

Corporate Governance and Standards Committee Report

Ward(s) affected: All

Report of S151 Officer

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Date: 6 October 2022

Financial Monitoring 2022-23

Executive Summary

The report summarises the projected outturn position for the Council's General Fund (GF) revenue account and Housing Revenue Account (HRA), based on the latest actual and accrued data to date.

This is an early insight mid-way through the financial year during a period of macro-economic uncertainty caused by seismic global and domestic factors which are changing rapidly. The report identifies issues which must be immediately addressed, but also pressures which will vary in intensity during the year and will require a flexible and evolving response.

Officers are projecting a net budget shortfall on the GF revenue account of £3.3 million, which could potentially be met in year by financial discipline and a transfer from unearmarked reserves. £1.7 million relates to current inflationary pressures and of that £1.6 million relates to projections of utility costs on leisure centres. The report sets out: the detail behind these variations; areas for concern including a potential salary budget discrepancy and economic uncertainty; and actions to mitigate these risks.

The Corporate Management Board is currently implementing measures to address the budget gap in 2022/23 and the initial actions are set out in the budget pressures report considered by this Committee on 29 September. As some of these measures will be one-off in-year adjustments, further action will be prioritised in the mid-year review of the Medium-Term Financial Plan which will be reported to Committee in November.

The Council is currently forecasting to have £46.4 million in General Fund reserves at the end of the year and currently, £3.6 million of this is not earmarked for other purposes.

The surplus on the Housing Revenue Account will enable a projected transfer of £7.2 million to the new build reserve and meet the forecasted £2.5 million to the reserve for future capital at year-end.

Progress against significant capital projects on the approved programme as outlined in section 7 is underway. The Council expects to spend £97 million on its capital schemes by the end of the financial year.

The Council's underlying need to borrow to finance the capital programme is expected to be £50.84 million by 31 March 2023, against an estimated position of £104.28 million. The lower underlying need to borrow is a result of slippage on both the approved and provisional capital programme as detailed in paragraphs 7.2 to 7.7 of this report.

The Council held £131 million of investments and £279 million of external borrowing on 31 July, which includes £147 million of HRA long-term loans. Officers confirm that the Council has complied with its Prudential indicators in the period, which were set in February 2022 as part of the Council's Capital and Investment Strategy.

Recommendation to Committee

That the Committee notes the Council's financial monitoring for the financial year 2022/23 to date and passes any comments and observations to the Executive.

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 This report shows the projected outturn for 2022/23 based on the latest actual position and assumptions.

2. Strategic Priorities

- 2.1 Councillors have reviewed and adopted a corporate plan for the period 2021-2025. The plan includes significant projects and aspirations that will continue to challenge the Council moving forward. Monitoring of our financial position during the financial year is a crucial part of managing the resources that will ultimately support the delivery of the corporate plan.

3 Background

- 3.1 The Council undertakes regular financial monitoring in the following ways:
- (a) Reporting to the Council's Corporate Management Board (CMB) on a monthly basis, the General Fund and Housing Revenue Account position projected for the full year based on actual expenditure in the reporting periods.
 - (b) Reporting to this Committee, the General Fund and Housing Revenue Account position projected for the full year based on actual expenditure in the reporting periods on a bi-monthly basis [periods 3, 4, 6, 8 and 10].
 - (c) Monthly monitoring of the capital programme
 - (d) monthly and quarterly monitoring of its treasury management activity
- 3.2 The CMB, Chief Finance Officer and deputy, and officer capital programme monitoring group review monitoring reports. Financial monitoring for all services is reported to this 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 The total net budget shortfall on the general fund is projected to be £3.3 million.
- 4.2 **Appendix 1** shows the summary monitoring report for the general fund revenue account. Officers have prepared the projected outturn on the latest available information. Monitoring takes place against the revised budget for the year (original budget approved by Council in February 2022 plus any virements or supplementary estimates during the year). **Appendix 2** provides detailed explanations from the service leads of the major variances. A summary of the movements is shown in the table below.

