This report sets out the final position on two revenue accounts – General Fund and Collection Fund.

3.4 Officers have included the impact of the final position in the statutory statement of accounts, which the CFO signed on 31 August 2020. Grant Thornton will conclude the external audit before November.

4. General Fund Revenue Account

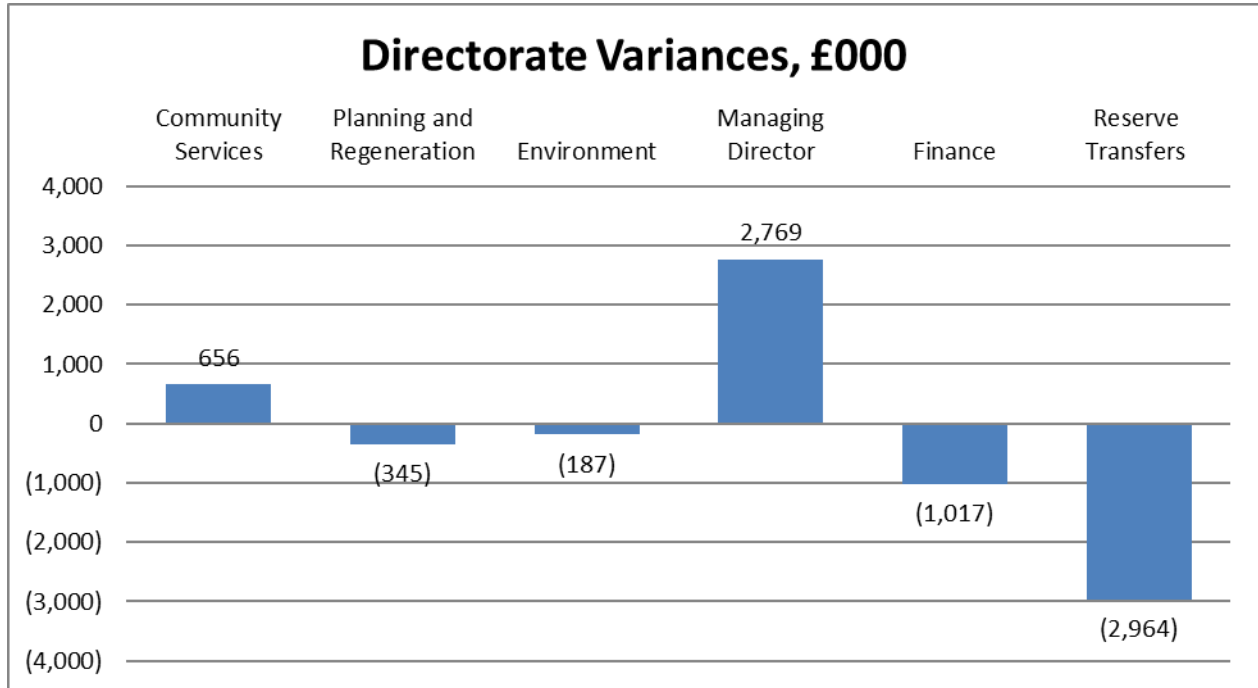
Summary of Outturn Position

4.1 The overall variance on the General Fund is net expenditure £1.7 million less than budget. This arises from four areas; the Directorates, external interest received, the Minimum Revenue Provision cost and non-specific government grants. This is set out in the chart below:



Directorates

- 4.2 The directorates, before reserve transfers, are approximately £1.8 million over budget overall. However, there are differences in the position of each directorate, as shown in the chart below.



- 4.3 **Appendix 2** provides explanations of any service variances above £20,000 within each directorate.

Interest receivable

- 4.4 The weighted average interest rate achieved on our investment portfolio was 1.42% against a budget, which was 1.61%. We had higher balances than we estimated when we set the budget and therefore net interest received (after paying interest on external loans) was £952,093 more than revised estimate. The higher balances come from having more cash than estimated at the start of the year and slippage in the 2018-19 capital programme.

