

**Guildford Borough Council**

**Financial Recovery Plan**

**2<sup>nd</sup> Edition – 26 September 2023**

**October update**

## **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 were not agreed to bring this situation back in to balance. The first Financial Recovery Plan was endorsed by Full Council in September and this report updates upon the position detailed at that time.

- 1.8. Further significant work is still 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 Previous work feeding into both the July and September reports identified that the current year overspend risk was around £2.6m, with a number of remaining uncertainties.
- 2.2 The work undertaken to date has already identified around £3m of potential savings and additional income in the current year. Work will still continue to increase this sum due to on-going cost pressures and the need to achieve an underspend, if possible, to help increase the Council's reserves position.
- 2.3 A first draft of this year's budget monitoring report has now been produced and this is being reviewed to ensure that it is both accurate and that the potential savings identified are deliverable against the reported position.
- 2.4 Additional controls have been developed to control the staffing establishment against the agreed budget but further work is still required on reviewing agency and contractor spend and ensuring all budgets are accurate.
- 2.5 Alternative contract options are being examined to help reduce the current pressure on utility costs. A sum of £500k has also been bid for from Sports England towards the utility costs at the leisure centres.
- 2.6 No significant additional issues have been identified at this point and the work done to date has reduced the potential overspend risk around staffing and contractors' costs.

## **3. Progress on September's Report Actions**

### **Establishment Control**

- 3.1 The system proposed in September is now in place and working well, with exceptions being considered by the Financial Control Panel as

appropriate. This will continue whilst the due diligence on the budget monitoring position is carried out and will be kept under review.

- 3.2 The impact of holding vacancies on the remaining staff will continue to be monitored closely by the Executive Heads of Service and Directors.

### **Agency / Interims / Consultancy**

- 3.3 The full list of agency and interim staff and consultancy support has now been produced and will be reviewed over the next few weeks.

### **Non- Essential / Discretionary Expenditure**

- 3.4 Meetings have now been held between finance staff and 8 of the Executive Heads of Service to review budgets on a line by line basis. The remaining 4 meetings will be held over the next fortnight.
- 3.5 These meetings have produced a number of potential savings areas in both the current year and future years. Some of these savings are one-off or of a short term nature and others are potentially on-going savings. A number of the on-going savings will require approval by the Council particularly where they have significant service / reputational implications.
- 3.6 A Financial Control Panel (FCP) has now been established which is reviewing discretionary expenditure requests and exceptions from the vacancy freeze. The membership and Terms of Reference for the Panel are set out in Appendix B
- 3.7 A cross-party Financial Recovery Executive Working Group has also been established to consider progress of the Financial Recovery Plan, sensitive issues and to help review and develop options for further savings areas. The membership and Terms of Reference for the Executive Working Group are set out in Appendix C.

## **4. Actions underway to deliver the 2024-25 Budget and MTFP**

- 4.1 The Council is having to focus its time and resources on the delivery of the Financial Recovery Plan over the next 6 months, culminating in agreeing a legally compliant MTFP in February 2024.

- 4.2 A number of workstreams have now been established which will help in balancing the budget for 2024-25 and reducing the MTFP budget gap.
- 4.3 Alongside this, work is also being done to identify any additional budgetary pressures which would need to be factored in.

### **Review of Capital Programme**

- 4.4 The existing capital programme is being reviewed in terms of the agreed projects, updates to cost projections and their timing.
- 4.5 Reductions in the programme would reduce future borrowing costs. Delays in projects will delay the cost of borrowing.

### **Asset disposals**

- 4.6 A review is underway of all of the Council's assets with a view to determine which if any of them may be suitable for disposal. A number of initial RAG ratings has been developed in relation to property condition, service usage, finance and valuation to help reduce the overall asset list to one which can be properly considered. Work is still required to refine this list and provide disposal valuations to supplement the current accounting valuations.
- 4.7 Capital receipts from asset disposals will either contribute towards repaying existing borrowing or reducing the need for future borrowing.
- 4.8 A further consideration will be the opportunity for any capital receipts to be set aside to fund future transformation work, for example in relation to the collaboration with Waverley Borough Council. This would be possible under the current "Capital Receipts Flexibilities" allowed by the government for transformation spend. This would reduce the need to use reserves to meet these costs but would then not be available for reducing borrowing costs. This will need to be considered in relation to the overall budget position once a disposal list has been agreed.