Directorate	Revised Budget, £	Projected Outturn, £	Variance, £
Resources	516,147	2,698,266	2,182,119
Services	17,500,562	20,686,898	3,186,336
Strategy	(99,437)	(214,324)	(114,886)
Total Directorate variance	17,917,272	23,170,840	5,263,569
Increases in contribution to capital	1,008,000	2,975,000	1,967,000
Decrease in Government grants	(766,155)	(192,251)	573,904
Increase in minimum revenue provision	1,545,213	1,550,272	5,059

Directorate	Revised Budget, £	Projected Outturn, £	Variance, £
Increase in interest	(497,160)	(1,271,000)	(773,840)
Net transfers from reserves	(5,521,317)	(9,259,485)	(3,738,168)
Forecast outturn position			3,297,524

Categorised summary of forecast directorate variance – from Appendix 2

Variance category	Total Variance	Action
A. Unavoidable cost increase or income loss	£825,922	Need addressing in 22/23 budget and assessed for impact on MTFP
B. Energy costs	£1,618,931	May be partly/fully mitigated in 22/23 by government support
C. Funded from reserves	£1,071,369	None
D. Forecast service growth	£2,078,093	Subject to funding approval
E. Budget correction required	£2,039,171	Need addressing in 22/23 budget and assessed for impact on MTFP *
F. Cost saving/income gain	-£2,382,868	Assess benefit in future years
Other minor variations	£12,951	
Total	£5,263,569	

*the majority of category E variance is the budget discrepancy

- 4.3 As across much of the country, the Council is facing significant increases in its gas and electricity charges. Inflationary pressures of £1.7 million (currently known) have been included in the projections. Of this, £1.6 million is across Leisure Management Services. The current projections do not assume any increases from October of this year when costs are expected to increase further. The Government have recently announced that they will support non-domestic energy bills for the 6-month period October to March 23. Full details are not yet known but it is hoped that Guildford's services, particularly leisure centres, will fall within the scope.
- 4.4 The forecast of increased utility prices across Leisure Management has been applied using 2019/20 usage figures (the last full year of activity prior to the pandemic commencing) and applying the most recent unit prices supplied by our providers.
- 4.5 Another emerging pressure on the 2022/23 budget is due to current recruitment challenges with agency staff costs rising and vacancies in salary budgets unable to cover these costs. An exercise is currently underway to understand these variances in more detail and this will be set out in future monitoring reports.
- 4.6 Net external interest receivable is currently estimated to be £0.8 million more than budgeted. The interest amount given to the HRA on its investment balances is in line with 2020-21 interest rates and has

increased by £146,070. It is expected that with rising interest rates, this income budget can be revised upwards later this year, benefitting the overall budget position.

- 4.7 The overall projected overspend includes a potential salary budget discrepancy that has come to light following the completion of the 2021/22 outturn. This is currently being investigated to establish the precise value across the General Fund and HRA and the reasons for it occurring. At this stage, it appears that it has resulted mainly because the Future Guildford establishment savings were budgeted for but not fully implemented resulting in the budget underestimating total staffing numbers. This miscalculation has been corrected and will not recur. The total variation is currently estimated to be £1.8 million on the General Fund and this is included in **Appendix 2**. The total staff budget is £32 million. The impact on the MTFP projections will also be evaluated and reported to members in the Autumn. A detailed analysis will be reported in future monitoring reports. The government's withdrawal of the National Insurance increase should mitigate part of this budget pressure.
- 4.8 Any budget shortfall in 2022/23 will need to be addressed this year and officers are working on a range of measures as set out in the action plan agreed by the Executive and listed below:

To support the 2022/23 Budget:

- Capital projects group review each general fund capital scheme in the programme, underway or not started, its cost base, deliverability and priority in the overall programme
- Review all forecast adverse variations in 2022/23 to identify those which are growth bids, for which a business case and funding will need to be considered, and those which are unavoidable budget adjustments, which will require one-off funding in 2022/23 and consideration of their longer-term impact in the MTFP review
- Identify any surplus budgets and headroom in expenditure budgets, informed by previous years' spend and actual to date – summarise and report to CMB for decision
- Reconcile the pay budget to the approved establishment, identify the reasons for and the value of the discrepancy – report to CMB
- Test all inflation estimates and assumptions and run sensitivity analysis to assess the risk over the remainder of 2022/23. Include pay scenarios.
- Review the Minimum Revenue Provision policy and 2022/23 estimate, taking account of outturn capital spend and any opportunities to reduce the Capital Financing Requirement (which drives MRP)
- Review all reserves, justification for holding and whether balances held and contributions to and from revenue budget are appropriate and

necessary in the light of the overall financial position. Produce risk-based options and present to CMB

