

Corporate Governance and Standards Report

Ward(s) affected: All

Report of Director of Resources

Author: Vicky Worsfold

Tel: 01483 444834

Email: Victoria.worsfold@guildford.gov.uk

Lead Councillor responsible: Councillor Tim Anderson

Tel: 07710 328560

Email: tim.anderson@guildford.gov.uk

Date: 26 November 2020

Financial Monitoring 2020-21

Executive Summary

The report summarises the projected outturn position for the Council's general fund revenue account, based on actual and accrued data for the period April to September 2020.

Officers are projecting an increase in net expenditure on the general fund revenue account of £6,806,000.

Covid-19 continues to impact the Council in several ways including the inability to maintain income levels at those budgeted for in February 2020. The direct expenditure incurred by the Council in the current financial year stands at £948,881 with support received from the Government of £1,954,748. The Government support will contribute to both the direct and indirect costs of the Covid-19 pandemic.

The indirect costs of Covid-19 are reflected in the services forecasting. As the pandemic continues, estimates for losses in income and increased costs have been made with the best information available, these are subject to change as the year progresses. This Report considers the expenditure and income forecasted up to 30 September (before the second lockdown occurred) and will therefore potentially move adversely as the second lockdown progresses.

Council, at its meeting of 5 May 2020 approved an emergency budget to deal with the impact of Covid-19 should government support fall short of the final costs of the pandemic. Government have since announced further support for local authorities and figures will be updated to reflect this support once the detail has been received.

There is a reduction (£351,107) in the statutory Minimum Revenue Provision (MRP) charge to the general fund to make provision for the repayment of past capital debt reflecting a re-profiling of capital schemes.

A surplus on the Housing Revenue Account will enable a projected transfer of £8.53

million to the new build reserve and £2.5 million to the reserve for future capital at year-end. The transfer is projected to be £97,384 higher than budgeted assumption and reflects modest variations in repair and maintenance expenditure and staffing costs.

Progress against significant capital projects on the approved programme as outlined in section 7 are underway. The Council expects to spend £97.896 million on its capital schemes by the end of the financial year. The expenditure is higher than it has been for many years and demonstrates progress in delivering the Council's capital programme.

The Council's underlying need to borrow to finance the capital programme is expected to be £74.456 million by 31st March 2021, against an estimated position of £125.956 million. The lower underlying need to borrow is a result of slippage on both the approved and provisional capital programme as detailed in paragraph 7.3 to 7.6 of the report.

The Council held £143 million of investments and £276 million of external borrowing on 30 September 2020, which includes £192.5 million of HRA loans. Officers confirm that the Council has complied with its Prudential indicators in the period, which were set in February 2020 as part of the Council's Capital Strategy.

Recommendation to Corporate Governance and Standards Committee

That the committee notes the results of the Council's financial monitoring for the period April to September 2020 and makes any comments it feels appropriate.

Reason(s) for Recommendation:

To allow the committee to undertake its role in relation to scrutinising the Council's finances.

1. Purpose of Report

- 1.1 Recommendation 8 of the 2015 Council Governance Review was: 'That the importance of the Corporate Governance and Standards Committee to the Council be recognised, particularly in the way in which it supports the overview and scrutiny function through ongoing scrutiny of financial matters, including its proposed expanded remit on the treasury management function and budget monitoring.'
- 1.2 This Committee started its enhanced review of our financial management at its meeting on 24 September 2015. This report covers the period April to September 2020.

2. Strategic Priorities

- 2.1 Councillors have reviewed and adopted a corporate plan for the period 2018-2023. The plan includes many significant projects and aspirations that will challenge us financially. Monitoring of our financial position during the financial year is a critical part of the management of resources that will ultimately support delivery of the corporate plan.

3 Background

- 3.1 The Council undertakes regular financial monitoring in the following ways:
- reporting the General Fund and Housing Revenue Account position on a bimonthly basis [periods 2, 4, 6, 8 and 10]. This report covers the period to September 2020 [period 6].
 - quarterly monitoring of the capital programme
 - monthly and quarterly monitoring of its treasury management activity
- 3.2 The Council's Corporate Management Team (CMT), Chief Finance Officer and deputy, and officer capital programme monitoring group review monitoring reports. Financial monitoring for all services is reported to the Council's Corporate Governance and Standards Committee on a regular basis.
- 3.3 This report sets out the financial monitoring and covers:
- general fund revenue monitoring (section 4)
 - housing revenue account monitoring (section 5)
 - treasury management (section 6)
 - capital programmes (section 7)

4 General Fund Revenue Account monitoring

- 4.1 Officers are projecting an increase in net expenditure on the general fund revenue account of £6,806,000 in most cases this is a result of the impact of Covid-19.
- 4.2 The direct costs associated with the Covid-19 pandemic in the current financial are £948,881 offset by Government grant of £1,954,748 and these are included in the forecast for the Resources Directorate. The breakdown of the direct costs to date are shown in the table below along with an estimated forecast for the year. These figures exclude any impact the second national lockdown will have and are expected to worsen.

