

Corporate Governance and Standards Committee/Executive Report

Ward(s) affected: All

Report of Chief Finance Officer

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## General Fund Revenue Outturn Report 2021-22

### Executive Summary

#### General Fund (GF) Revenue Account

Overall, the outturn for 2021-22 on the GF was £138,987 less than we originally budgeted. This position was achieved as a result of an in-year action plan put in place to mitigate a projected overspend following period 6 monitoring. The report sets out the major reasons for the variance.

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). At period 10, officers were predicting an underspend of £229,000, this has decreased to an underspend of £138,987.

Our net income from interest receipts is £1.5 million higher than estimated and the minimum revenue provision (MRP) for debt repayment is £154,414 lower than estimated, which is £1.6 million net additional interest receipt to the GF.

The Chief Finance Officer, in consultation with the Leader of the Council and the Lead Councillor for Resources have used their delegated authority:

- (a) to transfer the underspend to the budget pressures reserve to deal with potential cost pressures in 2022-23; and
- (b) to transfer monies that were earmarked for the implementation of technology as part of Future Guildford from the Business Rates retention reserve to the ICT renewals reserve to enable the further development of Salesforce to continue (see paragraphs 4.17 to 4.20 of the report).

### Earmarked reserves

The closing balance on each of the Council reserves are set out in **Appendix 3**, before the transfer of the underspend and also any adjustment made between reserves for the ongoing development of salesforce (see paragraphs 4.17 to 4.20). The appendix also sets out the ongoing policy for each reserve.

### Collection Fund

The full unaudited statement of accounts for 2021/22 is published on Guildford's website and this includes all reserves, collection fund and balance sheet. Once the external auditor has completed their audit, the full set of accounts will be brought to Corporate Governance and Standards Committee for consideration and approval, along with the auditor's findings report.

### **Recommendation to Committee**

The Committee is asked to comment on the following recommendation that will be included in the report on this matter to the Executive on 27 October 2022:

That the Executive notes the Council's final outturn position and endorses the decisions taken under delegated authority to transfer the underspend to the Budget Pressures reserve and to make a transfer between the business rates retention reserve and the ICT renewals reserve.

### Reasons for Recommendation:

- To note the final outturn position for 2021-22.
- To facilitate the ongoing 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 2021-22 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 This report sets out the final position on the General Fund revenue account.
- 3.2 Officers have included the impact of the final position in the statutory statement of accounts, which the Chief Finance Officer has signed and published on our website. The public inspection period is currently underway.

### 4. General Fund Revenue Account

#### Summary of Outturn Position

- 4.1 The overall variance on the General Fund is net expenditure £138,987 less than budget. The variance from revised budget arises from four areas; an overspend by the Directorates, offset by additional external interest received, a reduction in the Minimum Revenue Provision and a gain from the redemption of an investment. A summary is set out in the table below, with further detail on the variances at service level set out in **Appendix 2**:

	Revised Estimate	Actual	Variance to rev est
	2021-22 £000	2021-22 £000	2021-22 £000
<b>Directorate Level Expenditure</b> (excluding depreciation & capital charges. Major variances by directorate are explained in Appendix 2 )	13,866	20,439	6,573
Transfers to reserves (included in Directorate expenditure)	(1,077)	(15,126)	(14,049)
<b>Directorate Level Expenditure (excluding depreciation, capital charges and reserve transfers)</b>	<b>12,789</b>	<b>5,313</b>	<b>(7,476)</b>
Net interest receivable (paragraph 4.6 to 4.8)	(201)	(2,931)	(2,730)
Minimum Revenue Provision (paragraph 4.9)	1,535	1,381	(154)
Business rates retention scheme - net position after transfer to business rates equalisation reserve (paragraph 4.13 to 4.18)	(2,125)	(582)	1,543
New Homes Bonus (net of transfer to reserve, paragraph 4.10)	(490)	(918)	(428)
S31 council tax and other grants (paragraph 4.19)	(490)	8,616	9,106
Collection Fund Council Tax (surplus) / Deficit	(30)	(30)	0
<b>TOTAL net budget (excl parish precepts)</b>	<b>10,988</b>	<b>10,848</b>	<b>(140)</b>

- 4.2 The underspend is £90,013 less than forecasted at period 10 monitoring (reported to the CGSC in March 2022).

#### Directorates

- 4.3 **Appendix 2** provides explanations from service managers of any material variances from budget within each directorate excluding capital adjustments. The major variances across services are listed in the table below.

