

Guildford Borough Council

Report to: Corporate Governance & Standards Committee

Date: 29 November 2023

Ward(s) affected: All

Report of: Interim Joint Executive Head of Finance (section 151 officer)

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Report Status: Open

Month 6 Financial Monitoring 2023-24

1. Executive Summary

- 1.1 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.
- 1.2 The Original Budget approved by the Council in February 2023 included a budget gap of £3.1 million. A revised budget was presented to Committee in July 2023 with a reduced budget gap of £1.6 million, following review of budgets with services. Further work has been undertaken, since July, jointly by the Corporate Management Board (CMB), the finance team and services to close this gap and savings have been made to reduce this ensuring the Revised Budget is balanced. Several areas were identified as a financial risk to the Council. Budgets have been increased to reflect this and are listed below. The month 6 forecast includes these budget changes.
- 1.3 The revised budget has been adjusted to reflect the changes above, officers are projecting an underspend within services on the General Fund revenue account of £0.545 million which includes specific

reserves transfers. Corporate adjustments, specifically external interest receivable, are forecast to underachieve by £0.359 million to give an overall forecast favourable position of £0.187 million. Any surpluses or deficits would impact reserves at year end.

- 1.4 Within the forecast of external interest is a forecast of £0.8 million which is expected to be received from North Downs Housing which has been highlighted as being a risk based on past performance. Further work is needed to confirm the position.
- 1.5 The CMB is implementing measures to address the budget gap in 2023/24 through a “Financial Recovery Plan” and the initial actions were set out in the budget report considered by council at its extraordinary meeting on 30 August 2023. Some of these measures will be one-off, in-year adjustments which will not help the budget in 2024/25 and future years. This will be prioritised in the mid-year review of the Medium-Term Financial Plan reported to committee in November 2023.
- 1.6 Officers are projecting an overspend on the HRA of £0.231 million. This report sets out the detail behind this variance.
- 1.7 Progress against the capital programme is underway. The Council expects to spend £119.6 million on its capital schemes by the end of the financial year against a budgeted expenditure of £177.7 million.

2. Recommendation to Committee

- 2.1. That the Committee notes the Council’s latest financial monitoring for the financial year 2023/24 and passes any comments and observations to the Executive.

3. Reason(s) for Recommendation:

- 3.1. To ensure that councillors and officers fulfil their responsibilities for the overall financial management of the Council’s resources.

4. Exemption from publication

- 4.1. No.

5. Purpose of Report

- 5.1. This report shows the projected outturn for 2023/24 for the GF and HRA based on the latest actual position and assumptions, and progress against capital projects within its capital programme.

6. Strategic Priorities

- 6.1. Councillors have reviewed and adopted a Corporate Plan for the period 2021-2025. Monitoring of our financial position during the year is a crucial part of managing the resources that will ultimately support the delivery of the corporate plan.

7. Background

- 7.1. The CMB, Chief Financial Officer and Deputy review monitoring reports. Financial monitoring for all services is reported to the this Committee on a regular basis.
- 7.2. This report sets out the financial monitoring and covers the GF and HRA monitoring.

8. Consultations

- 8.1. Finance specialists prepare the financial monitoring report in consultation with the relevant service managers, Joint Executive Heads of Service and Strategic Directors.
- 8.2. The Lead Councillor for Finance and Property has been consulted on the content of this report.

9. Key Risks

- 9.1. Any overspend on the GF will impact on the Council's reserve position and potentially in future years depending on the reasons for the overspend.
- 9.2. Any overspend on the HRA will impact on the ringfenced reserves held within the HRA.
- 9.3. An interest payment of £0.8 million is budgeted from North Downs Housing which, based on past performance, may not be achieved.

10. Financial Implications

General Fund Revenue Account

10.1. The current forecast spending against the Council's net GF budget for the year is projected to be a favourable position of £0.545 million. The forecast is based on the worst-case scenario for expenditure pressure.

10.2 The table below shows the GF Summary monitoring report. 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 July 2023 plus any virements or supplementary estimates during the year).

