



**Guildford Borough Council**

**Financial Recovery Plan**  
**1<sup>st</sup> Edition – 14 August 2023**

**Immediate Actions**

## **1. Background**

- 1.1. GBC agreed the 2023-24 budget in February 2023 with a £3.3m shortfall requiring further work to remove this gap, with the fallback position being the deployment of usable reserves.
- 1.2. There is a national backlog in the audit of statements of accounts and GBC were in a position where the last set to be signed off were for 2019-20. Two sets of accounts had therefore not been audited.
- 1.3. Audit of the 2020-21 accounts identified errors relating to accounting for COVID grants and the Collection Fund, which took place in 2021. These were both sums which were due to be repaid to the Government in 2021-22 rather than sums which were available for use by the Council. To be clear, these funds were correctly used by the Council and the balance repaid correctly, but an incorrect sum was attributed to unearmarked reserves. It is therefore not correct to say that GBC “lost” any amount or that it is still to be found to satisfy the conditions of the grants.
- 1.4. The impact of this was that the level of usable reserves was around £20m less than had been thought when the 2023-24 budget was set in February 2023.
- 1.5. The budget outturn position for 2022-23 was an overspend of £6.4m on the General Fund and this has therefore further reduced the sums available to the Council.
- 1.6. An updated MTFP position was presented to the Council in July 2023 which set out the key issues and the position in which the Council was now left. In summary this was a remaining in-year deficit of £1.7m and a budget gap of £18m over the MTFP period to 2026-27.

- 1.7. The report therefore concluded the Council is facing a potential s114 report if actions are not agreed to bring this situation back in to balance. The deadline set for this is October 2023.
- 1.8. The October report will set out the significant work required to avoid the other potential s114 trigger-point which is the statutory requirement to set a balanced budget in February 2024.

## **2. Current Position**

- 2.1. Over the past year, the Council has commissioned several due diligence workstreams to examine the issues identified in more detail. This has been done through a number of expert organisations such as CIPFA, LG Futures, Arlingclose and Savills, together with additional interim and experienced support within the Finance Team.
- 2.2. This work has helped to clarify the current position and set the baseline from which the Council now needs to work. It has also provided options for the Council to consider. Consideration and then implementation of these options will form an integral part of this Financial Recovery Plan.

### **Ongoing impact of 2022-23 over-spend**

- 2.3. The latest work completed is a review of the 2022-23 outturn position and Period 4 monitoring against the revised budget used for the July 2023 MTFP update.
- 2.4. This shows that a number of the key areas of overspend in 2022-23 are continuing in the current financial year and have the potential to take the Council into a far greater in-year deficit than the £1.64m set out in the July 2023 report.

**2.5. The key issues are as follows:**

- Staffing costs including establishment, agency, overtime, interims, and contractors – Risk £1.65m
  - Utilities costs – Risk £1m
  - Waste Removal and Service Fees – Risk £50k
- Other risks at this point include:
- Vacancy factor within the budget – Risk £0.7m but should be manageable through staff turnover.
  - Rental income – Risk £0.4m being evaluated in detail.
  - IT software – Risk £0.5m but should be manageable.

**2.6. Offsetting these to some degree are a number of areas of historic underspends or income received in excess of budgets such as:**

- “All staff” cost budgets £250k
- Equipment £50k
- Publications £40k
- Advertising £80k
- Transport £90k
- Vat & Printing £21k
- Car park fees £950k
- Sales £257k

2.7. The potential net impact of these issues if spend continues at the current rate would be a further £1m of overspend (and £1.6m known risks) within the current year on top of the £1.65m set out in the July 2023 report.

### **3. Proposed Actions – Immediate Establishment Control**

- 3.1. Staffing budgets account for over half of the Council's net budget. Significant work has already been conducted to agree the staffing establishment and monitoring.
- 3.2. Further work is now required to map all staff (including agency / interim / consultants) against this establishment and ensure that the processes for approval of any changes are clear, robust, and enforced.
- 3.3. Due to the significance of this area of expenditure, it is recommended that an immediate halt is made to all recruitment not yet advertised for the next 2 months (to October 2023). A process will be put in place for a small number of exceptions to be considered e.g., where health and safety or statutory service delivery would be put at risk.

**Recommendation 1 – An immediate external recruitment freeze to be put in place, to be reviewed in October 2023 as part of the MTFP Update to Council.**

**Recommendation 2 – A process is established for exceptions to be considered during this period (see Annex 1).**

**Recommendation 3 – The budgeted establishment is agreed by October 2023, together with the future process to agree any changes to this and how they would be funded.**

- 3.4. The filling of internal vacancies will need to be considered by Directors / Management Board as although they may not incur additional costs overall to the Council, the corporate benefit to the recruiting department will need to be weighed against the loss of staff from another service area who will be unable to recruit a replacement.

### Agency / Interims / Consultancy

- 3.5. The use of agency staff etc. is commonplace in local government and has become increasingly necessary due to the shortage of skilled workers available within the workforce, particularly around professional roles. They do, however, come at an additional cost to the Council.
- 3.6. A number of these staff have been in post for lengthy periods and are therefore driving the costs of the services beyond the agreed budgets. It is unclear at present how many of these staff have been appointed in addition to the budgeted establishment, which links to Recommendation 3 above.
- 3.7. It is acknowledged that some staff will be covering vital roles or working on projects with separate funding streams.
- 3.8. It may be possible to bring some of these workers into vacant posts and regularise the position whilst reducing costs.
- 3.9. It is worth noting that there is a risk in this area as some of these staff may have gained employment rights due to the length of their service and these will need to be understood and considered as part of any actions.