Description	Actual £	Forecast £
Housing		764,000
Emergency Accommodation	175,045	
Culture		3,424,000
Leisure costs	341,461	
Finance & Corporate		66,000
Finance/Computer Software	29,479	
Other shielding		344,000
Food Purchases	197,886	
Other PPE		529,000
Staffing costs (incl. Marshalls)	88,121	

Consumables	91,873	
Equipment	20,232	
Other – excluding service areas		285,000
Grants and Subscriptions	37,964	
Other	4,784	
Gross Expenditure	948,881	5,412,000
Government Grant	(1,954,748)	(2,100,000)
Net Expenditure	(1,005,867)	3,312,000

- 4.3 Estimates have been made for increased costs and lower than expected income within services with the best information available, these estimates will be continue to be monitored closely as the year progresses, and as further information becomes available.
- 4.4 The estimates contained within the report relate to the period from April to the end of September and therefore does not consider the costs and implications of the second lockdown. This again will be closely monitored but it expected to worsen the position reported here.
- 4.5 **Appendix 1** shows the summary monitoring report for the general fund revenue account. Officers have prepared the projected outturn on six months actual and accrued data.
- 4.6 **Appendix 2** shows detailed information for each service split between direct expenditure and income and indirect costs. We monitor the projected outturn against the revised (or latest) budget as this takes into account any virement or supplementary estimates approved since the original budget was set in February 2020.
- 4.7 Net external interest is currently projected to be £641,385 which is lower than our original estimate. The reduction is caused by the COVID-19 related fall in interest rates in the current financial year.
- 4.8 The Minimum Revenue Provision (MRP) based on the Capital Financing Requirement (CFR) on 31 March 2020 for the purposes of this report is shown as £1.288 million. This is £351,107 lower than originally estimated. The reduction is due to slippage in the capital programme experienced during 2019-20.
- 4.9 The overall projected position for net expenditure is £6, 806,000 higher than estimate.
- 4.10 The table shows the supplementary estimates and virements approved to date.

Supplementary Estimates 2020-21

Service/Description	Approval Date	Committee	Value £
Nil			
TOTAL			NIL

Virement Record 2020-21

Service/Description	Nature of Virement	Approved by	Date of Approval	Value £
Devolutionary & Recovery Bill	Revenue	Executive	25/08/2020	30,000
TOTAL				30,000

- 4.11 **Appendix 2** provides detailed information on variances at service level. The table below summarises the main components of the higher than budgeted service level expenditure referred to in paragraph 4.1.

Service	Explanation	Variance
Arts Development	Salary savings.	(22,361)
Business Forum	A carry forward request relating to a grant and associated loan to a local business for £40,000 has been included in the forecast but is not currently in the budget	42,380
Civic Expenses	Salary savings and borough promotional cost savings due to event cancellations because of Covid-19.	(46,209)
Climate Change	Salary savings.	(40,361)
About Guildford	Savings in advertising and promotion	(43,233)
Community Safety	Savings in staffing	(40,055)
Council & Committee Support	Paperless meetings, together with remotely held meetings are estimated to deliver savings. Redundancy costs have been incurred. The forecast recharge to the HRA has been reduced.	76,115
Corporate Programmes	Planned and reactive repairs expected to be under budget now by £350,000.	(354,440)
Electoral Registration	Forecast savings in individual electoral registration fees.	(62,875)
Industrial Estates	Business rates and void costs over budget. Carry forward for consultancy not yet added to budget. Rents and service charges over budget.	214,809
Investment Property	Void property business rates offset by savings in recharged salaries and insurance. Rental income reduced by £38,000.	73,438
Leisure Management Contract	Income budgets have been affected by the Covid-19 with less income off set by less expenditure.	1,149,213