- Review salary cost apportionments and recharges to non-general fund accounts including HRA, capital projects and other areas. Report findings to CMB.
- Test all current savings programmes that are included within the approved 2022/23 budget to assess whether they are on-target or over/under achieving. Report findings to CMB.
- Review treasury activity, cash deposits and short-term borrowing, to ensure optimal performance under the approved strategy and stretched but achievable net interest income target is included in the 2022/23 forecast.
- Review all income budgets with service managers to ensure that the basis of calculation is accurate, and the estimate is stretched but achievable
- Check on further disposal opportunities, property and financial investments, to secure a one-off income in 2022/23 and/or to reduce MRP in the medium to longer term
- Review the adequacy of service and support cost allocations to North Downs Housing Limited and to SANG-funded activities.
- Review business rate costs across property estate and identify any opportunities for reducing the rateable value, either through appeals or taking action on long-term empty properties
- Joint Management Team ensure tight controls over spending approvals including purchase orders, staff costs and other unbudgeted costs.

To support the mid-year MTFP review:

- Test all assumptions in the MTFP and recast each year’s income and expenditure pressures and opportunities, calculating an estimated in-year and cumulative budget gap
- Undertake a long-term reserves strategy to ensure robust financial resilience balanced with flexibility and future planning

4.9 The tables below show the supplementary estimates and virements approved to date.

Supplementary Estimates 2022-23

Service/Description	Approval Date	Committee	Value £
Nil			
TOTAL			NIL

Virement Record 2022-23

Service/Description	Nature of Virement	Approved by	Date of Approval	Value £
Nil				
TOTAL				NIL

Use of Reserves

- 4.10 The budget for 2022-23 anticipates that £5.5 million would be transferred from earmarked reserves during the year and a contribution of £1 million be made to the capital programme. It is currently projected that £9.3 million will be transferred from reserves and a £3 million contribution will be made to the capital programme. Major movements anticipated at this point in the year are explained in the table below.

Reserve	Variance (£000)	Explanation
On Street Parking Reserve	140	Additional income from Park and Ride scheme.
Car Park Maintenance	623	Revenue contributions to capital spending.
IT Renewals	500	Contribution towards IT expenditure to be transferred to capital programme
New Homes Bonus	787	Contribution to shaping Guildford's Future
Spectrum Reserve	1,738	Capital financing costs
Carry Forward items	105	Approved carry forward items
Business Rates Eq.	(165)	
Other Reserves	10	
Net movement	3,738	Movement from reserve (rounded)

- 4.11 As part of the budget report to Council in February 2022, the Chief Finance Officer advised that based on a risk analysis of the Council's budget the Council should seek to hold a minimum level of reserves of £12 million. The Council is forecast to have £46.4 million in total reserves for the general fund at the end of this financial year; however, £11.5 million of those reserves relate to SPA sites where the Council needs to hold the reserve 'in perpetuity' to fund site maintenance and £31.3 million of reserves are held to offset future expenditure which we are committed to under various contracts, legislation or grant determinations meaning that those reserves would need to be replaced to meet the commitments if they were used. This leaves a balance of non-earmarked usable reserves of £3.6 million.

5 Housing Revenue Account

HRA Budget	2022-23 Estimate, £	2022-23 Projection, £	Variance, £
Income	(34,999,509)	(34,999,509)	0
Expenditure on Housing Services	18,779,536	19,382,536	603,000*
HRA Share of CDC	1,275,453	1,275,453	0
Net Interest	4,998,295	4,567,723	-430,572
Net reserves transfer	9,946,225	9,773,797	-172,428
Net HRA Budget	0	0	0

*Mainly energy inflation on sheltered accommodation

5.1 **Appendix 3** shows the budget monitoring report for the Housing Revenue Account (HRA) based on the latest available information. The report shows that HRA gross service expenditure and income is largely on target. The projected outturn would enable a transfer of around £7.2 million to the new build reserve and £2.5 million to the reserve for future capital expenditure.

