

# **Guildford Borough Council**

Report to: Executive

Date: 23 November 2023

Ward(s) affected: All Wards

Report of Director: Transformation & Governance

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Report Status: Open

## **General Fund Revenue Outturn Report 2022-23**

### **1. Executive Summary**

#### **General Fund revenue account**

- 1.1 Overall, the outturn for 2022-23 on the General Fund was £6.49 million more than originally budgeted, which will be financed from the Medium-Term Financial Plan reserve. The Chief Financial Officer, in consultation with the Leader of the Council and the Lead Councillor for Finance and Property, has delegated authority to deal with the overspend and transfer the necessary resources from the reserve set out above.
- 1.2 The general fund summary is set out at Appendix 1 and the report sets out the major reasons for the variance.
- 1.3 Our net income from interest receipts is £915,000 more than estimated and the minimum revenue provision (MRP) for debt repayment is £5,000 higher than estimated.

- 1.4 During the accounts closure process, a number of adjustments were made following a review of the balance sheet, these are detailed in paragraph 7.11 below.

### **Earmarked Reserves**

- 1.5 Historically the Council held many reserves for specific purposes. For 2022-23 all reserves that were held for internal policy reasons have been merged into the Medium-Term Financial Plan Reserve. There are still some specific reserves, but these have been kept to a minimum.

### **Collection Fund**

- 1.6 The business rates balance on the collection fund is particularly susceptible to movements in the number and values of appeals businesses have made against their rateable values. We have no control over these appeals and have limited information from the Valuation Office to help us assess the potential impact.
- 1.7 The Collection Fund revenue account for the year is set out in Appendix 2. There is an overall deficit on the Collection Fund of £1.735 million. The Council's share of the deficit is £0.694 million which will be recovered from the general fund in 2023-24.
- 1.8 The outturn position will be included in the Statement of Accounts which will be signed by the Chief Financial Officer and subsequently be audited by Grant Thornton. This Committee will review the audited statement of accounts.
- 1.9 This report will also be considered by the Corporate Governance & Standards Committee at its meeting on 16 November. The Committee's comments/recommendations will be included on the Supplementary Information Sheet for consideration by the Executive.

## **2. Recommendation to Executive:**

- 2.1 That the Executive notes the final outturn position and endorses the decisions taken under delegated authority to transfer the amounts set out above from the Medium-Term Financial Plan reserve.

### **3. Reasons for Recommendation:**

- 3.1 To note the final outturn position and delegated decisions taken by the Chief Financial Officer which will be included in the statutory accounts.
- 3.2 To facilitate the ongoing financial management of the Council.

### **4. Exemption from publication**

- 4.1 No.

### **5. Purpose of Report**

- 5.1 This report gives the final position on the General Fund revenue account and Collection Fund for the 2022-23 financial year and explains the major variances from the General Fund revised estimate and the adjustments made in the accounts as a result of the balance sheet review.
- 5.2 The outturn position on the General Fund Capital Programme and the Housing Revenue Account has been included in separate reports within the agenda papers.

### **6. Strategic Priorities**

- 6.1 Good financial management underpins the achievement of the council's strategic framework.

### **7. Background**

- 7.1 This report sets out the final position on two revenue accounts - the General Fund Revenue Account and Collection Fund. The impact of the final position has been reported in the unaudited statutory statement of accounts available on our website.

#### **General Fund Revenue Account**

- 7.2 The overall variance on the General Fund is net expenditure £6.49 million greater than budget. The table below summarises the overall position on the General Fund. The figures exclude various accounting adjustment

items such as capital charges, International Accounting Standard 19 (IAS 19) adjustments relating to Pension Funds, and other items that do not have any effect on the Council's net budget. The service unit figures include budgeted and actual contributions to service-related earmarked reserves where appropriate. A summary is set out below, and a detailed subjective summary by directorate is shown in Appendix 3.

7.3 This arises from four main areas: the Directorates, net external interest received, Business Rates and Government grants.