- 4.5 The General Fund pays interest to the Housing Revenue Account (HRA) on its balances. The 2019-20 interest to the HRA was £242,233 lower than budgeted because the Council incurred interest charge from the Government for not spending enough HRA capital spend on new build under the 141 replacement homes agreement. This was charged to the HRA.

- 4.6 Overall, net interest received by the General Fund was £1.194 million more than estimated.

Minimum Revenue Provision (MRP)

- 4.7 Minimum Revenue Provision is a charge to the revenue account for unfinanced capital expenditure. The 2019-20 budget was based on the estimated capital-financing requirement (CFR) at the end of the previous year (31 March 2018) and was £966,280 based on an estimated CFR of £93.8 million. The actual General

Fund CFR at 31 March 2019 was £119.91 million, which generated a minimum revenue provision of £926,640 (£39,640 lower than the revised budget).

Transfers to reserves

4.8 The majority of transfers to and from reserves are opposite accounting entries to either Revenue Contributions to Capital Outlay (RCCO) or items within the service accounts (and therefore do not affect the overall position). The transfers that are not service related and affect the total net expenditure that were included in the 2019-20 budget are:

- Business Rates Equalisation reserve; increased contribution of £467,000 (see paragraph 4.19)
- New Homes Bonus (NHB) reserve; in accordance with the Council's policy to transfer some of the new homes bonus grant received in the year to reserve, £38,646 was transferred to the reserve. The Council has also used £75,550 of the NHB reserve in year to pay for schemes detailed in paragraph 6.10.

4.9 We also contributed around £270,530 to the carry forward reserve for projects that were on going at the end of the financial year.

4.10 **Appendix 3** gives a full list of the balances on earmarked reserves and the purpose for which they were established.

COVID – 19

4.11 COVID19 is a world-wide pandemic which has resulted in severe measures to contain the virus both in the UK and nearly 200 other countries. The Council has a vitally important role in responding locally to COVID19, to save lives, protect the NHS, and ensure our residents are protected wherever possible. We also have a duty to ensure that crucial council services continue to operate in these unprecedented times.

4.12 The Council has incurred expenditure that was not foreseen when the budget was set in February 2019. Cost incurred in the 2019-20 financial year total £250,769 with much more expenditure in 2020-21 anticipated. The expenditure incurred is detailed in the table below.

Description	£
Emergency Accommodation	295,199
Equipment and Tools	5,249
Consumables	1,899
Gross Expenditure	302,346
Government Grant	(51,577)
Net Expenditure	250,769

4.13 Significantly more expenditure is expected to be incurred during the 2020-21 financial year. The Council, at its meeting on 5 May 2020 approved a revenue supplementary estimate of £14 million to be funded from general fund reserves and

that such funding would be drawn down only if further government support is not forthcoming or is insufficient to cover the financial impact of COVID19 on the Council.

Business Rates Retention Scheme (BRRS)

- 4.14 The Government introduced the Business Rates Retention Scheme (BRRS) from 1 April 2013 to replace the Formula Grant system of distributing grant to local authorities.
- 4.15 The scheme includes a baseline level of funding and allows the Council to keep an element of business rate income above the baseline. However if the business rate income is lower than the baseline, the Council bears the loss up to 7.5% of the baseline, after which there is a safety net payment. If estimated income were above the baseline, there is a levy charged of 50% of the additional income which is passed on to the government.
- 4.16 When we set our 2019-20 budget, we projected the business rate income we would receive (£87.1 million of which the Council's 30% share is £26.1 million) and provided this estimate to the government in our NNDR 1 return. At the end of the year, we update the data based on actual income (£88 million of which the Council's 40% share is £35.2 million) and inform the government in our NNDR 3 return.
- 4.17 The table below shows the difference between the actual and estimated income from business rates and the resulting impact on the levy payment:

<u>Business Rates Retention Summary 2019/20</u>	2019/20 Budget	2019/20 Actual	2019/20 Variance
	£0	£0	£0
BRRS – tariff	31,333	31,333	0
Business Rates levy payment to MHCLG	1,274	1,383	109
BRRS - equalisation reserve transfer	(2,570)	(2,103)	467
	30,037	30,613	576
BRates Collection fund deficit	1,493	1,493	0
BRRS - s31 grant	(1,825)	(2,401)	(576)
BRRS - retained income	(34,941)	(34,941)	0
BRRS - net position	(5,236)	(5,236)	(0)

The Council's current policy is to transfer its share of the levy or safety net payment to the business rates equalisation reserve to help smooth the volatility in income from business rates under the BRRS and to help us manage the fluctuations in our business rate income that will occur as we carry out our development plans for the town centre.