GENERAL FUND SUMMARY	Original Estimate 2023-24	Revised Budget 2023-24	Projected Outturn 2023-24	Variance to latest 2023-24
	£	£	£	£
Community Wellbeing Place	18,037,833	18,000,176	18,850,893	850,717
Transformation and Governance	(2,044,480)	(2,094,118)	(2,955,168)	(861,050)
Total Directorate Level	10,041,822	9,032,153	8,497,132	(535,021)
Less capital charges	26,035,175	24,938,211	24,392,857	(545,354)
Net service cost	(8,772,936)	(8,772,936)	(8,772,936)	0
Corporate Items	17,262,239	16,165,275	15,619,921	(545,354)
External interest receivable (net)	(2,794,690)	(3,394,690)	(2,967,313)	427,377
Interest payable to HRA	1,375,960	1,375,960	1,307,779	(68,181)
Minimum Revenue Provision	1,786,674	1,618,674	1,617,981	(693)
Other reserve movements	9,940	9,940	10,000	60
Business Rates GF impact	(3,152,126)	(3,152,126)	(3,152,126)	0
Other Govt Grants	(227,765)	(227,765)	(227,765)	0
New Homes Bonus	(1,282,629)	(1,282,629)	(1,282,629)	0
Council Tax Collection Fund	140,061	140,061	140,061	0
Net General Fund Cost	13,117,664	11,252,700	11,865,909	(186,791)
Council Tax requirement	11,252,700	11,252,700	11,252,700	0
Shortfall / (surplus)	1,864,964	0	613,209	(186,791)

The table below shows variances within the directorates' spending, with major variances across services explained in **Appendix 1**.

Directorate	2023/24 Revised Budget £ million	2023/24 Year-end Forecast £ million	2023/24 Variance £ million
Community Wellbeing	18.000	18.851	0.851
Place	(2.094)	(2.955)	(0.861)
Transformation & Governance	9.032	8.497	(0.535)
Totals	24.938	24.392	(0.545)

Housing Revenue Account

- 10.2 The HRA is forecast to have an adverse variance for the year by £0.231 million, as summarised in the table below. This would reduce the transfer to reserves if action cannot be taken to reduce this.

	2023/24 Revised Budget £ million	2023/24 Forecast £ million	2023/24 Variance £ million
Expenditure	38.247	38.979	0.732
Income	(38.427)	(38.748)	(0.500)
(surplus)/deficit for the year	0.000	0.231	0.231

All significant variances are shown in **Appendix 2**.

Capital Programme

- 10.3 The table below summarises the current position on the various strands of the Council's capital programme. A detailed explanation is provided in subsequent paragraphs.

CAPITAL EXPENDITURE SUMMARY	2023-24 Approved £000	2023-24 Revised £000	2023-24 Outturn £000	2023-24 Variance £000
General Fund Capital Expenditure				
- Main Programme	147,240	177,913	119,605	(58,308)
- Provisional schemes	48,428	49,119	3,181	(45,938)
- Schemes funded by reserves	1,031	1,564	1,469	(95)
- S106 Projects	122	293	293	0
Total Expenditure	196,821	228,888	124,548	(104,340)
Housing Revenue Account Capital Expenditure				
Approved programme	47,866	60,955	34,537	(26,419)
Provisional programme	15,928	16,928	0	(16,928)
Total Expenditure	63,794	77,883	34,537	(43,347)

Approved (main) Programme

10.4 Expenditure is expected to be £119.6 million representing a £58.3 million variance to the revised estimate of £177.7 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 £24.3 million may seem low, several significant projects are in progress and delivery of the corporate projects and programmes is progressing. See **Appendix 3** for details of the movements.

Provisional Programme

10.5 Expenditure on the provisional programme is expected to be £3.1 million, against the revised estimate of £49.1 million, representing a variance of £45.9 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. The re-profiling of schemes has resulted in a lower level of expenditure than planned in 2023/24.

S106 programme

10.6 Capital schemes funded from s106 developer contributions are expected to total £293,000. 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

10.7 Some capital schemes are funded from the Council's specific reserves. The outturn is anticipated to be £1.47 million. The main projects are:

- Expenditure on car parks £330,000.
- ICT renewals and infrastructure improvements £889,000

Capital Resources

10.8 When the Council approved the budget in February 2023, the estimated underlying need to borrow for 2023/24 was £149.354 million. The current estimated underlying need to borrow is £71.393 million. The reduction is due to slippage in the programme where schemes have been re-profiled into future years.