	Revised Estimate	Actual	Variance to rev est
	2022-23	2022-23	2022-23
	£000	£000	£000
<b>Directorate Level Expenditure</b> (excluding depreciation, capital charges and statutory adjustments. Major variances by directorate are explained in Appendix 2 )	9,127	22,171	13,044
Transfers to reserves (included in Directorate expenditure)	2,133	(1,060)	(3,193)
<b>Directorate Level Expenditure (excluding depreciation, capital charges and reserve transfers)</b>	<b>11,260</b>	<b>21,111</b>	<b>9,851</b>
Net interest receivable	(497)	(1,412)	(915)
Minimum Revenue Provision	1,545	1,550	5
Business rates retention scheme - net position after transfer to business rates equalisation reserve	(710)	(2,635)	(1,925)
New Homes Bonus	0	(717)	(717)
Transition grant and s31 council tax grant	(574)	(383)	191
Collection Fund Council Tax (surplus) / Deficit	(125)	(125)	0
<b>TOTAL net budget (excl parish precepts)</b>	<b>10,899</b>	<b>17,389</b>	<b>6,490</b>

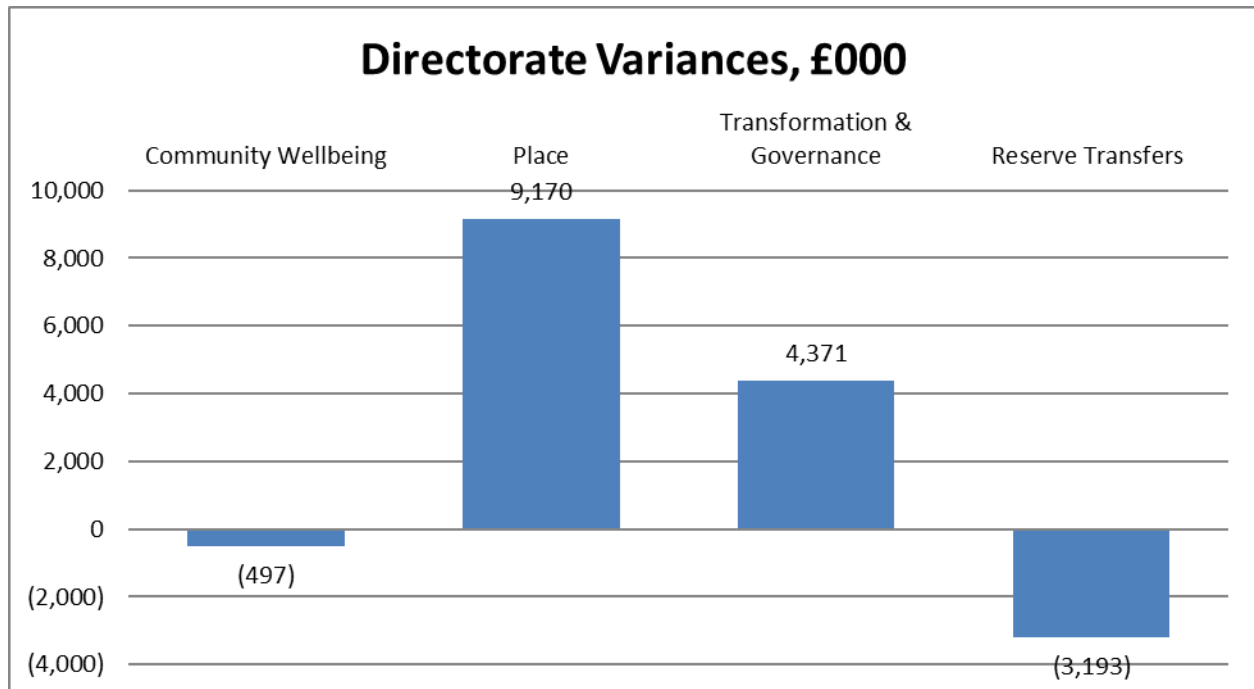
## Directorates

7.4 Services excluding capital charges are overspent by £13 million. Pension adjustment (IAS19) shows as expenditure in services and reversed out in reserves. Without the pension charge, services would be £8 million over budget.

7.5 By account or spend type, the variances are: Staffing expenditure on consultants, agency, casual staff and overtime contributed £5.2 million to the overspend. This is broken down in the table below. These areas were highlighted to members of the Corporate Governance and Standards Committee when reporting on the January 2023 position and have worsened since.