S31 grant relating to Council Tax

- 4.18 The government has introduced a council tax discount for certain types of annexe and compensates us for the loss in income under s31 of the Local Government Act 2003. The amount of grant received in 2019-20 was £24,170 (£21,976 in 2018-19).

Overall Position

- 4.19 The overall position on the General Fund was £331,208 million lower net expenditure than originally budgeted.

- 4.20 The table below summarises the overall position on the General Fund. The figures exclude various accounting adjustment items such as capital charges, International Accounting Standard 19 (IAS 19) adjustments relating to Pension Funds, and other items that do not have any effect on the Council's net budget. The service unit figures include budgeted and actual contributions to service-related earmarked reserves where appropriate.

	Revised Estimate	Actual	Variance to rev est
	2019-20	2019-20	2019-20
	£000	£000	£000
Directorate Level Expenditure (excluding depreciation & capital charges. Major variances by directorate are explained in Appendix 2)	15,412	17,287	1,875
Transfers to reserves (included in Directorate expenditure)	(100)	(3,064)	(2,964)
Directorate Level Expenditure (excluding depreciation, capital charges and reserve transfers)	15,312	14,223	(1,089)
Net interest receivable (paragraph 4.6 to 4.8)	(279)	(824)	(545)
Minimum Revenue Provision (paragraph 4.9)	966	927	(40)
Business rates retention scheme - net position after transfer to business rates equalisation reserve (paragraph 4.13 to 4.18)	(5,236)	(5,236)	0
New Homes Bonus (net of transfer to reserve, paragraph 4.10)	(1,031)	(1,076)	(45)
Transition grant and s31 council tax grant (paragraph 4.19)	(44)	(50)	(6)
Collection Fund Council Tax (surplus) / Deficit	86	86	0
TOTAL net budget (excl parish precepts)	9,774	8,049	(1,725)

5. Treatment of available balance

- 5.1 The CFO, under delegated authority in consultation with the Leader of the Council and the Lead Councillor for Resources has utilised the balance available for the year of £1.7 million by making a transfer to the Invest to Save Reserve to support the delivery of the Future Guildford Transformation Programme.

6. Major earmarked reserves

- 6.1 The Code of Practice on Local Authority Accounting that controls the production of the Council's statutory accounts does not require us to include a complete list of the Council's Reserves and Balances in the Statement of Accounts. A complete list of earmarked reserves is detailed in **Appendix 3**.
- 6.2 All of these reserves have been set up for a specific purpose and the appendix shows the current policy related to each.
- 6.3 The reserves are cash backed and the accounts include the interest earned on the balances in the revenue account.
- 6.4 The following table and paragraphs summarise movements on the major reserves (those with an opening or closing balance of more than £1 million). All the balances quoted are before the transfers suggested in section five above.

	Balance at 31 March 2019 £000	Transfers In 2019-20 £000	Transfers Out 2019-20 £000	Balance at 31 March 2020 £000
General fund:				
Budget Pressures	1,929	-	174	1,755
Business Rates Equalisation	8,050	364	2,699	5,715
Capital Schemes	893	600	893	600
Car Parks Maintenance	4,705	637	1,107	4,235
Invest to Save	4,415	2,657	2,806	4,266
IT Renewals	1,204	941	1,479	666
New Homes Bonus	3,527	1,039	1,076	3,490
Park and Ride	1,650	-	-	1,650
Special Protection Area (SPA) Sites	6,194	3,578	5	9,767
Spectrum	1,638	185	-	1,823
Other earmarked reserves	10,064	1,337	1,023	10,378
Total	44,269	11,338	11,262	44,345