Housing Investment Programme Approved Capital

10.9 The HRA approved capital programme is expected to outturn at £34.537 million against a revised estimate of £60.955 million. Several projects are in progress.

10.10 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 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.

10.11 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.

Reconciliation of Spend to RTB	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	0	2,703
HIP Expenditure required to avoid RTB repayments	0	0	0	0	6,759
Forecast HIP Expenditure from the Approved Capital program	5,162	15,839	6,019	0	0
Cumulative Expenditure forecast	6,251	22,089	28,108	28,108	28,108
Forecast additional receipts that will be used (c x 40%)	2,065	6,335	2,407	0	0
Cumulative additional receipts that will be used ((cumulative e	2,065	8,400	10,808	10,808	8,104
Revised value of receipts that might need to be surrendered			0	0	0

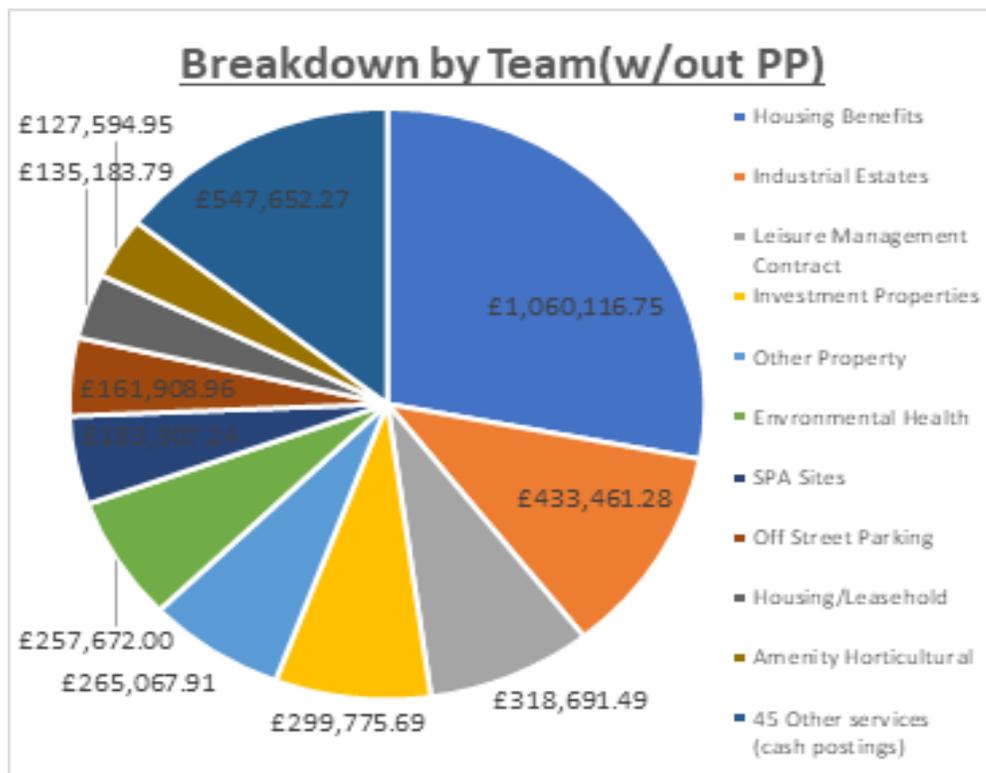
11. Sundry Debt

11.1. As at 30 September 2023, the current sundry debt (including Housing Benefit overpayments) position is £5.645 million of which £1.640 million is less than 30 days and within payment terms and a further £1.854 million is supported by payment plans. This leaves £3.790 million which is the debt due to the Council.

