

Guildford Borough Council

Report to: Council

Date: 10 October 2023

Ward(s) affected: All

Report of Director: Chief Financial Officer (s151)

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Report Status: Open

Financial Recovery Plan – October Update Report

1. Executive Summary

- 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. The delayed 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.
- 1.3. 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.

- 1.4. 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.
- 1.5. 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 £18.3m over the MTFP period to 2026-27.
- 1.6. 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 was October 2023 and the progress to date is addressed within this report.
- 1.7. The s151 officer has concluded that sufficient progress has been made to avoid the need for a s114 report to be issued at this point but that significant work is still required to produce a balanced budget for 2024-25 and beyond.
- 1.8. This report will be considered by the Executive at its meeting on 5 October 2023. The Executive will be invited to consider the Recommendation in paragraph 2 below. Details of the Executive's comments and recommendation will be included on the Order Paper.

2. Recommendation to Executive

That the Executive:

- 2.1 approves the second issue of the Financial Recovery Plan and recommends that it is endorsed by Council.
- 2.2 Approves the discontinuation of the Parish Councils Concurrent Functions Grants scheme from 1 April 2024.
- 2.3 Notes that the s151 officer has advised that sufficient progress has been made in the current financial year to avoid a s114 report being issued at this stage.

3. Recommendation to Council

That the Council endorses the second issue of the Financial Recovery Plan as set out in Appendix 1 to this report.

4. Reason for Recommendation:

4.1 To enable the Council to protect the current level of reserves and to set a balanced budget and a robust Medium-Term Financial Plan.

5. Exemption from publication

5.1 None

6. Purpose of Report

6.1 This report sets out second issue of the Council's Financial Recovery Plan for endorsement by the Executive.

6.2 Key areas of the report deal with progress achieved to date in addressing the in-year position and the MTFP budget gap, and progress in establishment of the budget and finance workstreams.

7. Strategic Priorities

7.1 The budget underpins the Council's strategic framework and delivery of the Corporate Plan

8. Background

8.1 The Council agreed the MTFP in February 2023 but with further work required at that stage to remove the need for reserves and balances to be used to close the in-year budget gap.

8.2 A number of issues were identified during the audit of the 2020-21 statement of accounts which led to the usable reserves of the Council being restated at a level of around £20 million less than previously reported.

- 8.3 Significant due-diligence work was undertaken to establish the baseline position and an updated General Fund budget was presented to Council in July 2023. This set out the gravity of the current financial position and raised the possibility of the Council issuing a s114 report if insufficient action was taken.
- 8.4 A first issue of the Financial Recovery Plan was agreed by Council in September and a lot of work has been done since that point on both the immediate actions agreed and the workstreams to deal with the budget gap and finance service improvements.
- 8.5 The details of the work to date are set out in the second issue of the Financial Recovery Plan which is attached at Appendix 1. Potential savings areas in both the current and future years are set out in Appendix A of the Plan.

9. Parish Grants Scheme

- 9.1 One of the potential savings areas considered by the Financial Recovery Executive Working Group (FREWG) was whether to continue to offer grants to parish councils.
- 9.2 This issue had been considered in the past and the budget gradually reduced from £114k in 2015-16 to £90k at present.
- 9.3 Most councils who offered these grants in the past have ceased them due to financial pressures and the fact that parish councils have no cap on their own precept and can therefore raise funds in their locality for local schemes.
- 9.4 The recommended action from FREWG was to honour existing grant agreements, which can cover 2 financial years, but that no new grants would be provided.
- 9.5 Communications have gone out to parish councils and councillors to inform them that new parish grants will cease subject to the agreement of the recommendation within this report.

10. Consultations

- 10.1. The Financial Recovery Executive Working Group has been updated and consulted during the development of the original and updated plan.

11. Key Risks

- 11.1. With depleted reserves, the key risk for the Council in the current financial year is that insufficient action is agreed to address the projected overspend which would have to be met from the remaining reserves and would further worsen the financial resilience of the Council, making a s114 position more likely.
- 11.2. The projected budget gap over the MTFP period is £18.3m and plans need to be developed to address this so that a balanced and robust budget can be agreed in February 2024.

12. Financial Implications

- 12.1 The recommended actions within the Financial Recovery Plan will help to reduce the in-year projected overspend and the MTFP budget gap.

13. Legal Implications

- 13.1 Section 151 Local Government Act 1972 requires the Council to make arrangements for the proper administration of their financial affairs and to secure that one officer has the responsibility for those affairs (the s151 officer).
- 13.2 The Council's legal duty to set a balanced budget is set out in section 31 Local Government Finance Act 1992, which provides that the Council must balance its expenditure with its revenue.
- 13.3 Section 114(3) Local Government Finance Act 1988 requires that: "The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the

authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.”.

- 13.4 The Council must continue to act lawfully in making decisions on service delivery, regardless of any s114 report. There continues to be a requirement to conduct needs assessments, undertake consultation where appropriate, assess and have regard to equalities implications, and take into account all other relevant considerations to inform their decisions about service delivery.

14. Human Resource Implications

- 14.1 The Council is required to reduce operational and service delivery costs immediately. The immediate measures set out in the September Financial Recovery Plan halted most recruitment, and this will be kept under review. This is therefore impacting workforce matters, including the recruitment of directly employed staff, as well as contingency workers, i.e., agency staff, interims, and consultants, although the risks of doing so will have to be considered before individual decisions are taken.
- 14.2 Arrangements are in place for the consideration of exceptional cases, for example where there are significant Health and Safety risks or the risk of statutory requirements not being met.
- 14.3 The Council will ensure careful and consistent communications to staff and unions and has drafted a communications plan to deliver this.

15. Equality and Diversity Implications

- 15.1 None at this point but will be considered as options are appraised in due course.

16. Climate Change/Sustainability Implications

16.1 None at this point but will be considered as options are appraised in due course.

17. Summary of Options

17.1 Options will be developed through the workstreams set out within the Financial Recovery Plan and brought forward to councillors for decision as appropriate.

18. Conclusion

18.1 The second edition of the Financial Recovery plan sets out:

- Progress on the immediate actions agreed in the first issue of the Plan in helping to constrain expenditure in the current financial year;
- The progress to date has allowed the s151 officer to gain sufficient assurance to remove the need for a Section 114 report at this stage;
- An update on the progress in meeting the delivering a balanced budget for 2024-25 and the establishment of the budget workstreams;
- An update on the Finance function workstream.

19. Background Papers

General Fund Budget Update – Council 25 July 2023

20. Appendices

Appendix 1: Financial Recovery Plan 26 September 2023 (2nd Edition)