

Corporate Governance and Standards Committee

Ward(s) affected: All

Report of Chief Financial Officer

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Revenue Outturn Report 2020-21

Executive Summary

General Fund (GF) Revenue Account

Overall, the outturn on the General Fund was £6,498,122 more than we originally budgeted, which reflects our continued efforts to deal with the pandemic. The report sets out the major reasons for the variance. Reserves will be utilised to maintain balance in line with the information presented in the outline budget 2021-22 to the Executive at its meeting on 24 November 2020.

Our net income from interest receipts is £1.417 million higher than estimated and the minimum revenue provision (MRP) for debt repayment is £351,107 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 will use their delegated authority to deal with the overspend and transfer the necessary resources from reserves.

Earmarked reserves

The closing balance on each of the Council reserves are set out in **Appendix 3**, before appropriations to resolve the overspend, 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 those 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 £62.394 million.

The outturn position will be included in the Statement of Accounts signed by the Chief Financial Officer on or before 31 July 2021 which will be subsequently audited by Grant

Thornton. The Corporate Governance and Standards Committee will review the draft accounts at its meeting on 29 July 2021 and will review the audited accounts at its meeting on 23 (or 28) September 2021.

Recommendation to Committee

The Committee is asked to submit any comments it may wish to make to the Executive when it considers this matter on 24 August 2021.

The Executive will be asked to agree the following recommendation:

That the Executive note the Council's final outturn position and endorse the decisions, taken under delegated authority to transfer the amounts set out in Section 5 of the report to or from the relevant reserves.

Reason for Recommendation:

- To note the final outturn position and delegated decisions taken by the Chief Financial Officer which will be included within the statutory accounts the Chief Financial Officer will sign at the end of July.
- To facilitate the on-going 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 2020-21 financial year. It explains the major variances from the General Fund revised estimate.
- 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 announced an extension to the statutory audit deadlines for 2020-21, after taking into consideration the ongoing impact of COVID-19.
- 3.2 In accordance with that decision and the Accounts and Audit (Amendment) Regulations 2021 it has been decided that:
 - the publication date for final, audited, accounts will move from 31 July to 30 September 2021 for all local authority bodies.

- no later than 31 July 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 July 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 August 2021. 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 from 2 August 2021 to 10 September 2021 and we will publish the dates on our website.
- the CFO must re-certify the statement of accounts prior to its approval by the Council or a committee.
- no later than 30 September, 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 23 September 2021.
- we must publish the audited accounts by 30 September 2021.

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 Chief Financial Officer will sign on or before 31 July 2021. Grant Thornton will conclude the external audit before September.

4. General Fund Revenue Account

Summary of Outturn Position

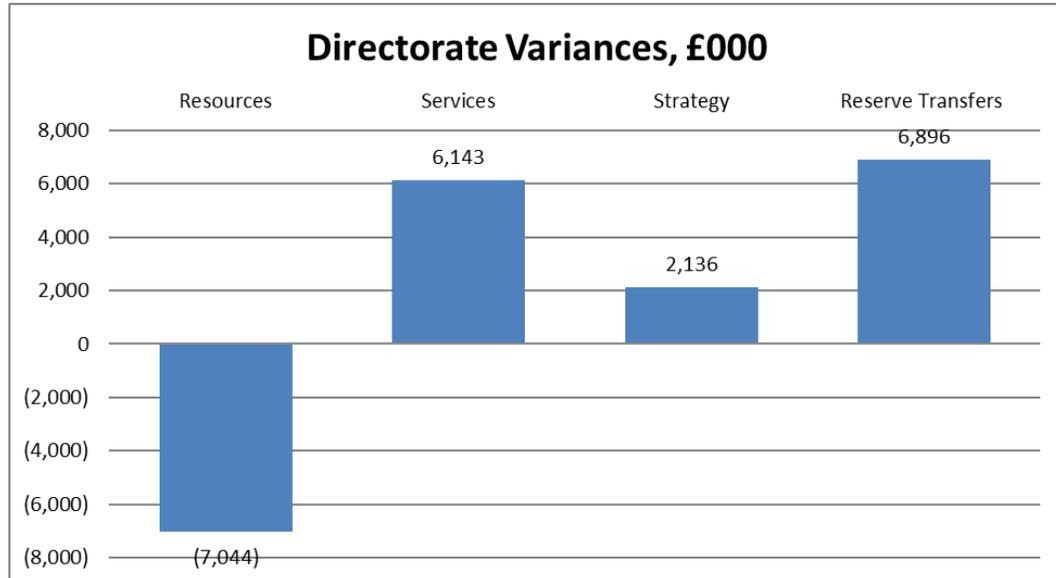
4.1 The overall variance on the General Fund is net expenditure £6,486,122 greater than budget. Reserves will be used to balance this position in accordance with the information laid out in the outline budget report presented to Executive on 24 November 2020. Paragraph 5.1 gives a breakdown of the reserves and the amounts used.