Period	Total Overdue Debt	Total Payment Plan	Remaining Overdue Debt	Payment Plan %
202206	£ 5,482,912.03	£ 2,542,697.92	£ 2,940,214.11	46%
202207	£ 5,395,445.99	£ 2,159,454.02	£ 3,235,991.97	40%
202208	£ 5,592,452.61	£ 2,010,598.34	£ 3,581,854.27	36%
202209	£ 5,620,812.91	£ 2,365,288.44	£ 3,255,524.47	42%
202210	£ 5,336,596.73	£ 2,305,930.36	£ 3,030,666.37	43%
202211	£ 8,077,774.74	£ 2,317,955.82	£ 5,759,818.92	29%
202212	£12,180,649.67	£ 2,644,307.89	£ 9,536,341.78	22%
202301	£ 9,354,272.01	£ 2,607,303.05	£ 6,746,968.96	28%
202302	£ 7,053,358.32	£ 2,578,619.12	£ 4,474,739.20	37%
202303	£ 5,682,074.83	£ 2,346,931.83	£ 3,335,143.00	41%
202304	£ 5,364,338.08	£ 2,209,650.54	£ 3,154,687.54	41%
202305	£ 4,534,405.53	£ 1,951,096.70	£ 2,583,308.83	43%
202306	£ 5,644,518.75	£ 1,854,086.42	£ 3,790,432.33	33%

Payment Plans

- 11.2 Payment plans are the first step in recovering from individuals and businesses owing the Council money. Values under £1,000 which can be repaid within 12 months will be agreed by the case team with approval of the finance specialist.
- 11.3 For any payment plans outside of the above, the services are consulted, and a proposed agreement is taken to the deputy S151 or S151 Officer or Directors for approval according to the Scheme of Delegation.
- 11.4 Debt without payment plans are a higher risk to the Council than those with payment plans and services are supported in the recovery of these debts.



Age of Debt

- 11.5 Age of debt is monitored to ensure our response is appropriate and effective.

Age of Debt	less than 30 days	31 - 60 days	61 - 90 days	3 -12 months	over 12 months	All debt
Type of Debt	£	£	£	£	£	£
Sundry Debt on a Payment plan	3,451	36,832	19,658	240,983	855,556	1,156,480
Remaining Sundry Debt	1,626,821	114,193	295,127	213,153	481,022	2,730,316
Housing Benefit Debt on Payment Plan	0	2,333	0	11,609	683,664	697,606
Remaining Housing Benefit Debt	10,191	2,589	3,499	60,458	983,380	1,060,117
Total Debt	1,640,462	155,947	318,284	526,203	3,003,622	5,644,519

11.6 Current debt position is high due to September being our legal quarter billing date for many of our commercial assets. It is expected that this will be collected within the next month.

11.7 There have been changes which has affected our debt collection in the past including ceasing collection during the pandemic, reorganisations, new ERP systems and an increase in customer queries.

11.8 The ERP system is now fully functioning, and the Accounts Receivable section has been recruited to and fully trained within the case team. We are now confident of the invoices being raised, can now send reminder letters as a standard and are able to monitor accurately and report on the levels of debt.

11.9 We are also currently working on our escalation processes whereby we work closely with services and are regularly escalating overdue debt to our debt collection service.

11.10 The total debt including Housing Benefit, aged debt and service breakdown will continue to be reported each month.

12. Legal Implications

12.1 Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration of the Council.

13. Human Resource Implications

13.1 There are no human resources implications arising from this report.

14. Equality and Diversity Implications

14.1 This duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications arising directly from this report. Each Executive Head of Service will consider these issues when providing their services and monitoring their budgets.

15. Climate Change/Sustainability Implications

15.1 This duty has been considered in the context of this report and it has been concluded that there are no climate change or sustainability implications arising directly from this report.

16. Summary of Options

16.1 This report outlines the anticipated end of year position for the 2023/24 financial year based on the latest assumptions and actual data. This report should be considered in the current economic context and the July Finance recovery plan.

17. Conclusion

17.1 The report summarises the financial monitoring position to date for the 2023/24 financial year.

17.2 There is currently a net favourable variance from budget of £0.187 million on the general fund. Services must review all known risks and continue to manage budgets to ensure this remains favourable.

18. Background Papers

None.

19. Appendices

Appendix 1: Summary Directorate Variances

Appendix 2: HRA Summary Variances

Appendix 3: Approved Capital Programme Movements

Appendix 4: Capital Programme