

Corporate Governance and Standards Committee Report

Ward(s) affected: All

Report of Director of Resources

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Financial Monitoring 2020-21: April 2020 to January 2021

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 2020 to January 2021.

Officers are projecting an increase in net expenditure on the general fund revenue account of £13,828,046.

Covid-19 continues to impact the Council. The direct expenditure incurred by the Council in the current financial year stands at £3,208,895. 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 31 January 2021 and will therefore potentially move adversely as the measures progress.

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 has since announced further support for local authorities and figures will be updated to reflect this support once further detail has been received.

The increase in net expenditure on services, net of reserve transfers, is £13,828,046.

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. This is offset by a reduction in interest income of £531,550 leaving a net movement on Interest and MRP of £180,443.

A surplus on the Housing Revenue Account will enable a projected transfer of £7.61 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 £822,692 lower than budgeted assumption due to slight fall in income forecast despite the fall in expenditure.

Progress against significant capital projects on the approved programme as outlined in section 7 are underway. The Council expects to spend £41.934 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 £21.241 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 £130 million of investments and £271 million of external borrowing on 31 January 2021, 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 Committee

That the Committee notes the results of the Council's financial monitoring for the period April 2020 to January 2021 and makes any comments it feels appropriate.

Reason for Recommendation:

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

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

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 2020 to January 2021.

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:
- (a) 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 January 2021 [period 10].
 - (b) quarterly monitoring of the capital programme
 - (c) 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:
- (a) general fund revenue monitoring (section 4)
 - (b) housing revenue account monitoring (section 5)
 - (c) treasury management (section 6)
 - (d) capital programmes (section 7)

4 General Fund Revenue Account monitoring

- 4.1 Officers are projecting an increase in net expenditure on services, net of reserve transfers of £13,828,046. In most cases this is a result of the impact of Covid-19 and funding received from Central Government awaiting transfer out to direct beneficiaries.
- 4.2 The direct costs associated with the Covid-19 pandemic in the current financial are £3,208,895 and 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 latest national lockdown will have and are expected to worsen.

Description	Actual £	Forecast £
Housing		636,000
Emergency Accommodation	179,919	
Culture		3,424,000
Leisure costs	2,264,401	
Finance & Corporate		66,000
Finance/Computer Software	42,674	
Other shielding		400,000

Description	Actual £	Forecast £
Food Purchases	315,924	
Other PPE		529,000
Staffing	153,874	
Consumables	153,048	
Equipment	25,503	
Other – excluding service areas		307,000
Grants and Subscriptions	16,552	
Public Health	57,000	60,000
Gross Expenditure	3,208,895	5,422,000
Government Grant (some waiting transfer)	(24,387,783)	(2,200,000)
Rentals	(135,865)	(135,865)
Net Expenditure	(21,314,754)	3,312,000

- 4.3 In addition to the £3.3million additional costs forecasted in the table above, estimates have been made for increased costs and lower than expected income within services with the best information available. Up to the end of January (Period 10) we incurred loss of fees and charges income across all services of £8.0 million and have so far claimed £4.5million of that loss from the Government under the Sales, Fees and Charges compensation scheme. These estimates will 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 2020 to the end of January 2021 and therefore considers some, but not all, of the costs and implications of the latest lockdown. This again will be closely monitored but it is 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 eight 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 on the general fund is £13,828,046 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
Guildford Philanthropy	Revenue	CFO	15/10/2020	25,000
Town Centre Plan – move from holding code	Revenue	CFO	08/02/2021	500,000
TOTAL				555,000

- 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 experienced in 2020/21 across directorates referred to in paragraph 4.1.

Directorate	Revised Budget	Projected Outturn	Variance
Resources	£7,249,347	£12,004,636	£4,755,289
Services	£17,925,315	£25,080,721	£7,155,406
Strategy	£1,960,517	£7,197,123	£5,236,606
Totals	£27,135,179	£44,282,480	£17,147,301

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	(448)	Section 81 Environmental Act spending and Future Guildford costs.
Carry Forward Items	234	Infrastructure development planning and major projects spending unlikely to be used.
Car Park Maintenance	549	Multi Storey Car Parks repair and maintenance