## **Housing Revenue Account**

- 4.9 The HRA is separate to the General Fund but there are both recharges to the HRA and also interest payable to the HRA from the General Fund. There is a legal requirement not to subsidise the General Fund from the HRA but the current arrangements are being reviewed to ensure that the cross-charging are both fair and appropriate in relation to the regulations.

## **Treasury Management**

- 4.10 Need to revise the treasury management strategy in line with the updated capital programme, HRA review and interest rate projections.
- 4.11 Also need to develop a long-term plan to deal with the future borrowing needs associated with Weyside Urban Village.
- 4.12 Aim to reduce the Council's interest and MRP commitments (whilst remaining prudent) and also provide a degree of certainty / risk management.

## **Insurance**

- 4.13 Looking at the potential to join a local authority collaborative scheme which could be for 2025-26.
- 4.14 This would potentially provide savings compared to current policy costs and release the £500k insurance reserve.
- 4.15 In the short term, we are reviewing our insurance cover and excess levels which may help to reduce policy costs.
- 4.16 It is however important to note that with higher excesses, the sums under the excess would be borne by the Council and good risk management would be vital to secure overall savings.

## **Service reviews / delivery options**

- 4.17 Options for future collaboration with Waverley BC will be developed once the Council is on a sound financial footing.

- 4.18 Other options for service delivery need to be considered for example establishing a Teckal company or outsourcing contract delivery in some areas where savings are deliverable.
- 4.19 These options would help reduce costs but they also may have long lead times and could require initial investment

### **Policy change options**

- 4.20 We are looking at policies which we have scope to amend such as the LCTS scheme, MRP etc.

### **Income generation**

- 4.21 A review of car parking charges is already underway.
- 4.22 A national announcement has been received that Planning fees will increase from 2024/25. The impact of this needs to be calculated.
- 4.23 For other fees and charges, some are fixed nationally but everything else can. be reviewed / benchmarked and there is the potential in many cases to increase to full cost recovery.
- 4.24 This has the potential to provide additional service income but the potential loss of custom will also need to be considered.

### **Partnership working**

- 4.25 The support to parish councils, the 3rd sector and other bodies (e.g. LEP/ SCC / LGA etc.) need to be reviewed.
- 4.26 This could lead to cost reductions but may also provide a better service through definition of services to be provides through SLAs.

### **Contracts / procurement**

- 4.27 Work has been commenced to understand and target large contracts and the highest supplier spend.
- 4.28 Work is also planned to map the contract renewals pipeline to the MTFP period so as to enable alternatives / options to be properly considered.

- 4.29 The procurement team is currently looking at the energy contract with a view to alternative procurement options. From early market engagement, it would appear that the current overspend risk could be removed.
- 4.30 We will be aiming to negotiate cheaper contracts, manage our suppliers and through forward planning, allow for competitive procurement rather than rushed procurement processes.

### **Additional Support to deliver the Recovery Plan**

- 4.31 A budget of £800k was agreed in July to help deliver the Financial Recovery Plan.
- 4.32 Commitments have already been made against this to fund additional senior officer support within the Finance function and also for a number of external reviews / due-diligence reports.
- 4.33 The workstreams set out above will also require support which is currently being evaluated in detail. This will cover a number of disciplines including HR, legal, finance, valuation and project management. These will be included in future updates.

## **5. Financial Services Workstream**

- 5.1 Alongside the budget savings workstreams, an additional workstream has been established across the Council's Finance function.
- 5.2 Work is now well underway to: -
- Establish rigorous establishment control processes.
  - Ensure reporting is available in a timely, accurate and consistent manner and appropriate for each audience (e.g. Budget holders, Managers, JMT, CMB, s151, Councillors)
  - Ensure the Council reports "one version of the truth" with everything in the finance system which is used for all financial reporting.
- 5.3 Further work is still required to: -



- Engender budget ownership, with clear and accurate information provided so that budget holders can understand their budgets and be held responsible for them.
- Produce a budget book to enhance transparency of Council spending.
- Establish a process of regular in-year reconciliations to avoid surprises and speed up closedown.
- Remove the industry of internal recharging except where necessary (e.g., HRA, capital)
- Actively manage the Council's debts.
- Review Financial and Contract Procedure Rules

## **6. Potential Savings Identified to date**

### **2023-24**

- 6.1 The initial work undertaken to date on vacancy management and service budget reviews has identified a significant number of savings which are set out in Appendix A.
- 6.2 Some of these savings are secured and should be sufficient to cover the budget shortfall in the current year, allowing for known risks. The risk of a s114 report in October 2023 has therefore been removed.
- 6.3 There are also further savings opportunities identified which need further investigation to ensure they are acceptable to the Council and deliverable. Work will continue on these.