	<b>Revised Budget (£)</b>	<b>Final Outturn (£)</b>	<b>Variance (£)</b>
Consultancy	494,338	3,137,052	2,642,714
Agency Staff	961,180	2,863,978	1,902,798
Casual Staffing	222,788	507,263	284,475
Overtime	581,624	942,356	360,732
<b>Totals</b>	<b>2,259,930</b>	<b>7,450,649</b>	<b>5,190,719</b>

- 7.6 As explained to the Corporate Governance and Scrutiny Committee at its meeting on 15 March 2023, several services have been operating on more than their budgeted staffing capacity during the year. The majority of these overspends are due to ongoing capacity challenges not addressed in the Future Guildford programme (or consequential of the implementation) and should have been addressed either within existing budget or through the Scheme of Virement and Supplementary Estimates within the Financial Procedure Rules prior to being incurred. The use of agency and consultancy staff is appropriate where there is a need for short term capacity or one-off use of specialist skills. Unavoidable cost pressures have been included in the 2023-24 budget.
- 7.7 The impact of inflationary increases has impacted the Council especially the increased costs of utilities, this was £2.65 million (41%) greater than originally budgeted for. Much of this pressure came from our Leisure Services where spending was £1.66 million greater than budgeted for.
- 7.8 The differences in each directorate as show in the chart below.



7.9 The £4.7 million write back to the General Fund (para 7.11) is shown in the directorates over spend in this table, as they are a cost to services. This with the £5.19 million above identifies £9.9 million of the directorate over spend position.

7.10 The overspend in directorates is offset by a net increase from reserves of £3.19 million giving a total over spend of £9.8 million.

#### **Changes during year end as result of balance sheet review**

7.11 As a result of a comprehensive balance sheet review during the 2022-23 closing process, there were a number of changes which resulted in a £4.7 million impact on the General Fund. The key items were:

<b>Item</b>	<b>Amount</b>	<b>Comment</b>
North Downs Housing accrued interest bad debt provision	£2.85 million	Interest was rolled up for the first 5 years to the loan, given the uncertainty in the company, it was felt prudent to include a bad debt provision for the interest
Bad debt for caravan sites	£500,000	Bad debt revised based on arrears in the system
Creditor balance being held on balance sheet from new system implementation in error	£1 million	Should have been cleared in previous years.
BEIS Government grants to be removed	£980,000	Relates to previous years treatment of grants
Treasury management adjustment to balance sheet	£90,000	Error in calculation on maturity of investment in previous years
Adjustment to level of HB debt in bad debt provision	(£390,000)	Provision calculation included duplicated debts
Provision for holiday pay	(£243,000)	Double count as also in unusable reserves
Other smaller adjustments	(£87,000)	Favourable to the General Fund

7.12 The CFO has proposed to use the Medium-Term Financial Plan reserve to balance the general fund.

## **Net external interest**

- 7.13 The weighted average interest rate achieved on our investment portfolio was 1.62% against a budget of 1.69%. We had higher balances than we estimated when we set the budget and therefore interest received (after paying interest on external loans) was £622,000 higher. The higher balances come from having more cash than estimated at the start of the year due to slippage in the 2021-22 capital programme.
- 7.14 The General Fund pays interest to the Housing Revenue account (HRA) on its balances. The 2022-23 interest to the HRA was £1.9 million higher than budgeted, due to the increase in interest rates. Overall, net interest received by the General Fund was £914,890 more than estimated.
- 7.15 The Council has been capitalising debt interest on loans taken out for the WUV project to the project. As part of the financial recovery plan, a review with the intention to apply interest to all non BAU capital schemes has taken place and will be discussed with the auditors with the view to applying the change to 2022-23.

## **Minimum Revenue Provision (MRP)**

- 7.16 MRP is a charge to the revenue account for unfinanced capital expenditure. The 2022-23 budget was based on the estimated capital-financing requirement (CFR) at the end of the previous year (31 March 2022) of £245 million with MRP at £1.545 million. The actual General Fund CFR at 31 March 2022 was £157 million, which generated a minimum revenue provision of £1.55 million. The difference between the two CFR figures was, in the main, the WUV project, where we are not currently charging MRP.

## **Business Rates**

- 7.17 The business rates retention position was balanced back to the Settlement Funding Assessment (SFA) by way of the following two key adjustments. The Council received £4.8 million less in s31 grant, but instead of paying a levy to the Government of £2 million, we went into safety net of £2.27 million, almost offsetting the discount.