- The rental income estimates for 2022-23 included a revised prudent allowance for Right to Buy (RTB) sales and the re-commissioning of new units. Rental income from dwellings is currently projected to be £31.6 million.
- 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's expenditure on repairs.
- 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.

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 Public Works Loan Board (PWLB) debt portfolio for the HRA totalling £147 million. Towards the end of the 2021-22 financial year, the General Fund also borrowed £23 million from the PWLB. This is in addition to £109 million short-term borrowing that we currently hold. There is no cost of carry on our short-term borrowing. Total borrowing at 31 July 2022 is £279 million. **Appendix 13** shows the schedule of loans.

Aged debt analysis

- 6.3 Total Sundry invoice Debt

Period	NOT YET DUE FOR PAYMENT	< 30 days from due date	between 31 and 60 days	between 61 and 90 days	> 3 months from due date	Total Debt
2022/23 P3	£1,150,562	£1,044,785	£107,873	£582,041	£4,697,145	£7,582,408

The outstanding overdue debt has decreased from the previous report and has been decreasing month on month. Systems and resource have settled down meaning the team are now equipped to tackle the overdue position. We are currently collecting 73% of all invoices due each month which compared to last year is up 5% and steadily climbing.

Of the total overdue debt of £6.4 million, £3.64 million (57%) has agreed payment plans in place.

The top 5 services overdue debt (£5.5 million) account for 86% of total overdue debt with 64% (£3.54 million) of this on agreed payment plans.

Service	Total Overdue Amount	Amount with Payment plan
Asset Management	£2,703,806	£2,019,829
Housing Benefit	£1,839,168	£1,455,366

Parks And Countryside	£401,696	£33,371
Parking	£332,867	£31,534
Environmental	£258,680	£0.00
Top 5 Total	£5,536,217	£3,540,100

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. The Council held £20 million of strategic investments and £110 million of in-house investments as at 31 July 2022. **Appendix 14** shows the schedule of investments.

Prudential Indicators

- 6.5 Officers confirm that the Council has complied with its Prudential indicators in the period, which were set in February 2022 as part of the Council's Treasury Management Strategy Statement.

Authorised limit and Operational Boundary for External Debt

- 6.6 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.
- 6.7 The Council's authorised borrowing limit was set at £531 million for 2022-23.
- 6.8 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.
- 6.9 The operational boundary was set at £477 million for 2022-23.
- 6.10 The Chief Finance Officer confirms that there have been no breaches to the authorised limit and operational boundary during the year.

7 Capital Programmes

- 7.1 **Appendices 4 to 9** to 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 2022 for each scheme
- the estimate for 2022-23 as approved by Council in February 2022

- the 2022-23 revised estimate which considers the approved estimate, any project under spends up to 31 March 2022, and any virement or supplementary estimates
- 2022-23 current expenditure
- 2022-23 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. A detailed explanation is provided in paragraphs 7.3 to 7.11 below.

CAPITAL EXPENDITURE SUMMARY	2022-23 Approved £000	2022-23 Revised £000	2022-23 Outturn £000	2022-23 Variance £000
General Fund Capital Expenditure				
- Main Programme	100,162	109,026	81,334	(27,692)
- Provisional schemes	51,752	50,972	13,217	(37,755)
- Schemes funded by reserves	1,618	2,538	2,391	(147)
- S106 Projects	58	159	9	(150)
Total Expenditure	153,590	162,695	96,951	(65,744)
Housing Revenue Account Capital Expenditure				
Approved programme	49,909	50,519	29,703	(20,817)
Provisional programme	10,281	10,281	3,075	(7,206)
Total Expenditure	60,190	60,800	32,778	(28,023)

Approved (main) programme (Appendix 4)

7.3 Expenditure is expected to be £81.33 million representing a £27.69 million variance to the revised estimate of £109 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 the Executive. Whilst actual expenditure for the period of £4.22 million may seem low, several significant projects are in progress and delivery of the corporate projects and programmes is progressing. These include:

- P5 – Walnut Bridge replacement (£0.5 million) – works are progressing and the scheme is near completion. 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 must 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. The Major Projects Portfolio Board is monitoring the progress of this project and the project is on track to deliver by the completion date; however, once the final account has been agreed a virement from the Capital Contingency Fund will be required to cover additional cost.
- P21 – Ash Road Bridge (£8.76 million) – work is progressing on this scheme. 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. Officers complete regular monitoring reports to Homes England (HE) and the Major Projects Portfolio Board. The project status is currently rated as Red on the MPPB monitoring report due to delays being caused by Network Rail. Currently out for re-procurement, once completed a report will go to Executive and project may need to be reprofiled.