- Budget pressures reserve
- 6.5 This reserve was set up as part of closing the 2014-15 accounts to help manage unforeseen expenditure pressure during the year. £174,269 was financed from this reserve in the year.
- Business Rates Equalisation reserve
- 6.6 This reserve was set up in 2013-14 to help accommodate the potential volatility of the Business Rate Retention Scheme and to mitigate the effects on our business rates income of any town centre redevelopment. In closing the accounts, we have used this reserve to fund £1.2 million of expenditure in the general fund.
- Carried forward items (within other earmarked reserves)
- 6.7 This reserve, is shown as part of 'other reserves' and allows the budget for items that we have not completed in the year to be carried forward so they can be finalised in later years without affecting that years' budget. In 2019-20, the Council used £477,000 of the reserve relating to items carried forward at the end of 2018-19 and made a contribution of £270,000 to the reserve in respect of items unspent in 2019-20. The balance on the reserve as at 31 March 2020 is £1.654 million.
- Car Parks Maintenance and Improvement
- 6.8 This reserve funds repairs, maintenance and improvements in the Council's off street car parks. The Council approves its use annually as part of the Car Parks Business Plan.
- Invest to Save Reserve
- 6.9 This reserve funds investment opportunities (that will allow us to achieve ongoing savings) and short term increases in revenue costs during periods of transition. We made a budgeted contribution of £250,000 and transferred £256,000 into this reserve from the carry forward reserve. We financed revenue expenditure of £2.589 million from the reserve, mainly relating to redundancy and pension fund strain costs resulting from the Future Guildford transformation programme. £217,000 was transferred to the Salix reserve to match fund the Salix extra contribution. The CFO, in consultation with the Leader of the Council and the Lead Councillor for Resources

has used her delegated authority to transfer the 2019-20 underspend in full to the Invest to Save Reserve to support the transformation agenda.

New Homes Bonus

- 6.10 New Homes Bonus (NHB) is a general grant that we receive from the government. It is not ring fenced for any specific purpose and is financed nationally mainly by reductions in revenue support grant. We made a £38,000 budgeted contribution to reserve in 2019-20, and financed expenditure of £75,550 Spectrum 2 feasibility, Watts Gallery grant and Ripley Village Hall forward funding in line with the Council's NHB policy. The closing balance is £3.49 million of which £1.90 million is committed to infrastructure and regeneration projects. The Council's policy is to transfer any increase in NHB to reserve to fund specific short to medium term projects or capital projects as identified in the approved capital programme. The Council approved the New Homes Bonus Policy in February 2016, which informs the allocation of this grant during the budget setting process to specific projects each year.

Park and Ride

- 6.11 This reserve was established in 2008-09 in lieu of a s106 contribution from the Queen Elizabeth Park development, which was used to fund park and ride site expenditure at Merrow and Artington. This reserve is used to support Park and Ride services.

SPA reserves – Effingham, Riverside, Chantry Woods, Lakeside & Parsonage Meadows

- 6.12 The Council is obliged to hold SPA endowment funds in reserve to pay for the revenue costs of SPA sites over an 80-year period. The reserves also receive interest on balances during the course of the year.

Spectrum

- 6.13 This reserve is available to finance structural repairs and improvements.

7. Collection Fund

- 7.1 Appendix 3 shows the final figures for the Collection Fund. Because of the introduction of the BRRS, we now show the transactions for Council Tax and National Non Domestic Rates (NNDR) separately.

National Non-Domestic Rates (NNDR) or Business Rates

- 7.2 With the introduction of the BRRS, we have a balance on the fund that we will have to take account of when setting future year's budgets, in the same way that we do for Council Tax.
- 7.3 The owner/occupier of a business property can appeal against the valuation of a property at any time. The Valuation Office Agency (VOA) deals with these appeals. Appeals made up to 31 March 2015 could be backdated to 1 April 2010.
- 7.4 The deficit on the Business Rates element of the Collection Fund has reduced by £1.7 million to £2.06 million at 31 March 2020. This deficit, adjusted for any difference between estimate and projected outturn in 2020-21, will feed into the General Fund, as a cost, in 2021-22. The use of the Business Rates Equalisation reserve enables us to manage the impact of these in-year movements.