<b><u>Business Rates Retention Summary [zero impact]</u></b>	<b>Revised Budget</b>	<b>2022-23</b>	<b>2022-23</b>
		<b>Actual</b>	<b>Variance</b>
		<b>£0</b>	<b>£0</b>
BRRS – tariff	31,844	31,844	0
Business Rates levy payment to MHCLG	2,028	(2,544)	4,572
BRRS - equalisation reserve transfer	(9,391)	(9,598)	207
	<b>24,481</b>	<b>19,702</b>	<b>4,779</b>
BRates Collection fund deficit	8,270	8,270	0
BRRS - s31 grant	(8,171)	(3,077)	(5,095)
BRRS - retained income	(27,508)	(27,508)	0
<b>BRRS - net position</b>	<b>(2,928)</b>	<b>(2,612)</b>	<b>(316)</b>

### **Government grants**

7.18 We had budgeted £573,871 of government grant and received £382,998 - £14,760 new burdens grant, £202,351 one off revenue support grant and £165,887 Covid 19 funding.

### **Earmarked reserves**

7.19 The majority of 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 transfers that are not service related and affect the total net expenditure that were included in the 2022-23 budget are:

- New Homes Bonus (NHB) reserve; £766,000 received in year, which was spent on £687,000 Shaping Guildford’s Future feasibility costs, and £30,000 towards crowdfunding.

7.20 It was decided to review the Council’s earmarked reserves and merge all that were not due to be held for a specific purpose into a new reserve called the Medium-Term Financial Plan Reserve.

7.21 A summary of the reserves can be seen in the following table:

<b>General Fund Reserves</b>	<b>Balance at 31 March 2023 £000</b>
MTFP	-4,277,712
Carried Forward Items	-870,238
ICT Renewals	-1,894,367
Insurance	-500,000
Spectrum	-773,352
Car Parks Maintenance	-2,330,540
Business Rates equalisation	-2,930,539
Special Protection Areas (SPA) sites	-13,588,745
BR Covid ongoing	-330,462
Other reserves	-1,361,017
<b>TOTAL</b>	<b>-28,856,972</b>

All reserves other than the MTFP reserve are earmarked for specific purposes.

### **Collection Fund**

7.22 Appendix 2 shows the final figures for the Collection Fund. Council tax and non-domestic rates are shown separately.

7.23 The overall balance carried forward on the Collection Fund Revenue Account, is a deficit of £1.735 million. In relation to business rates the deficit is shared between the relevant major preceptors and Central Government as part of setting the 2023-24 budget.

### **Business rates**

7.24 The overall deficit on the Business Rates element of the Collection Fund has reduced by £23 million (surplus in year) to £1.5 million at 31 March 2023. This deficit, adjusted for any difference between estimate and projected outturn in 2022-23, will feed into the General Fund, as a cost, in 2023-24. The use of the Business Rates Equalisation reserve enables us to manage the impact of these in-year movements, as shown in the table above.

### **Council tax**

7.25 The deficit on the Council Tax element of the Collection Fund for the year was £2.2 million, offsetting the brought forward surplus, resulting in a small deficit overall of £213,000 at 31 March 2023.

## **8. Consultations**

8.1. Officers have consulted the Lead Councillor for Finance and Property about the recommendations in this report.

## **9. Key Risks**

9.1. The final accounts for 2022-23 have yet to be audited and may be subject to further change.

## **10. Financial Implications**

10.1. Financial implications have been included in the relevant paragraphs of this report.

## **11. Legal Implications**

- 11.1. 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 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.
- 11.2. 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).
- 11.3. 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.
- 11.4. The unaudited accounts are available on the website. 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”.
- 11.5. The Accounts and Audit (England) Regulations 2015 require the Chief Financial 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.

## **12. Human Resource Implications**

12.1. There are no human resources implications.

## **13. Equality and Diversity Implications**

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

## **14. Climate Change/Sustainability Implications**

14.1. There are no direct climate/sustainability implications as a result if this report.

## **15. Summary of Options**

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

## **16. Conclusion**

16.1. 2022-23 has been a challenging year influenced heavily by external factors. This has resulted in a significant overspend which will be resolved by using funds from the Medium-Term Financial Plan reserve.

## **17. Background Papers**

17.1. General Fund Budget 2022-23 and Medium-Term Financial Plan 2023-24 to 2025-26

## **18. Appendices**

Appendix 1 – General Fund Summary

Appendix 2 – Collection Fund