### **2024-25 and Beyond**

- 6.4 Some potential savings have also been identified which will help to close the budget gap for 2024-25 and beyond. These are also shown in Appendix A.
- 6.5 The output from the established workstreams will contribute further to this work.
- 6.6 Further work is still likely to be required to remove the £18m budget gap projected for the end of the MTFP period.

6.7 There are also still additional pressures beyond the MTFP period associated with the borrowing costs of the Weyside scheme. Options for dealing with this will also be considered in due course.

## Appendix A – Potential Savings Opportunities

<b>Financial Recovery Plan - Savings Tracker</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Notes</b>
<b>Budget gap</b>	1,614				23/24 budget gap
Salary adjustments for in year vacancies	(391)	0	0	0	one-off
Council Tax deficit	140	0	0	0	on-going but will change each year
Economic Development - posts held vacant (23/24)	(100)	0	0	0	one-off
Regen / planning policy	(90)	0	0	0	one-off
Spectrum income	(66)	(90)	(90)	(90)	on-going
PCNs - increase after cessation of on-street	(40)	(80)	(80)	(80)	on-going extra income net of system cost in 23-24
Car Parks – c£490k had been taken out of budget due to N Street dev	(490)	0	0	0	potentially ongoing pending north st development
Car parks - income above budget	(460)	(460)	(460)	(460)	on-going
Park and Ride allocation for re-opening Onslow	(139)	0	0	0	one-off. SCC paid minimal costs
Feasibility Studies	(53)	0	0	0	one-off but review if any can continue
Climate change uncommitted sum	(131)	0	0	0	one-off but review if any can continue
MRP reduction from slippage on scheme completion	(168)	(168)	(168)	(168)	on going - delayed scheme completion
Treasury Management - HRA interest not required on HRA capital receipts and capitalisation of re-gen interest	(600)	(600)	(600)	(600)	on-going
Garden Waste Excess Income	(125)	(125)	(125)	(125)	on-going
Parks/ Rangers	(41)	0	0	0	One-off
<b>Risks</b>					
Unbudgeted costs for planning appeals	100	0	0	0	one off but future risk
Increased cost of External Audit	140	140	140	140	ongoing
Unbudgeted Utility costs	900	0	0	0	future costs to be reviewed
<b>Savings taken to balance in year budget</b>	<b>(1,614)</b>	<b>(1,383)</b>	<b>(1,383)</b>	<b>(1,383)</b>	
<b>Potential additional savings</b>					
Unit 4 support	(30)	(100)	0	0	
Irrecoverable VAT	(8)	(8)	(8)	(8)	on-going
Waste Service - Fuel	(70)	0	0	0	one-off, depending on price movements
Parks/ Rangers	(122)	0	0	0	One-off
Street Cleaning	(30)	0	0	0	One-off
Reduced exp following review of 22/23 actual v 23/24 budget	(623)	0	0	0	Future years impact needs further analysis
R&M reduction	(233)	0	0	0	one-off but review if any can continue
Parish grants - £90k saving from 24/25	0	(90)	(90)	(90)	on-going
Car Park Charge review	0	(800)	(800)	(800)	on-going
Waste services changes / charges	0	(150)	(150)	(150)	on-going but further review needed
G-Live retender from Sept 24	0	(137)	(275)	(275)	on-going.
Hanging baskets / green flag	0	(95)	(95)	0	2 year pause
Parks - pre-ordering bulbs	0	(12)	(12)	(12)	on-going
Parish council LCTS	0	0	(100)	(100)	on-going but further review needed
LEP will be SCC function	0	(25)	(25)	(25)	on-going
	<b>(2,730)</b>	<b>(2,800)</b>	<b>(2,938)</b>	<b>(2,843)</b>	
<b>Savings still to be fully reviewed</b>					
Asset disposal - reduced borrowing (£50m?)					Further review needed
Income reviews - full cost recovery					Further review needed
Planning fee national increases					Further review needed
Vacancy Freeze					Further review needed
Capital Programme Review					Further review needed
Insurance review					Further review needed
Service Delivery options e.g. outsource					Further review needed
Collaboration opportunities					Further review needed
Contract management - supplier spend review / targeted reprocurement					Further review needed
	<b>(2,730)</b>	<b>(2,800)</b>	<b>(2,938)</b>	<b>(2,843)</b>	

## **Appendix B – 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 consider requests for exemptions from the vacancy freeze
- 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.

## **Appendix C – 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.