	<b>Budget (£)</b>	<b>Outturn (£)</b>	<b>Variance (£)</b>
Business Improvement	3,833,546	1,666,588	(2,172,221)
Miscellaneous Expenses	306,724	(1,484,135)	(1,790,859)
Family Refugee Support Programme	267,734	(362,171)	(629,905)
On Street Parking	(604,337)	(53,705)	550,632
Off Street Parking	(5,085,080)	(2,133,262)	2,951,819
Development Control	24,910	984,130	959,221
Major Projects	1,324,217	2,287,416	963,199
Countryside and Parks	1,554,805	1,012,291	(542,514)
Leisure Management	1,272,901	1,755,166	482,265
Refuse and Recycling	3,987,226	4,631,465	644,239
Investment Property	(4,705,160)	(4,152,422)	552,738
Other property	(589,635)	(81,370)	508,265
Corporate Property Mgt.	1,163,758	396,901	(766,857)

#### Interest receivable

- 4.4 The weighted average interest rate achieved on our investment portfolio was 0.65% against a budget, which was 1.57%. We had higher balances than we estimated when we set the budget and therefore net interest received (after paying interest on external loans) was £1.6 million, some £955,322 more than the revised estimate. The higher balances come from having more cash than estimated at the start of the year and slippage in the 2020-21 capital programme.
- 4.5 The General Fund pays interest to the Housing Revenue Account (HRA) on its balances. The 2021-22 interest to the HRA was £375,800 lower than budgeted because the Council gives the HRA interest on balances at the risk-free debt management office rate which was 0.10% during the year.
- 4.6 As part of mitigation for the projected overspend in year, we sold our M&G investment to realise the capital gain. £1.398 million net gain has been included in the General Fund Summary.
- 4.7 Overall, net interest received by the General Fund was £1.5 million more than estimated.

#### Minimum Revenue Provision (MRP)

- 4.8 Minimum Revenue Provision is a charge to the revenue account for unfinanced capital expenditure. The 2021-22 budget was based on the estimated capital-financing requirement (CFR) at the end of the previous year (31 March 2021) and was £1,534,915 based on an estimated CFR of £150.329 million. The actual General Fund CFR at 31 March 2021 was £116.524 million, which generated a minimum revenue provision of £1,380,501 (£154,414 lower than the revised budget).

#### Transfers to reserves

- 4.9 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 use of reserves is set out in section 6 of this report.
- 4.10 **Appendix 3** gives a full list of the balances on earmarked reserves and the purposes for which they were established.

#### COVID-19

- 4.11 COVID-19 has continued to impact the Council in 2021-22. 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.
- 4.12 The Council has received Covid grants from Central Government for a wide range of purposes. Some of these grants will go directly to individuals or businesses with little control by the Council over what amount can be awarded. Where this is the case, the Council is seen to be acting as an agent for Central Government and these must be excluded from the Authority's accounts. Any unspent grant is shown within the receipts in advance on the Council's balance sheet.
- 4.13 Where the Council has more control over the award of a grant (award based on certain criteria such as business rates banding), the Council is dealing as a principal and these grants, and the expenditure associated with them must run through the Council's financial accounts. Where the authority is acting as principal but there is a requirement to repay any unspent grant or, where the authority needs to carry forward grant income to offset future expenditure, the Council is required to carry forward the unspent grant monies in an earmarked reserve. Each grant must be considered carefully to establish whether the relationship is that of Agent or Principal. This additional income and higher level of reserves is not generally available to support expenditure on Council services. Reserves related to the Covid grants must be spent on the purpose for which the grant was received. Grants that are being carried forward for future use or repayment are shown in the Covid Grants reserve.
- 4.14 The indirect costs associated with the pandemic are reflected in the services forecasting and final year position.

#### Transfers between reserves

- 4.15 Salesforce is our primary CRM system used for managing our customer contact across the Council. It is one of the two major enterprise systems that were implemented as part of the Future Guildford transformation project (the other system being Business World). Since 'go live', we have launched the "MyGuildford" portal, the public facing access to salesforce that has over 42,000 registered users allowing customers to log and track enquiries in real

time as well as link their council tax accounts. Over 85% of the customers who contact us have a MyGuildford account.

- 4.16 The system allows residents to self-serve at a time and place that is convenient for them. We are keen to develop this self-service model as we move further towards our goal of 75% of customer contact being online, allowing us to be able to better serve those residents who are not digitally enabled with the resource available. To do this we are looking to further develop our salesforce system developing areas such as online complaints, online bookings (e.g. sports pitches, campsite and building control as well as other services) and pre planning applications. The costs shown in the table below are required in order to further develop this system and increase our online offering for our residents as well as reduce the Council's reliance on outdated systems and technology (which need to be decommissioned for security purposes) and to modernise our processes and procedures.
- 4.17 We had budgeted £4 million to be to come from reserves to fund costs relating to ongoing technology implementation in respect of Future Guildford in 2021-22. The expenditure out turned at £1.8 million. It is proposed to transfer the £2.2 million balance of this budget to the ICT Renewals Reserve to fund the proposals outlined in the agreed mandate and the further development of salesforce in the future, subject to the usual approval gateways.

#### Overall Position

- 4.18 The overall position on the General Fund was £0.139million less than originally budgeted. The Chief Finance Officer, in consultation with the Leader of the Council and Lead Councillor for Resources, have used their delegated authority to transfer the underspend to the Budget Pressures reserve to offset potential cost pressures in 2022-23.

### **5. Major earmarked reserves**

- 5.1 Guildford holds a range of reserves. A complete list of earmarked reserves is detailed in **Appendix 3**. Each of these reserves has been set up for a specific purpose and the appendix shows the current policy related to them. The reserves are cash backed and the accounts include the interest earned on the balances in the revenue account.
- 5.2 The following table and paragraphs summarise movements on the major reserves during 2021-22.