- 7.5 The collection rate for the 2019-20 financial year was 97.8% at 31 March 2020 (99.40% for 2019-20).

Council Tax

- 7.6 The Local Council Tax Support Scheme (LCTSS), introduced by the government in 2013-14, continues to make it difficult to estimate our Council Tax income. Some people who had previously received housing benefit now receive a reduction in their Council Tax instead and some now pay at least some Council Tax where they did not under the Housing Benefit system. These reliefs can change throughout the year as people move in and out of employment.
- 7.7 The final out-turn figure for Council Tax receivable was higher than the original estimate by **£1,875,609** with a resultant final balance from a deficit to a net positive balance of **£698,298**.
- 7.8 The collection rate for the 2019-20 financial year was 98.60% at 31 March 2020 (98.90% for 2019-20).

Balance on Collection Fund

- 7.9 The overall balance carried forward on the Collection Fund Revenue Account, is a deficit of £1.4 million. This is made up of a deficit balance of **£2.1 million** in relation to Business Rates and a surplus of **£0.7 million** in relation to Council Tax. The deficit is shared between the relevant major preceptors and Central Government (Business Rates only) as part of setting the 2020-21 budget.

8. Consultations

- 8.1 Officers have consulted the Lead Councillor for Resources about the recommendations in this report.

9. Executive Advisory Board

- 9.1 Because of the tight timescale set down in legislation for the preparation and approval of the accounts it is not possible for the Executive Advisory Board to consider this report prior to the Executive.

10. Equality and Diversity implications

- 10.1 There are no direct equality and diversity implications because of this report.

11. Financial implications

- 11.1 We have included the financial implications within the various sections of this report.

12. Legal implications

- 12.1 The Accounts and Audit (England) Regulations 2015 state that the Council must prepare, in accordance with proper practices in relation to accounts, a statement of accounts for each year, which must include such of the following accounting statements as are relevant to the functions of the relevant body:

- Housing Revenue Account
 - Collection Fund
 - any other statements relating to each and every other fund in relation to which the body is required by any statutory provision to keep a separate account
- 12.2 The proper practice referred to above is the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice (the Code).
- 12.3 The Code is based on International Financial Reporting Standards (IFRSs) and has been developed by the CIPFA/Local Authority Scotland Accounts Advisory Committee (LASAAC) Code Board under the oversight of the Financial Reporting Advisory Board (FRAB). It constitutes a proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.
- 12.4 The CFO signed the Statement of Accounts on 31 August. Our external auditors, Grant Thornton is now auditing the accounts before they are presented to the Corporate Governance and Standards Committee for consideration and approval on 19 November 2020. Specifically the role of the committee is to “review the annual statement of accounts with specific emphasis on whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council”.
- 12.5 The Accounts and Audit (England) Regulations 2015 require the CFO to re-certify the accounts before approval and for the person presiding at the meeting (i.e. the chairman of Corporate Governance and Standards Committee) to sign and date them after approval. We must then publish the Statement of Accounts, together with any certificate, opinion or report issued by the external auditor.

13. Human Resource Implications

- 13.1 There are no human resources implications.

14. Summary of Options

- 14.1 As the treatment of the year-end balance has been decided under delegated authority, there are no options to consider.

15. Conclusion

- 15.1 2019-20 has continued to be a year of continuing change for the Council and it is pleasing that we have maintained our strong record of financial management throughout.

16. Background Papers

[Budget Book 2019-20](#)

17. Appendices

Appendix 1: General Fund Summary

Appendix 2: General Fund Variances by Service

Appendix 3: List of earmarked reserve balances

Appendix 4: Collection Fund Revenue Account