- ED6 – Weyside Urban Village (WUV) (£53.725 million) - 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. Officers complete regular monitoring reports to Homes England, the WUV programme Board and the Major Projects Portfolio Board on the progress of the project. The project status is currently rated Amber-Red on the MPPB monitoring report due to planning delays with the TW sewage treatment plant and the allotments site. Depending on the outcome of the planning process, milestone dates may need to be re-negotiated with Homes England. A report will go to the Executive and the project may need to be reprofiled at that time.
- FS1 – Capital Contingency Fund – (£1.940 million)
- North Downs Housing Ltd (£1.46 million) and Guildford Borough Council Holdings Ltd (£0.96 million) – target to purchase further properties this financial year.
- ED49 – Midleton Industrial Estate redevelopment – Phase 4 contractor has been appointed and report is being prepared to move remaining budget from provisional programme.
- P12 – Property Acquisitions - (£8.77 million)
- P22 – SGF (Guildford Economic Regeneration Programme) - (£1.1 million). A report was considered by the Executive on 22 September 2022 and the scheme may need to be reprofiled.

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 2022-23 will now be carried forward into 2023-24 or future years:

- P12 – Strategic Property Acquisitions (£16.75 million). The majority of original budget (£24.75 million) has been moved into later years due to a lack of investment opportunity in the market and the government tightening rules around property acquisition for commercial purposes.

- P21 – Ash Road Bridge (£10.22 million) – work is progressing on this scheme, current estimated spend in 2022-23 is £8.72 million from original budget £18.98 million the remaining amount million has been moved to future years due to slippage on the programme.

Provisional programme (Appendix 5)

7.5 Expenditure on the provisional programme is expected to be £13.21 million, against the revised estimate of £50.972 million, representing a variance of £37.76 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 begin. Monitoring the progress of these projects is key to identifying project timescales.

- OP6(p) - Vehicles, Plant and Equipment Replacement Programme (£2.5 million) report is being prepared to move to Approved Programme.
- P11(p) – Guildford West (£1 million) report is going to Executive regarding progression of scheme.
- ED49(p) – Redevelop Midleton Industrial Estate (£5.56 million) report is being prepared to move to the Approved Programme.
- P22(p) SGF (Guildford Economic Regeneration Programme) - (£1.5 million). A report was considered by the Executive on 22 September 2022 and the scheme may need to be reprofiled.

The re-profiling of schemes has resulted in a lower level of expenditure than planned in 2022-23.

7.6 A number of projects, that were also anticipated to start in 2022-23 have been re-profiled into future years including:

- P12(p) – Strategic Property Acquisitions (£28.3 million)
- North Street/ Bus Station relocation (£1 million)
- North Downs Housing Ltd (£5.5 million)
- Guildford Borough Council Holdings Ltd (£3.7 million)

S106 (Appendix 6)

7.7 Capital schemes funded from s106 developer contributions are expected to total £9,000. 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 Some capital schemes are funded from the Council's specific reserves. The outturn is anticipated to be £2.39 million. The main projects are:

- expenditure on car parks £941,000.
- ICT renewals and infrastructure improvements £831,000

Capital resources (Appendix 8)

7.9 When the Council approved the budget in February 2022, the estimated underlying need to borrow for 2022-23 was £104.28 million. The current estimated underlying need to borrow is £50.89 million. The reduction is due to slippage in the programme where schemes have been re-profiled into future years.