IT Renewals	926	IT expenditure offset by revenue contributions.
On Street Parking	0	Income predictions lower as a result of Covid-19.
Invest to Save	(2,230)	Future Guildford expenditure
New Homes Bonus	70	Development of Leisure bid and Stoke Park master planning.
Business Rates Equalisation Reserve	(2,217)	Future Guildford costs.
Energy Management	(42)	Contributions from revenue
Other Reserves	(1,394)	Changes to SPA's, Refugee expenditure not budgeted, Unspent ringfenced grants taken to reserves, Family Support Programme higher grant received.
Net movement	(4,552)	

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 January 2021. The report shows that HRA gross service expenditure, projected outturn is 98.03% of the budgeted level arising from likely underspend in repairs due to access restriction as a result of Covid 19, whilst income is projected to be 98.05% of the budgeted level, with a likelihood of increased bad debt provision. The projected outturn would enable a transfer of around £10.11 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.

HRA Budget	2020-21 Estimate	2020-21 Projection	Variance
Income	(£33,136,660)	(£32,490,686)	£645,974
Expenditure on Housing Services	£17,316,730	£16,976,344	(£340,386)
HRA Share of CDC	£256,800	£251,530	(£5,270)
Net Interest	£4,543,970	£5,077,000	£533,030
Net reserves transfer	£11,008,504	£10,185,812	-£822,692
Net HRA Budget	(£10,656)	0	£10,656

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 10.

Loan type		Balance 30 Nov 20 £000	New loans £000	Loans repaid £000	Balance 31 Jan 21 £000	Weighted average rate of interest
PWLB						3.25%
Variable		45,000	0	0	45,000	
Fixed	Maturity	147,435	0	0	147,435	
	EIP	115	0	0	115	
Total long-term Loans		192,550	0	0	192,550	
Temporary Loans		83,500	0	(5,000)	78,500	0.47%
Total Loans		276,050	0	(5,000)	271,050	

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 31 January 2021 available for investment were £130 million and net of short-term borrowing £51.5 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 31 January, 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 January 21 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 compares the Council's investment activity for November 20 to January 21.

Investment	Principal invested £000	Balance 30 Nov 20 £000	Movement in investment £000	Change in capital value £000	Balance 31 Jan 21 £000	Weighted average rate of interest
Investment Funds						
CCLA	5,000	6,254		94	6,348	1.88%
M&G	2,508	3,322		10	3,332	2.84%
Royal London	2,500	2,358		(40)	2,318	0.10%
Schroders	1,000	618		17	635	7.04%
Funding Circle	490	501		(5)	496	1.85%
Fundamentum	2,000	1,940		30	1,970	0.65%
UBS	2,500	2,195		40	2,235	2.31%
In- House Investments:						
Call Accounts		0	(430)		430	0.14%
Money Market Funds		43,788	(2,782)		46,570	0.22%
Notice Accounts		3,000	0		3,000	0.48%
Temporary Fixed Deposits		37,000	11,000		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	5,000		0	1.70%
Total Investments		142,576	12,788	145	129,933	

- 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 £276 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 2020
- 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 paragraphs 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	89,976	38,498	(51,478)
- Provisional schemes	102,356	83,184	188	(82,996)
- Schemes funded by reserves	3,984	8,402	3,005	(5,397)
- S106 Projects	0	243	243	0
- Affordable Housing (General Fund)	0	0	0	0
Total Expenditure	171,528	181,805	41,934	(139,870)
Housing Revenue Account Capital Expenditure				
Approved programme	14,930	16,771	10,188	(6,584)
Provisional programme	12,457	13,245	250	(12,995)
Total Expenditure	27,387	30,016	10,438	(19,579)

Approved (main) programme (Appendix 4)

7.3 Expenditure is expected to be £38.498 million representing a £51.478 million variance to the revised estimate of £89.976 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 £16.999 million may seem low, several significant projects are in progress. These include:

- OP6 – Vehicles, Plant & Equipment Replacement (£4m)– to include the replacement of refuse vehicles £3m and minibuses £820k.
- P5 – Walnut Bridge replacement (£1.5m) – works progressing timeframe for completion 12-18 months. This project is part grant funded from the Enterprise M3 Local Enterprise Partnership (LEP). As part of the grant funding agreement there are specific milestones that have to be met in the delivery of the project and any slippage in delivery of the programme to the milestones may result in the loss of grant funding.
- P21 – Ash Road Bridge (£1.0m) – work is progressing on this scheme with majority of budget still on provisional programme. This project is part grant funded from Homes England Housing Infrastructure Fund (HIF). As part of the grant funding agreement there are specific milestones that have to be met in the delivery of the project and any slippage in delivery of the programme to the milestones may result in the loss of grant funding.
- ED6 – WUV (£8.750m) and (New GBC Depot (£2.480m) - work is progressing on the detailed design, pre-planning and site investigation work for this scheme to inform the final business case. This project is also part grant funded from Homes England Housing Infrastructure Fund (HIF). As part of the grant funding agreement there are specific milestones that have to be met in the delivery of the project and any slippage in delivery of the programme to the milestones may result in the loss of grant funding.
- SMC (£1.553m) – spend expected in 2020-21 with the majority of spend now expected in 2021-22. This project is part grant funded from the Enterprise M3 Local Enterprise Partnership (LEP). As part of the grant funding agreement there are specific milestones that have to be met in the delivery of the project and any slippage in delivery of the programme to the milestones may result in the loss of grant funding.
- P12 – Strategic Property Acquisitions (£1.496m) - £625k new burial ground, £525k Fox's Garage, £107k Thornberry Way.
- North Downs Housing (£3.264m) and Guildford Holding Ltd (£2.177m) – target to purchase further 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 (£3.161m) – scheme is in discussion with SCC. This project is part grant funded from the Enterprise M3 Local Enterprise Partnership (LEP). As part of the grant funding agreement there are specific milestones that have to be met in the delivery of the project and any slippage in delivery of the programme to the milestones may result in the loss of grant funding.
- 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 and has been moved to the HRA capital programme.

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) – This scheme has now been removed from the programme (agreed at Council Jan 2021).
- SMC (£1.658m) – spend of £1.453m expected in 2020-21 with the majority of spend now expected in 2021-22. This project is part grant funded from the Enterprise M3 Local Enterprise Partnership (LEP). As part of the grant funding agreement there are specific milestones that have to be met in the delivery of the project and any slippage in delivery of the programme to the milestones may result in the loss of grant funding.
- ED18 - Museum (£1.464m) and ED52 Public Realm Scheme (£1.616m) – These schemes have been removed from the programme (agreed at Council Jan 2021).
- 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.
- FS1 – Capital Contingency Fund – (£4m) reduction as not required
- P21 – Ash Road Bridge (£1.257m) – work is progressing on this scheme however part of spend now likely in 2021-22. The majority of the budget is still on provisional programme.
- DF1 –Property Acquisition – (£20m) moved to 2021-22.
- P5 – Walnut Bridge replacement (£1.9m) – works progressing timeframe for completion 12-18 months. This project is part grant funded from the Enterprise M3 Local Enterprise Partnership (LEP). As part of the grant funding agreement there are specific milestones that have to be met in the delivery of the project and any slippage in delivery of the programme to the milestones may result in the loss of grant funding.
- North Downs Housing (£2.051m) and Guildford Holding Ltd (£1.366m) – reprofiled for the purchase of further properties during financial year 2021-22.

Provisional programme (Appendix 5)

7.5 Expenditure on the provisional programme is expected to be £0.188 million, against the revised estimate of £83.184 million, representing a variance of £82.996 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 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 Gyrotory 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)
- ***ED16(p) – WUV (£7.499m)***
- P12(p) – Strategic Property Acquisitions (£9.492m)
- North Street/ Bus Station relocation (£1m)

The above projects shown in bold italics are part or fully funded by external grants from either Homes England Housing Infrastructure Fund or Enterprise M3 LEP Growth Fund. In each case there is a funding agreement in place with the funding body which sets out specific delivery milestones which the projects will need to meet. Any failure to meet the delivery milestones could result in withdrawal of the funding agreement or the possibility that the Council will be liable to repay grant monies to the relevant funding body. As such, the Council needs to closely monitor the delivery of the projects to ensure that milestones are met and risks to funding are reduced. If funding for these projects is withdrawn then the full cost of the projects will fall on the Council and increase the Council's underlying need to borrow, interest and debt costs as a result.

S106 (Appendix 6)

7.7 Capital schemes funded from s106 developer contributions are expected to total £243,000. 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.