Other Property	Carry forward not yet added to budget. Rental income below budget. Uncontrollable expenditure over budget due to depreciation and asset development.	161,787
Town Centre Management	North Street market was free of charge for the first three months of the financial year and sponsorship and advertising income will not be met	211,664
Affordable Housing	Cost of expensive agency staff member covering vacant posts.	44,235
Building Control	Agency and consultant costs. Income under budget by £100,000	126,152
Building Maintenance	Only emergency repairs possible, resulting in lower income. Materials and contractor costs are lower than budget as a result of the reduced activity.	32,845
Traveller Caravan Sites	Surrey wide traveller site survey £25,000 to be funded from reserves. Higher water charges of £15,000.	29,700
Crematorium	Temporary staff carry forward for fixed plant machinery maintenance not yet loaded. No abatement scheme income in 2020-21	48,546
Council Tax	Due to Covid-19 recovery action is being deferred; it is expected that income from recovery of costs will reduce by £190,000.	185,739
Day Services	£125,000 of budgeted salary savings delayed. Additional overtime and agency costs to cover vacancies. Reductions in catering, events costs and income from sales of £86,000 due to the closure of the centres.	251,323
Development Control	Carry forward not yet loaded will offset salary overspend. Temporary staff will have left as Phase B finalised. Planning appeals currently over budget. Income under budget	294,141
Digital Services	Budget virement for salaries excluded in error- corresponding underspend in Public Relations	45,722
EMI Services	Budgeted salary savings delayed. Additional overtime and agency costs and reduction in income.	139,744
Engineering and Transportation	There are salary savings due to vacancies and the support service recharge won't be met consequently	(87,100)
Environmental Health		82,641

Family Support	Increase in grant income from SCC will increase by £247,000 to reflect the transfer of the service from Waverley BC.	(165,958)
Guildford House	Salary savings due to vacancies. Supplies and services and income less than budgeted due to Covid related closure.	(60,320)
Housing Benefits	Additional grant funding from central government	(63,821)
Homelessness Support	Income received from DCLG in respect of Flexible Homelessness Support Grant £150,235 and Homelessness Prevention Grant £336,252 will be used to support additional expenditure.	(287,824)
Land Charges	Shortfall of income of £77,000	57,598
Leisure Play	As a result of Covid-19 casual staffing levels are expected to be lower along with costs relating to the hire of premises.	(71,577)
Leisure Rangers	As a result of Covid-19 casual staffing levels are expected to be lower along with costs relating to the hire of premises.	(43,132)
Licensing	Income down as a result of Covid-19	47,989
Major projects	Employee costs less than the revenue budget. The allocation between revenue and capital will be revised at each monitoring period. There are unbudgeted agency costs of £147,772. Consultants costs of £1,436,362 will be funded from reserves.	1,514,873
MOT Bay	Reduction in staffing and reduced income	44,224
Community Meals & Transport	Net salary saving due to vacancies. Additional cost of food purchases £15,000 offset by additional income of £97,000 due to an increase in the sale of meals due to COV1d 19.	(97,894)
Guildford Museum	Lower casual requirement. Carry forward of £70,000 and £13,000 for consultancy and accreditation not yet loaded. Income under budget due to closure	92,938
Off-street Parking	Salary savings due to vacancies. Works funded from CPMR will be £327,020 (the budget as loaded is £190,000). Savings in supplies and services. Income shortfall is significant with no restrictions in off-street parking for the first three months of the financial year.	5,112,831
On street Parking	Salary savings due to vacancies. SCC payment under agency greatly reduced with net expenditure projected for Guildford on street. £23,810 funded from CPMR for electric charging points.	480,786

Parks & Countryside	Salary savings due to vacancies. Carry forwards not yet loaded. No contributions to festivals which will result in a saving of £20,000. £80,000 Stoke Park master plan funded from reserve. Income less than budgeted.	316,647
Park & Ride	The contribution to Spectrum P & R weekend service will increase as bus operator income falls.	22,474
Policy, Community & Events	Salary savings due to vacancies. Only £25,000 of CIL carry forward to be spent and IDP carry forward will not be spent. Savings in consultant costs, printing and inspectors' fees. Grants of £30,000 expected for neighbourhood plans.	(315,543)
Private Sector Housing	Income falling short on services provided to clients as a result of Covid-19	28,681
Refuse & Recycling	Additional costs due to agency staff. Vehicle hire costs are will be over budget. Trade refuse disposal charges and refuse sack sales are less than budget but so is the corresponding income. Educational promotion and publicity budgets will not be spent. Garden waste income will exceed budget. Cardboard recycling income will not achieve budget.	244,580
River Control	Recharges are greater than budgeted due to the collapse of the weir at Millmead.	32,032
SPA Sites	Receipts are greater than budgeted with net income transferred to reserve at year end	(137,958)
Street Cleaning	Salary savings due to vacancies. Increased hire of vehicle costs.	(289,400)
Taxi Licensing	Income is expected to be down as a result of Covi-19 with reduced income expected from vehicle applications and renewals.	60,644
TIC	Projected income shortfall due to closure.	30,901
Vehicle Maintenance	There is a redundancy cost in this service which represents the variance to budget	26,926
Waste & Fleet business development	Vehicle hire costs are over budget- Trade disposal charges and sack sales are below budget but so is income. Garden waste income will exceed budget by £200,000	163,228
Woking Road Depot	Salary savings due to vacancy	(48,607)
Woking Road Depot Stores	Salary costs	(40,088)
Corporate Financial & Feasibility Studies	Increased costs of brokerage commission against budget.	64,404
Resources caseworker	Staffing and agency costs	216,433