	<b>Balance at 31 March 2021 £000</b>	<b>Receipts in Year £000</b>	<b>Transfers out in Year £000</b>	<b>Balance at 31 March 2022 £000</b>
<b>General Fund</b>				
Interest Rate Movements	-1,196,970	0	0	-1,196,970
New Homes Bonus	-746,798	-192,000	917,712	-21,086
Carried Forward Items	-551,728	0	0	-551,728
Invest to Save	-2,419,696	-250,000	1,862,329	-807,366
ICT Renewals	-543,969	-1,577,277	717,133	-1,404,113
Insurance	-975,993	-17,010	0	-993,003
Spectrum	-2,011,860	-193,000	271,490	-1,933,370
Car Parks Maintenance	-3,566,378	-63,000	648,103	-2,981,275
Park & Ride	-1,650,000	0	0	-1,650,000
Business Rates equalisation	-22,760,654	-2,417,667	20,085,245	-5,093,076
Special Protection Areas (SPA) sites	-10,193,544	-1,431,464	50,350	-11,574,658
Budget Pressures	-117,284	0	0	-117,284
BR Covid discount	-11,581,900	-487,075	1,722,970	-10,346,004
Other reserves	-5,973,362	-1,127,945	811,510	-6,289,797
<b>TOTAL</b>	<b>-64,290,135</b>	<b>-7,756,438</b>	<b>27,086,843</b>	<b>-44,959,730</b>

The balance on reserves at 31 March 2022 is £45 million; however of this balance £11.6 million relates to SPA reserves which cannot be used by the Council to support general spending and £28.5 million relates to reserves to offset future expenditure that would need to be replaced and so is not available for general spending. Therefore, the balance of reserves that can be used to support the revenue and capital budgets going forward is only £4.9 million, some £8 million less than the ideal level.

Budget pressures reserve (part of other reserves)

- 5.3 This reserve was set up as part of closing the 2014-15 accounts to help manage unforeseen expenditure pressure during the year. No funding has been used from this reserve in 2021-22.

Business Rates Equalisation reserve

- 5.4 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. It also includes the timing differences for the various business rate reduction schemes set by and funded by government. The significant transfer from the reserve in 2021-22 relates to the contribution to offset the Collection Fund deficit arising mainly from rate reliefs awarded under government Covid support schemes.

Carried forward items (within other reserves)

- 5.5 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 year's budget. The Council did not use any of the reserve in 2021-22. The balance on the reserve as at 31 March 2022 is £551,728.

- Car Parks Maintenance and Improvement
- 5.6 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
- 5.7 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 and financed revenue expenditure of £1.862 million from the reserve, mainly relating to costs resulting from the Future Guildford transformation programme. This includes one-off costs relating to the GBC/WBC collaboration.

- New Homes Bonus
- 5.8 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 £0.9 million during the year of which £467,000 related to the town centre masterplan, as set out in the budget report, made a contribution of £119,000 to the Ripley Village Hall rebuild project as set out in the January 2020 Executive report and used £272,000 to finance Shaping Guildford's Future and £60,000 to finance 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; however, following changes to the NHB scheme resulting in reduced grant and the need to fund the Council's expenditure on COVID in 2020-21, the policy was removed, and the reserve was earmarked for closure once the NHB funding ceases. Further use of the reserve will be determined as part of the annual budget reports.

- Park and Ride
- 5.9 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
- 5.10 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
- 5.11 This reserve is available to finance structural repairs and improvements.

## **6. Collection Fund**

6.1 The published statement of accounts shows the final figures for the Collection Fund. The following headlines relate to the outturn report in 2021/22.

### National Non-Domestic Rates (NNDR) or Business Rates

6.2 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.

6.3 The collection rate for the 2021-22 financial year was 95.5% at 31 March 2022 (95.48% for 2020-21).

### Council Tax

6.4 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 £0.488 million.

6.5 The collection rate for the 2021-22 financial year was 97.53% at 31 March 2022 (97.53% for 2020-21).

## **7. Consultations**

7.1 Officers have consulted the Lead Councillor for Resources about the recommendations in this report.

## **8. Equality and Diversity implications**

8.1 There are no direct equality and diversity implications because of this report.

## **9. Financial implications**

9.1 We have included the financial implications within the various sections of this report.

## **10. Legal implications**

10.1 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

- 10.2 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).
- 10.3 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.
- 10.4 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 when the audit has been completed. 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”.
- 10.5 The Accounts and Audit (England) Regulations 2015 require the Chief Finance 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.

## **11. Human Resource Implications**

- 11.1 There are no human resources implications.

## **12. Summary of Options**

- 12.1 As the treatment of the year-end balance has been decided under delegated authority, there are no options to consider.

## **13. Conclusion**

- 13.1 2021-22 has continued to be a year of continuing challenge and change for the Council.

## **14. Background Papers**

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

## **15. Appendices**

Appendix 1: General Fund Summary

Appendix 2: General Fund Variances by Service

Appendix 3: List of earmarked reserve balances