7.10 We know we will be borrowing £44 million from the PWLB in relation to the WUV scheme in the year.

Housing Investment Programme Approval Capital (Appendix 9)

7.11 The HRA approved capital programme is expected to outturn at £29.7 million against a revised estimate of £50.97 million. Several projects are in progress. These include:

- Guildford Park – (£1.71 million) this scheme is awaiting decision regarding progression of works and submission of a new planning application for approval. 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. The status of the project is currently Amber on the MPPB monitoring report due to budget risks.
- Foxburrows Redevelopment – (£9.59 million) reprofiled to 2023-24 awaiting decision on progression of scheme.
- Various small site projects – (£463,000) there is slippage on these projects. (£11.2 million has been reprofiled to future years)
- Acquisitions of Land and Buildings – (£1.68 million) spend is dependent on availability of sites, we are currently actively purchasing suitable properties to mitigate slippage on building projects.
- Major Repairs & Improvements – (£25.45 million) outturn is expected to be on budget as works delayed due to COVID can now be progressed.

The Guildford Park, Bright Hill and 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. With the recent changes on Right to Buy Pooling the Council now has 5 years in

which it can spend RTB receipts and can fund 40% of the cost of replacement housing from the RTB receipts. Should the Council not spend enough money on its Housing Investment Programme in order to utilise its RTB receipts within the timescales then they will 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, based on actual spend to date and assumption of 20 RTB sales per year, and
- A forecast of expenditure to be incurred as detailed on the approved housing capital programme.

Based on this scenario there is no current risk of repayment; however, should the capital programme be subject to delay and slippage this risk will increase. It is noted that the status of two of the bigger projects, Guildford Park and Bright Hill are currently amber and amber-red respectively on the MPPB monitoring report (**Appendix 12**).

Reconciliation of Spend to RTB	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Value of receipts that will need surrendering if no further spend	0	0	0	27	3,680	2,519
HIP Expenditure required to avoid RTB repayments	0	0	0	68	9,200	6,297
Forecast HIP Expenditure from the Approved Capital programme	6,414	15,382	7,847	400	0	0
Cumulative Expenditure forecast	7,253	22,635	30,482	30,882	30,882	30,882
Forecast additional receipts that will be used (c x 40%)	2,566	6,153	3,139	160	0	0
Cumulative additional receipts that will be used ((cumulative e) + a)	2,566	8,718	11,857	11,990	8,310	5,791
Revised value of receipts that might need to be surrendered			0	0	0	0

Housing Investment Programme Provisional Capital (Appendix 10)

7.12 The provisional programme revised estimate is £10.28 million with expenditure anticipated this financial year of £3 million. The reprofiling of schemes will result in a lower level of expenditure in 2022-23.

- Bright Hill & Redevelopment Bids – (£7.18 million) - reprofiled to future years. Project is currently rated Amber-Red on the MPPB monitoring report.

The projects above are partially funded by RTB receipts, there is a significant risk that repayment of RTB receipts will be necessary in future years if project delivery falls significantly behind schedule.

Housing Revenue Account Resources (Appendix 11)

7.13 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)

- 7.14 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 on the Housing Investment Programme relates to what is required to be spent as per the RTB model to avoid repayment of RTB receipts.

8 Consultations

- 8.1 The finance specialists prepare the budget monitoring 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 2022-23 financial year based on latest assumptions and actual data. There are no specific recommendations and therefore no options to consider.

14 Conclusions

14.1 The report summarises the financial monitoring position to date for the 2022-23 financial year.

14.2 There is currently a total net adverse variance from budget of £3.3million on the general fund revenue account. However, with the potential further increases in utility prices later in the year action should be taken to address the pressures identified to date. Action is required to address the overspend and bring the budget into line.

14.3 The surplus on the Housing Revenue Account will enable a transfer of £7.2 million to the new build reserve and £2.5 million to the reserve for future capital at year-end.

14.4 Actual expenditure incurred on our general fund capital programme for the period has been comparatively low against the programme envisaged at 1 April 2022. Officers are making progress against significant capital projects on the approved programme as outlined in section 7. The Council expects to spend £97million on its capital schemes by the end of the financial year.

14.5 It is anticipated that the Council's underlying need to borrow to finance the capital programme will be £50.84 million by 31 March 2023. The Council has complied with Prudential Indicators during the period.

14.6 Currently the Council has £131 million of investment balances, and £279 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
Appendix 13: Schedule of loans
Appendix 14: Schedule of investments