Corporate Services	increase to reflect potential short-term borrowing	437,624
Lead Specialist - Finance	Increases in the costs of agency staffing.	115,809
Lead Specialist - HR	Increases due, in the main, to staffing and medical costs along with increases in insurance premiums.	52,948
Lead Specialist - ICT	Higher staffing costs and standby payment.	271,959
Lead Specialist - Legal	Salary savings although car leasing costs exceed budget by £11,000. The shortfall in income is due to a likely pause on developments resulting from Covid-19 on s106 income £40,000 and lower recharge of legal fees £50,000.	(94,442)
Miscellaneous Expenses	Includes the estimated additional costs and Government support to be received for Covid-19 first wave.	(2,650,670)
Other Employment	Additional staffing costs.	38,297
Unallocatable central overheads	Reflects the reduction of future years pension payments previously included.	(1,864,750)

Use of Reserves

- 4.12 As part of the budget setting process for 2020-21 it was anticipated that £256,000 would be transferred from earmarked reserves during the year. Major movements anticipated at this point in the year are explained in the table below.

Reserve	Variance (£000)	Explanation
Budget Pressure	120	Section 81 Environmental Act spending
Carry Forward Items	(112)	Infrastructure development planning and major projects spending unlikely to be used.
Car Park Maintenance	522	Multi Storey Car Parks repair and maintenance
IT Renewals	926	IT expenditure offset by revenue contributions.
On Street Parking	(260)	Income predictions lower as a result of Covid-19.
Invest to Save	220	Future Guildford expenditure
New Homes Bonus	70	Development of Leisure bid and Stoke Park master planning.
Energy Management	(42)	Contributions from revenue
Business Rates Equalisation	30	Deferred loan agreement
Other Reserves	(1,047)	Changes to SPA's, Refugee expenditure not budgeted, Unspent ringfenced grants taken to reserves, Family Support Programme higher grant received.
Net movement	428	

5 Housing Revenue Account

- 5.1 **Appendix 3** shows the budget monitoring report for the Housing Revenue Account (HRA) for the period April 2020 to September 2020. The report shows that HRA gross service expenditure, projected outturn is 102.56% of the budgeted level, whilst income is projected to be 100.03% of the budgeted level. The projected outturn would enable a transfer of around £11.03 million to the new build reserve and the reserve for future capital expenditure.
- The rental income estimates for 2020-21 included a revised prudent allowance for Right to Buy (RTB) sales and the re-commissioning of new units. Rental income is currently projected not to change from original forecast of £29.98m as a result of changes in the economic landscape, especially in employment, lending and property market due to the Covid-19 pandemic.
 - Current projections indicate that salary related expenditure; net of temporary staffing and redundancy costs, will be slightly lower than budget.
 - Emphasis continues to be on planned rather than responsive maintenance, supported by the benefits accruing from past levels of expenditure on planned capital and revenue maintenance works. Looking at last year's out-turn we are forecasting a modest increase in budget but slightly below last year expenditure on repairs.
 - The projected cost increases in communal cost includes insurance provision and other costs incurred last year that were not specifically provided for in the budget.
 - Apart from receipts from RTB sales, the estimates for the year do not provide for any repayment of HRA debt principal or for setting aside any amounts towards the repayment of debt. This is consistent with the HRA Business Plan, which prioritised the provision of additional housing. This approach will be subject to regular review and an updated business plan will be submitted reflecting constraints placed on the HRA by the prevailing legislation.
- 5.2 Tenancy arrears remain stable and are consistent with the assumptions contained in the business plan. Particular attention is paid to introductory tenancies (tenants of less than 12 months), as they often have no previous experience of managing a household budget or of renting a property.