4.2 The overall variance 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 table below:

| | Revised Estimate £000 | Actual £000 | Variance £000 |
|---|-----------------------------|----------------|------------------|
| Directorate Level Expenditure (including transfers to reserves) | 19,778 | 28,617 | 8,839 |
| Interest Receivable | (641) | (2,058) | (1,416) |
| Minimum Revenue Provision | 1,639 | 1,288 | (351) |
| Government Grants | (500) | (1,209) | (709) |
| Business Rates Retention Scheme | (7,829) | (7,830) | (1) |
| | 12,447 | 18,808 | 6,362 |

Directorates

- 4.3 The directorates, excluding capital charges and before reserve transfers, are approximately £8.8 million over budget overall. However, there are differences in the position of each directorate, as shown in the chart below.



- 4.4 The main reason for the large variance in the services directorate is mainly the cost of dealing with the pandemic.
- 4.5 **Appendix 2** provides explanations of any service variances above £100,000 within each directorate. As expected, a significant amount of the variances within services are related to dealing with the pandemic. The major variances across services are listed in the table below.

| Service | Budget (£) | Outturn (£) | Variance (£) |
|-----------------------|-------------|-------------|--------------|
| Off Street Parking | (4,678,475) | 2,036,830 | 6,715,305 |
| On Street Parking | (336,250) | 413,187 | 749,437 |
| Development Control | 830,460 | 1,629,938 | 799,478 |
| Countryside and Parks | 2,153,720 | 3,183,284 | 1,029,563 |
| Leisure Management | 1,344,180 | 2,451,287 | 1,107,107 |
| Refuse and Recycling | 3,976,430 | 4,700,757 | 724,327 |
| | | | 11,125,217 |

Interest receivable

- 4.6 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 £1,416 million 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.
- 4.7 The General Fund pays interest to the Housing Revenue Account (HRA) on its balances. The 2020-21 interest to the HRA was £520,113 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.

- 4.8 Overall, net interest received by the General Fund was £1.416 million more than estimated.

Minimum Revenue Provision (MRP)

- 4.9 Minimum Revenue Provision is a charge to the revenue account for unfinanced capital expenditure. The 2020-21 budget was based on the estimated capital-financing requirement (CFR) at the end of the previous year (31 March 2020) and was £1,639,171 based on an estimated CFR of £149.5 million. The actual General Fund CFR at 31 March 2020 was £124.36 million, which generated a minimum revenue provision of £1,288,064 (£351,107 lower than the revised budget).

Transfers to reserves

- 4.10 Many 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:

- New Homes Bonus (NHB) reserve; The Council has also used £355,581 of the NHB reserve in year to pay for schemes detailed in paragraph 6.10.

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

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

COVID-19

- 4.13 COVID19 has continued to impact the Council in 2020-2021. The Council continues to have a vitally important role in responding locally to COVID19, having a duty to ensure that crucial council services continue to operate under these unprecedented circumstances.

- 4.14 The direct expenditure incurred by the Council in the 2020-2021 financial year stands at £3.8 million. Government support continues to contribute to both the direct and indirect costs of the pandemic.

- 4.15 The government recognised that Covid-19 has impacted councils' ability to generate income across many services because of lockdowns, government restrictions and social distancing measures. The government devised a scheme that partly compensates for irrecoverable and unavoidable losses in relation to income (sales, fees and charges) in the financial year 2020-21.

- 4.16 The indirect costs associated with the pandemic are reflected in the services forecasting and final year position. Central government has compensated the council for a proportion of losses suffered in income, resulting in support of £4.511 million. This compensation will be reflected across those services affected.

- 4.17 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. This has had to be applied in 2020-21 and paragraph 5.1 details the resources used.

- 4.18 Additional costs incurred in the 2020-21 financial year total £3.8 million with more expenditure in 2021-22 anticipated. The expenditure incurred is broken down in the table below.

| Description | £ |
|--|------------------|
| Leisure (Spectrum), Heritage and Tourism | 2,557,448 |
| Personal Protective Equipment | 235,545 |
| Shielding | 767,814 |
| Lockdown compliance and enforcement | 56,860 |
| Health | (51,577) |
| Emergency accommodation | 185,509 |
| ICT | 55,531 |
| Income recovery | (139,846) |
| | |
| Expenditure | 3,788,762 |

Overall Position

- 4.19 The overall position on the General Fund was £6,498,122 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 |
|--|------------------|-----------------|---------------------|
| | 2020-21 £000 | 2020-21 £000 | 2020-21 £000 |
| Directorate Level Expenditure (excluding depreciation & capital charges. Major variances by directorate are explained in Appendix 2) | 18,921 | 20,156 | 1,235 |
| Transfers to reserves (included in Directorate expenditure) | 857 | 8,461 | 7,604 |
| Directorate Level Expenditure (excluding depreciation, capital charges and reserve transfers) | 19,778 | 28,617 | 8,839 |
| Net interest receivable (paragraph 4.6 to 4.8) | (641) | (2,058) | (1,416) |
| Minimum Revenue Provision (paragraph 4.9) | 1,639 | 1,288 | (351) |
| Business rates retention scheme - net position after transfer to business rates equalisation reserve (paragraph 4.13 to 4.18) | (7,829) | (7,830) | (1) |
| New Homes Bonus (net of transfer to reserve, paragraph 4.10) | (500) | (1,207) | (707) |
| Transition grant and s31 council tax grant (paragraph 4.19) | 0 | (2) | (2) |
| Collection Fund Council Tax (surplus) / Deficit | 0 | 0 | 0 |
| TOTAL net budget (excl parish precepts) | 12,447 | 18,808 | 6,362 |