**Recommendation 4 - A review is needed of all existing staffing outside of the on-payroll workforce to reduce costs and align with the budgeted establishment.**

### Non- Essential / Discretionary Expenditure

- 3.10. Expenditure is required to ensure the safe and legal delivery of the statutory services which the Council delivers. All other expenditure needs to be reviewed and prioritised to ensure the Council delivers on its statutory Value for Money obligations. Responsibility for this sits with the Council's Section 151 Officer.

- 3.11. The MTFP update report detailed an initial set of budget reductions totalling £1.773m which still left an estimated £1.64m to find.
- 3.12. The work on the 2022-23 outturn has increased this shortfall but has identified budget areas which are traditionally underspent.

**Recommendation 5 – The initial proposals set out in the July 2023 MTFP update are implemented and removed from the 2023-24 budget.**

**Recommendation 6 – the proposed budget reductions set out in paragraph 2.6 above are agreed and implemented.**

- 3.13. A Financial Control Panel (FCP) has been established which will review all discretionary expenditure on a service-by-service basis. The membership and Terms of Reference for the Panel are set out in Annex 2.
- 3.14. This will generate further areas of budget reductions which will help reduce the financial deficit. Some proposals arising from this work may have significant service / reputational implications. These will be reported to the Executive Working Group for consideration prior to implementation.
- 3.15. The membership and Terms of Reference for the Executive Working Group are set out in Annex 3.
- 3.16. A review of each service has already been undertaken. The output from this needs to be reviewed and recommendations made by Executive Heads of Service (EHoS) for each service area made regarding the level of savings the proposals will yield and when. Proposals which directly support this Council's financial recovery plan will be prioritised and implemented using the two panels above.

3.17. In addition to 3.16, the Financial Control Panel will meet with each EHoS (and their managers where appropriate) by the end of August 2023 to analyse all areas of spend (line by line) and identify proposals for service cost reduction, identifying the implications to residents, staff, other service areas and politically. These options will identify proposals to both meet the in-year service gap and contribute to the Councils useable reserves to meet the requirements of the MTFP. EHoS will be asked to clear diaries where needed and prioritise this essential work. Proposals for cost reduction emanating from this process will be presented to the Executive Working Group.

**Recommendation 7 – the service review outcomes be considered and implemented and the immediate line by line cost reduction plan or each service area immediately actioned using the governance process set out above.**

#### **4. Proposed Actions – The 6-month Plan**

- 4.1. The Council is going to have to focus its time and resources on the delivery of this Financial Recovery Plan over the next 6 months, culminating in agreeing a legally compliant MTFP in February 2024.
- 4.2. It will need to do this whilst recognising the need to deliver statutory services and the obligations to Waverley Borough Council through the joint management arrangements.
- 4.3. It is proposed several workstreams will be established with a Director or Executive Head of Service as sponsor for each. An initial list is provided below which will be developed, together with governance and reporting arrangements, in the next iteration of the Financial Recovery Plan.
  - Review of Capital Programme
  - Asset disposals



- Housing Revenue Account
- Treasury Management
- Insurance
- Service reviews / delivery options
- Policy change options
- Review of Accounting Policies and Procedures
- Income generation
- Partnership working
- Contracts / procurement

4.4. Significant support will be required by the Organisational Development Service to co-ordinate and support the various project workstreams needed to deliver the Financial Recovery Plan. The details of this will be agreed at CMB.

4.5. Additional resource will be required to deliver the plan which will be met from the earmarked reserve already agreed.

**Recommendation 8 – the above list of Financial Recovery Plan outcomes be agreed, and developed into detailed project plans with agreed scope, timescales and target outcomes.**

## **5. Financial Services Workstream**

5.1. In addition to the work required corporately, significant work is required to improve the financial governance within the Council. The

key areas are listed below and will need to be developed into a resourced and costed project plan.

- Budget monitoring
- Establishment control
- Review of Financial Procedure Rules including approval processes and delegations
- Review of Contract Procedure Rules and procurement strategy
- MTFP / Budget process
- Production of Budget book
- Closedown planning / resourcing
- Audit interaction and Audit Plan
- Recharging
- Balance sheet management, reconciliations, and key controls
- Project Finance - planning, forecasting, management and controls
- Review of team structure and skills

**Recommendation 9 – the above list of Financial Services workstreams be further developed by the Section 151 Officer.**

## Annex 1 – Requests for Exemption from Temporary Recruitment Freeze



### Notes:

- 1) The process will use the documentation developed by Waverley Borough Council for Establishment Control
- 2) This process will be reviewed after October 2023 Council and a process agreed for remainder of 2023/24.
- 3) Posts requiring extreme urgency requests can be considered by the Chief Executive / s151 Officer in advance of CMB and decisions recorded at the next meeting.

## **Annex 2 – Financial Control Panel**

### Membership

Section 151 Officer

Interim Finance Analyst

Joint Strategic Director (Transformation and Governance)

Joint Executive Head of Organisational Development

Executive Head of Commercial Services

Administrative support

### Terms of Reference

- To instigate a line-by-line review of service budgets with EHoS.
- To consider and prioritise requests to move to the next stage of capital projects and their financial implications.
- To receive regular updates on the progress of actions outlined within the Financial Recovery Plan.
- To co-ordinate the communications plan with the Comms team.
- To report key issues to the Executive Working Group as appropriate.

## **Annex 3 – Financial Recovery Executive Working Group**

### Membership:

Finance Portfolio Holder

Leader

Deputy Leader

Group Leaders of political groups and/or their nominees

Section 151 Officer and Deputy

Chief Executive

Strategic Director for Transformation & Governance

### Terms of Reference

- To receive and comment on regular updates on the council's preparations for the Medium-Term Financial Plan restatement in October and its implementation.
- To provide a sounding board for the Executive and officers on the options that are coming forward to close our projected financial gap.
- To guide wider communication with councillors and beyond.