HOUSING REVENUE ACCOUNT SUMMARY - BUDGET MONITOR (APRIL 2020- SEPTEMBER 2020)				APPENDIX 3	
2018-19	2019-20	Analysis	2020-21	2020-21	
Actual	Actual		Estimate	Projection	
£	£	Borough Housing Services	£	£	
738,104	793,019	Income Collection	689,870	701,138	
1,036,217	1,164,320	Tenants Services	889,510	934,365	

81,030	122,998	Tenant Participation	148,900	139,030
69,865	107,717	Garage Management	101,710	97,576
59,064	41,744	Elderly Persons Dwellings	75,280	73,729
584,036	575,851	Flats Communal Services	513,530	594,784
423,867	414,254	Environmental Works to Estates	444,460	440,293
5,676,678	6,265,983	Responsive & Planned Maintenance	5,869,138	6,158,020
121,665	137,128	SOCH & Equity Share Administration	139,820	142,172
8,790,527	9,623,015		8,872,218	9,281,107
		Strategic Housing Services		
419,543	485,497	Advice, Registers & Tenant Selection	366,800	350,607
217,026	201,203	Void Property Management & Lettings	212,290	181,426
9,700	5,120	Homelessness Hostels	5,120	5,070
155,194	175,717	Supported Housing Management	160,730	159,669
426,311	527,717	Strategic Support to the HRA	382,440	393,804
1,227,774	1,395,255		1,127,380	1,090,575
		Community Services		
938,878	883,927	Sheltered Housing	915,270	954,754
		Other Items		
5,638,889	5,640,147	Depreciation	5,525,000	5,528,730
(45,515)	5,059,974	Revaluation and other Capital items	0	0
163,276	160,590	Debt Management	150,000	148,125
343,578	36,359	Other Items	402,380	423,565
17,057,407	22,799,267	Total Expenditure	16,992,248	17,426,857
(31,991,396)	(32,532,978)	Income	(32,792,262)	(32,907,117)
(14,933,989)	(9,733,711)	Net Cost of Services (per inc & exp a/c)	(15,800,014)	(15,480,260)
258,720	251,530	HRA share of CDC	256,800	251,530
(14,675,269)	(9,482,181)	Net Cost of HRA Services	(15,543,214)	(15,228,730)
(456,206)	(598,260)	Investment Income	(598,260)	(598,260)
5,159,240	5,131,995	Interest Payable	5,142,230	5,142,230
(9,972,235)	(4,948,446)	Deficit for Year on HRA Services	(10,999,244)	(10,684,760)
0	67,919	REFCUS - Revenue funded from capital	75,000	75,000
2,500,000	2,500,000	Contrib to/(Use of) RFFC	2,500,000	2,500,000
7,849,699	8,530,888	Contrib to/(Use of) New Build Reserve	8,433,504	8,530,888
(421,229)	0	Tfr (fr) to Pensions Reserve	0	0
0	0	Tfr (from)/to CAA re: Voluntary Revenue Provision	0	0
76,058	0	Tfr (from)/to CAA re: Revaluation	0	0
0	0	Tfr (from)/to CAA re: REFCUS	0	0

(30,543)	0	Tfr (from)/to CAA re: Intangible assets	0	0
(1,750)	0	Tfr (from)/to CAA re: rev. inc. from sale of asset	0	0
0	6,150,360	HRA Balance	9,260	421,128
(2,500,000)	(2,500,000)	Balance Brought Forward	(2,500,000)	(2,500,000)
(2,500,000)	3,650,360	Balance Carried Forward	(2,490,740)	(2,078,872)
2018-19	2019-20	Analysis	2019-20	2019-20
Actual	Projection		Estimate	Projection
£	£	Borough Housing Services	£	£
(29,236,342)	(29,570,473)	Rent Income - Dwellings	(29,977,443)	(29,979,995)
(208,349)	(208,349)	Rent Income - Rosebery Hsg Assoc	(208,350)	(286,024)
(206,530)	(225,551)	Rents - Shops, Buildings etc	(224,650)	(224,660)
(718,083)	(753,058)	Rents - Garages	(759,744)	(759,740)
(30,369,304)	(30,757,431)	Total Rent Income	(31,170,187)	(31,250,419)
(140,122)	(113,577)	Supporting People Grant	(107,870)	(107,870)
(1,023,033)	(1,098,353)	Service Charges	(1,102,650)	(1,112,730)
(9,144)	(15,339)	Legal Fees Recovered	(28,840)	0
(51,614)	(53,277)	Service Charges Recovered	(55,000)	(225,121)
(398,179)	(495,001)	Miscellaneous Income	(327,715)	(89,670)
(31,991,396)	(32,532,978)	Total Income	(32,792,262)	(32,785,811)

6 Treasury Management

6.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management ("the Code") recommends that Councillors are informed of treasury management activities at least twice a year. This report therefore ensures the Council is embracing best practice in accordance with CIPFA's recommendations by reporting quarterly to Councillors.

Debt management

6.2 We have a substantial long-term PWLB debt portfolio for the HRA totalling £193 million. Currently, the general fund is only borrowing short-term for cash flow purposes. There is no cost of carry on our short-term borrowing.