5. Treatment of overspend

- 5.1 The Chief Financial Officer, under delegated authority in consultation with the Leader of the Council and the Lead Councillor for Finance has utilised earmarked reserves to balance the general fund in accordance with information presented to the Executive in November 2020. The table below identifies the earmarked reserves and the amounts that will be used to address the overspend.

| Earmarked Reserve | Amount to be Used £ |
|-------------------------------|------------------------|
| New Homes Bonus | 2,400,000 |
| Carry forward reserve | 1,100,000 |
| Car Parks Maintenance reserve | 1,500,000 |
| Legal actions reserve | 300,000 |
| Invest to save reserve | 600,000 |
| Budget Pressures reserve | 598,122 |
| | |
| Total | 6,498,112 |

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 2020 £000 | Transfers in Year £000 | Transfers out in Year £000 | Balance at 31 March 2021 £000 |
|-------------------------------------|-------------------------------------|---------------------------|-------------------------------|-------------------------------------|
| General Fund | | | | |
| Interest Rate Movements | -1,196,970 | 0 | 0 | -1,196,970 |
| New Homes Bonus | -3,490,087 | -851,019 | 1,206,600 | -3,134,506 |
| Carried Forward Items | -1,654,219 | 0 | 826,192 | -828,028 |
| Invest to Save | -4,265,882 | -250,000 | 3,846,523 | -669,359 |
| Spectrum | -1,823,017 | -188,843 | 0 | -2,011,860 |
| Car Parks Maintenance | -4,235,964 | -649,950 | 458,378 | -4,427,536 |
| Park & Ride | -1,650,000 | 0 | 0 | -1,650,000 |
| Business Rates equalisation | -5,715,527 | -25,754,430 | 7,884,129 | -23,585,828 |
| Special Protection Area (SPA) Sites | -9,768,207 | -472,069 | 27,729 | -10,212,548 |
| Budget Pressures | -1,754,415 | 0 | 328,000 | -1,426,415 |
| BR Covid discount | 0 | -5,770,350 | 0 | -5,770,350 |
| Covid Reserve | 0 | 0 | 6,497,702 | 6,497,702 |
| TOTAL | -35,554,288 | -33,936,661 | 21,075,253 | -48,415,697 |

- 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. £328,000 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.
- 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 2020-21, the Council used £826,000 of the reserve relating to items carried forward at the end of 2019-20. The balance on the reserve as at 31 March 2021 is £828,000.
- 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. We financed revenue expenditure of £3.846 million from the reserve, mainly relating to redundancy and pension fund strain costs resulting from the Future Guildford transformation programme.
- 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 financed expenditure of £1.2 million, £774,000 on Guildford Gyrotory – Walnut Bridge and £433,000 on the town centre masterplan in line with the Council's NHB policy. The closing balance is £3.135 million of which £400,000 is committed to the town centre masterplan, £120,000 to the Ripley Village Hall homes building and £177,000 to other 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 year.

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

7. Collection Fund

- 7.1 Appendix 4 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 collection rate for the 2020-21 financial year was 95.48% at 31 March 2021 (97.84% for 2019-20).

- Council Tax
7.4 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.

- 7.5 The final figure for Council Tax receivable was lower than the original estimate resulting in a reduction in the collection fund position to leave a closing deficit balance of £2,451,000. (TBC).

- 7.6 The collection rate for the 2020-21 financial year was 97.53% at 31 March 2021 (98.60% for 2019-20).

- Balance on Collection Fund
7.7 The overall balance carried forward on the Collection Fund Revenue Account, is a deficit of £62.39 million. In relation to Business Rates the deficit (£59.94 million) is shared between the relevant major preceptors and Central Government (Business Rates only) as part of setting the 2021-22 budget.

8. Consultations

- 8.1 Officers have consulted the Lead Councillor for Finance 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 Chief Finance Officer will sign the Statement of Accounts on or before 31 July. Our external auditors, Grant Thornton will then audit the accounts before they are presented to the Corporate Governance and Standards Committee for consideration and approval on 23 September. 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 Chief Financial Officer 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 2020-21 has continued to be a year of continuing challenge and change for the Council and it is pleasing that we have maintained our strong record of financial management throughout.

16. Background Papers

Accounts and Audit (England) Regulations 2015
Accounts and Audit (Amendment) Regulations 2021

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