Reserves (Appendix 7)

7.8 Capital schemes funded from the Council's specific reserves. The outturn is anticipated to be £3.005 million. The main projects are:

- expenditure on car parks £794,000
- ICT renewals and infrastructure improvements £1.376 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 £21.241 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 £10.188 million against a revised estimate of £16.771 million. Several projects are in progress. These include:

- Guildford Park – (£3.056m) this scheme is awaiting decision regarding progression of works and new planning approval and the complete budget for this scheme has been moved to the HRA capital programme, a significant amount of the cost of this project is still on the provisional capital programme awaiting final business case approval. (£2.806m has been reprofiled to future year)
- Various small site projects – (£3.662m) there is slippage on these projects. (£3.328m has been reprofiled to future years)
- Acquisitions of Land and Buildings – (£3.162m) spend is dependent on availability of sites, we are currently actively purchasing suitable properties to mitigate slippage on building projects and outturn is expected to be £4.96m (£1.8m has been reprofiled to current year from 2021-22)
- Major Repairs & Improvements - (6.416m) outturn is expected to be £4.167 million, the slippage is mainly due to COVID which has caused delays in work programme.

The Guildford Park, 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. The council only has 3 years in which it can spend RTB receipts and can only fund 30% of the cost of replacement housing from RTB receipts. If the Council does not spend enough money on its Housing Investment Programme in order to utilise its RTB receipts within the timescales then they 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, the additional spend required in Q4 2020-21. The additional spend required should be mitigated by the Guildford Park scheme moving to the HRA programme and the acquisitions of properties. however, there remains a significant risk that repayment will be necessary in 2021-22 and future years if programme delivery continues to be significantly behind schedule.

RTB AS AT END Q3				
	SPEND TO DATE	REQ SPEND DELTA RETURN	SPEND REQ DELTA	CUMULATIVE SPEND REQ
	£	£		£
Q3 20-21	29,560,160	25,990,808		
Q4 20-21		33,288,571		3,728,411
Q1 21-22		35,357,139	2,068,568	5,796,979
Q2 21-22		35,778,456	421,317	6,218,296
Q3 21-22		36,615,691	837,235	7,055,531
Q4 21-22		38,752,084	2,136,393	9,191,924
Q1 22-23		38,752,084	-	9,191,924
Q2 22-23		40,519,910	1,767,826	10,959,750
Q3 22-23		42,756,607	2,236,697	13,196,447
Q4 22-23		46,057,200	3,300,593	16,497,040
Q1 23-24		46,057,200	-	16,497,040
Q2 23-24		47,700,469	1,643,268	18,140,309
Q3 23-24		47,962,259	261,791	18,402,099

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 £0.250 million. The reprofiling of schemes has resulted in a lower level of expenditure on 2020-21.

- Guildford Park – (£7.548m) - this scheme is awaiting decision regarding progression of works and new planning approval. (£7.298m has been reprofiled to future years)
- Bright Hill & Redevelopment Bids – (5.697m) - reprofiled to future years

The two projects above are partially funded by RTB receipts there is a significant risk that repayment of RTB receipts will be necessary in 2021-22 and future years if project delivery continues to be significantly behind schedule.

Housing Revenue Account Resources (Appendix 11)

7.12 Appendix 11 shows how the HRA capital programme is financed and the projected balances on reserves at the end of the financial year.

Summary of Housing Revenue Account Capital Expenditure and Financing (Appendix 12)

7.13 The summary shows the overall expenditure and financing of the Housing Investment Programme and the Overall HRA Capital programme for the current financial year and how the projected expenditure relates on the Housing

Investment Programme relates to what is required to be spent as per the RTB model.

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 ten months actual data. There are no specific recommendations and therefore no options to consider.

14 Conclusion

- 14.1 The report summarises the financial monitoring position for the period April 2020 to January 2021 for the 2020-21 financial year.
- 14.2 Officers are currently projecting an increase in expenditure of £13,828,046 on the general fund revenue account. Mainly due to pressures on expenditure and income in relation to Covid-19.
- 14.3 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.
- 14.4 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.
- 14.5 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 £41.934 million on its capital schemes by the end of the financial year.
- 14.6 It is anticipated that the Council's underlying need to borrow to finance the capital programme will be £21.241 million by 31 March 2021. The Council has complied with Prudential Indicators during the period except for the upper limit on variable interest rates.
- 14.7 At the end of January 2021, the Council had £143 million of investment balances, and £276 million borrowing.

15 Background Papers

None

16 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
Appendix 11 – Housing Revenue Account resources
Appendix 12 – Summary of HRA Capital Expenditure and Financing