6.3 The following table summarises the current borrowing position of the Council and the activity to month 6.

Loan type	Balance 31 July 20 £000	New loans £000	Loans repaid £000	Balance 30 Sep 20 £000	Weighted average rate of interest
PWLB					3.25%
Variable	45,000	0	0	45,000	
Fixed	147,435	0	0	147,435	
Maturity					
EIP	230	0	(115)	115	
Total long-term Loans	192,665	0	(115)	192,550	
Temporary Loans	82,500	7,000	(6,000)	83,500	0.50%
Total Loans	275,165	7,000	(6,115)	276,050	

Investment activity

- 6.4 During the period, we have continued with the diversification of our in-house investment portfolio into secure instruments such as bonds and secure bank deposits (not subject to bail-in) in line with our Treasury Management Strategy.
- 6.5 The Council's gross budgeted and projected investment income for 2020-21 is £1.6 million. The gross cash balances representing the Council's reserves and working balances on 30 September 2020 available for investment were £141 million and net of short-term borrowing £57.5 million.
- 6.6 The Council's budgeted, and projection of external interest cost, which relates to short and long-term borrowing, for the year is £0.6 million.
- 6.7 The original net interest receivable budget was £1,172,935. As at the 30 September, we are projecting that the outturn will be lower than budgeted.
- 6.8 The Council's annualised weighted return on investments for the period to September 2020 was 0.86% against an estimate of 2.17%. This is because interest rates have fallen significantly because of COVID-19 and are projected to stay very low for a long time.
- 6.9 The table below summarises the Council's investment activity for July to September 2020.

Investment	Principal invested £000	Balance 31 July 20 £000	Movement in investment £000	Change in capital value £000	Balance 30 Sep 20 £000	Weighted average rate of interest
Investment Funds						
CCLA	5,000	6,233	18	10	6,243	1.88%
M&G	2,508	2,865	21	125	2,991	2.84%
Royal London	2,500	2,327	(6)	1	2,328	0.10%
Schroders	1,000	572	(41)	(28)	544	4.52%
Funding Circle	490	496	(3)	(0)	496	1.85%
Fundamentum	2,000	1,960	0	(20)	1,940	0.65%
UBS	2,500	2,195	(71)	(59)	2,136	2.31%
In- House Investments:						
Call Accounts		432	-432		0	0.14%
Money Market Funds		39,259	16,517		55,776	0.22%
Notice Accounts		3,000	0		3,000	0.48%
Temporary Fixed Deposits		32,000	(6,000)		26,000	1.13%
Unsecured bonds		0	0		0	0.00%
Covered Bonds		17,100	0		17,100	0.77%
Long Term Fixed Deposits		19,500	0		19,500	1.65%
Revolving Credit Facility		5,000	0		5,000	1.70%
Total Investments		132,940	10,005	28	143,054	

- 6.10 Some of our externally managed funds have seen a fall in their capital values since inception. The falls are indicative of wider financial market movements over the same period. The Council's external investments are held for long-term purposes and are invested to generate an income for the Council over the longer term. Any loss in investment value will not be realised unless the investment is sold. The Council has an earmarked reserve available to utilise in the event of a loss, thus minimising the impact on the general fund.

Prudential Indicators

- 6.11 Officers confirm that the Council has complied with its Prudential indicators in the period, which were set in February 2020 as part of the Council's Treasury Management Strategy Statement.

Authorised limit and Operational Boundary for External Debt

- 6.12 The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit, which we should not breach.
- 6.13 The Council's authorised borrowing limit was set at £531 million for 2020-21.
- 6.14 The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst-case scenario without the additional headroom included in the Authorised Limit.
- 6.15 The operational boundary was set at £477 million for 2020-21.
- 6.16 The Chief Financial Officer confirms that there have been no breaches to the authorised limit and operational boundary during the year. Borrowing, at its

peak, was £275 million. The Council did, however, breach the amount invested with its operational bank, HSBC, due to cashflow uncertainties as a result of COVID-19. Whilst this wasn't an investment as such, because we use the call account for cashflow fluctuations, for transparency purposes we wanted to inform Councillors.

7 Capital Programmes

7.1 **Appendices 4 to 9** of this report set out the following for each scheme on the Council's capital programme

- the gross estimate for the scheme approved by the Executive
- the cumulative expenditure to 31 March 2020 for each scheme
- the estimate for 2020-21 as approved by Council in February 2019/20
- the 2020-21 revised estimate which considers the approved estimate, any project under spends up to 31 March 2020, and any virement or supplementary estimates
- 2020-21 current expenditure
- 2020-21 projected expenditure estimated by the project officer

7.2 The table below summarises the current position on the various strands of the Council's capital programme. Detailed explanation is provided in paragraph 7.3 to 7.11

CAPITAL EXPENDITURE SUMMARY	2020-21 Approved £000	2020-21 Revised £000	2020-21 Outturn £000	2020-21 Variance £000
General Fund Capital Expenditure				
- Main Programme	65,188	87,776	70,701	(17,075)
- Provisional schemes	102,356	85,383	20,762	(64,621)
- Schemes funded by reserves	3,984	8,402	6,314	(2,088)
- S106 Projects	0	119	119	0
- Affordable Housing (General Fund)	0	0	0	0
Total Expenditure	171,528	181,680	97,896	(83,784)
Housing Revenue Account Capital Expenditure				
Approved programme	11,468	13,716	13,716	(1)
Provisional programme	12,457	13,245	250	(12,995)
Total Expenditure	23,925	26,961	13,966	(12,996)

Approved (main) programme (Appendix 4)

7.3 Expenditure is expected to be £70.701 million representing a £17.075 million variance to the revised estimate of £87.776 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 £7.739 million may seem low, several significant projects are in progress. These include:

- OP6 – Vehicles, Plant & Equipment Replacement (£4.566m) – to include the replacement of refuse vehicles £3m and minibuses £820k.
- P5 – Walnut Bridge replacement (£3.414m) – works progressing timeframe for completion 12-18 months.
- P14 – Town Centre Approaches (£1m) – work is progressing.
- P21 – Ash Road Bridge (£2.257m) – work is progressing on this scheme with majority of budget still on provisional programme.
- ED6 – Slyfield area Regeneration Project (WUV) (£6.483m) and (New GBC Depot (£2.548m) - work is progressing on the detailed design, pre-planning and site investigation work for this scheme to inform the final business case.
- P12 – Strategic Property Acquisitions (£1.496m) - £625k potential new burial ground, £525k Foxs Garage, £107k Thornberry Way.
- North Downs Housing (£5.315m) and Guildford Holding Ltd (£3.543m) – target to purchase 25 properties this financial year, bringing total to 72.
- ED49 – Midleton Industrial Estate redevelopment (£3.755m) – work on design and planning is progressing with work on site to commence Jan 21 for phase 2/3.
- P16 – A331 Hotspots (£3.661m) – scheme is in discussion with SCC.
- FS1 – Capital Contingency Fund – (£5m)
- DF1 – Investment Property Acquisition – (£20m) moved from provisional Exec Sep 2020.

7.4 In addition to the schemes outlined above, the re-profiling of the following significant amounts that were due to be spent on schemes or projects in 2020-21 will now be carried forward into 2021-22 or future years:

- Town Centre Gateway Regeneration (£3.473m) – spend now expected in 2021-22, report for this project to Executive on 21 July 2020.
- SMC (£1.658m) – spend of £1.453m expected in 2020-21 with the majority of spend now expected in 2021-22.
- ED25 – Guildford Park infrastructure works (£3.056m) – spend of £250k expected in 2020-21 the remaining £2.806m in 2021-22, this scheme is awaiting decision regarding progression of works and new planning approval. A significant amount of the cost of this project is still on the provisional capital programme awaiting final business case approval.
- ED18 - Museum (£1.464m) and ED52 Public Realm Scheme (£1.616m) – decision is pending as to the future of these projects.
- ED49 – Midleton Industrial Estate redevelopment (£3.7m) – work on design and planning is progressing with work on site to commence Jan 21 for phase 2/3 so part of spend now expected in 2021-22.

Provisional programme (Appendix 5)

7.5 Expenditure on the provisional programme is expected to be £20.762 million, against the revised estimate of £85.383 million, representing a variance of £64.621 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 start. Monitoring progress of these projects is key to identifying project timescales. The significant projects are:

- ED6(p) – Slyfield area Regeneration Project (WUV) (£9.698m)
- P12(p) – Strategic Property acquisitions (£9.942m)

The re-profiling of schemes has resulted in a lower level of expenditure than planned in 2020-21.

7.6 A number of projects, that were also anticipated to start in 2020-21 have been re-profiled into future years including:

- PL21(p) - Ash Road Bridge (£23.240m)
- ED48(p) – Westfield/Moorfield Road resurfacing (£3.152m)
- P11(p) – Guildford West (PB) Station (£1.7m)
- P14(p) – Guildford Gyratory and Approaches (£3.5m)
- ED18(p) – Museum (£16.810m) - decision is pending as to the future of this project.
- ED25(p) - Guildford Park new MSCP and infrastructure works (£4.38m)
- ED49(p) – Midleton Industrial Estate (£5.557m)

S106 (Appendix 6)

7.7 Capital schemes funded from s106 developer contributions are expected to total £119,000.

Reserves (Appendix 7)

7.8 Capital schemes funded from the Council's specific reserves. The outturn is anticipated to be £6.341 million. The main projects are:

- expenditure on car parks £1.414 million
- ICT renewals and infrastructure improvements £1.376 million
- Future Guildford Implementation Team £2.6 million

Capital resources (Appendix 8)

7.9 When the Council approved the budget, the estimated underlying need to borrow for 2020-21 was £125.596 million. The current estimated underlying need to borrow is £74.456 million. The reduction is due to slippage in the programme where schemes are re-profiled into future years.

Housing Investment Programme Approval Capital (Appendix 9)

7.10 The HRA approved capital programme is expected to outturn at £13.716 million against a revised estimate of £13.716 million. Several projects are in progress. These include:

- Guildford Park - initial works are progressing, a significant amount of the cost of this project is still on the provisional capital programme awaiting final business case approval.
- Various small site projects – works are progressing.
- Acquisitions of Land and Buildings for development – dependant on availability of suitable sites.

Housing Investment Programme Provisional Capital (Appendix 10)

7.11 The provisional programme revised estimate is £13.245 million with expenditure anticipated this financial year of £250 thousand. The reprofiling of schemes has resulted in a lower level of expenditure on 2020-21.

- Guildford Park - initial works are progressing, this scheme is awaiting decision regarding progression of works and new planning approval and awaiting final business case approval.

8 Consultations

8.1 The accountants prepare the budget monitor in consultation with the relevant service managers.

9 Equality and Diversity Implications

9.1 There are no direct equality and diversity implications as a result of this report. Each service manager will consider these issues when providing their services and monitoring their budgets.

10 Financial Implications

10.1 The financial implications are contained throughout the report.

11 Legal Implications

11.1 The Local Government Act 1972, Section 151 states that each local authority has a statutory duty to make arrangements for the proper administration of their financial affairs. In addition, the Accounts and Audit Regulations 2015 impose an explicit duty on the Council to ensure that financial management is adequate and effective and that they have a sound system of internal control, including arrangements for the management of risk.

11.2 Proper administration is not statutorily defined; however, there is guidance, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the responsibilities of the Chief Financial Officer (CFO). This states that local

authorities have a corporate responsibility to operate within available resources and the CFO should support the effective governance of the authority through development of corporate governance arrangements, risk management and reporting framework. Regular monitoring of the Council's actual expenditure to budget and forecasting of the expenditure for the full year is part of the proper administration and governance of the Council.

11.3 There are no further direct legal implications because of this report.

12 Human Resource Implications

12.1 There are no human resource implications arising from this report.

13 Summary of Options

13.1 This report outlines the anticipated outturn position for the 2020-21 financial year based on four months actual data. There are no specific recommendations and therefore no options to consider.

14 Conclusion

13.1 The report summarises the financial monitoring position for the period April to September 2020 for the 2020-21 financial year.

13.2 Officers are currently projecting an increase in expenditure of £6,625,557 on the general fund revenue account.

13.3 The Chief Financial Officer in consultation with the Lead Councillor for Resources will determine the treatment of any balance as part of closing the 2020-21 accounts.

13.4 The surplus on the Housing Revenue Account will enable a transfer of £8.53 million to the new build reserve and £2.5 million to the reserve for future capital at year-end.

13.5 Actual expenditure incurred on our general fund capital programme for the period has been comparatively low against the programme envisaged at the 1 April 2020. Officers are making progress against significant capital projects on the approved programme as outlined in section 7. The Council expects to spend £97.896 million on its capital schemes by the end of the financial year.

13.6 It is anticipated that the Council's underlying need to borrow to finance the capital programme will be £74.456 million by 31 March 2021. The Council has complied with Prudential Indicators during the period except for the upper limit on variable interest rates.

13.7 At the end of September 2020, the Council had £143 million of investment balances, and £276 million borrowing.

14 Background Papers

14.1 None

15 Appendices

- Appendix 1 - General fund revenue account summary
- Appendix 2 - General fund services - revenue detail
- Appendix 3 - Housing Revenue Account summary
- Appendix 4 - Approved capital programme
- Appendix 5 - Provisional capital programme
- Appendix 6 - Schemes funded from S106
- Appendix 7 - Capital reserves
- Appendix 8 - Capital resources
- Appendix 9 - Housing Revenue Account approved capital programme
- Appendix 10- Housing Revenue Account provisional capital programme