Executive Report

Wards affected: All

Report of Chief Finance Officer

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Business Planning:General Fund outline budget 2020-21

Executive Summary

This report outlines the current position on the 2020-21 outline budget and asks the Executive to note the position.

The Joint EAB Budget Task Group (JEABTG) and Joint Executive Advisory Board (JEAB) will consider the outline budget at their meetings on 8 November and 20 November respectively. The comments of the JEABTG are included at section 12. The comments of the JEAB will be included on the Supplementary Information Sheet to be circulated at the Executive meeting, as the JEAB meets after this agenda is published. Section 4 of this report sets out the assumptions that have been used to prepare the outline budget for 2020-21 and projections for the following three years.

The report explains that we have included government funding at a level based on the information contained in the 2020-21 Local Government technical consultation document issued on 3 October 2019 but that we will not know the amount of our grant for certain until central government releases the provisional local government finance settlement which the Ministry of Housing, Communities and Local Government (MHCLG) has provisionally indicated will be in December 2019. We have assumed a £5 (3.0%) increase in Council Tax.

The draft Council Tax base is 57,645.76, which is 1.5% higher than 2019-20. This has increased the resources available by approximately £146,100.

Section 7 sets out the proposed council tax reduction pilot scheme for Surrey County Council Care leavers for 2020-21.

Section 11 covers the current position on the 2020-21 outline budget, which currently shows a shortfall between the likely resources and the proposed net expenditure of £820,760.

The major reasons for movements between 2019-20 and 2020-21 are set out in the report and the variances at service level are set out in **Appendix 2**. Revenue growth bids received for 2020-21 are set out in section 11.12 and are included in the outline budget; however, some capital bids may also have revenue implications attached to them. These will be considered as part of the capital and investment strategy report in January 2020, along with a schedule of proposed fees and charges for 2020-21. Because it is still early in the budget process, the report also sets out the areas of uncertainty that may influence the final position.

The financial monitoring report for the first six months of 2019-20 will be reported to the Corporate Governance and Standards Committee on 19 November 2019. The projected net expenditure on the General Fund for the current financial year is estimated to be £0.57 million more than the original estimate. One of the factors contributing to the forecasted position in 2019-20 is the costs incurred in respect of planning appeals. This report requests the approval of a supplementary estimate to cover these costs and a supplementary estimate to cover the costs of enforcement action at Stoney Castle, Pirbright.

Recommendation to Executive:

(1) That the budget assumptions used in the preparation of the 2020-21 outline budget and three year forward projections, be approved.

(2) That a supplementary estimate of £125,000 to cover the forecasted budget shortfall in respect of planning appeal fees, be approved.

(3) That a supplementary estimate of £120,000 to cover enforcement costs at Stoney Castle in Pirbright, be approved.

(4) That the current position on the outline budget for 2020-21 be noted.

(5) That the proposal to use the Council's various earmarked reserves for specific projects, as set out in section 10 of the report, be approved.

(6) That the pilot 100% council tax reduction for Surrey County Council care leavers for 2020-21 only, be approved.

Reason for Recommendation:
To assist the Executive in the preparation of the General Fund estimates for 2020-21.

Is the report (or part of it) exempt from publication? No

1. Purpose of report

1.1 This report outlines the current position on the 2020-21 outline budget and asks the Executive to note the position.

1.2 Because it is still early in the budget process, the report also sets out the areas of uncertainty that will influence the final position.

1.3 The report also proposes the use of the New Homes Bonus reserve and other earmarked reserves. The working assumption is that we will not form part of a business rates pilot in 2020-21.

2. Strategic Priorities

2.1 The budget underpins the Council's strategic framework and delivery of the Corporate Plan.

3. Background

3.1 This report will cover the following areas:

- Budget assumptions
- Revenue Support Grant and Business Rate Retention Scheme
- Council Tax, tax base and collection fund
- Care Leavers council tax reduction pilot
- New Homes Bonus
- capital expenditure and minimum revenue provision
- use of reserves and interest earnings
- draft outline budget for 2020-21
- Forecasted outturn position for 2019-20

4. Outline budget parameters

4.1 In order to prepare the outline budget for 2020-21 officers need to know the parameters within which they need to work.

4.2 Setting parameters for the whole plan period is beneficial in the calculation of projections over the medium term. The working assumptions used have therefore been used for the whole plan period up to 2023-24.

4.3 The Council will make the final decision on the estimates for 2020-21 at its meeting on 5 February 2020; agreement of an allowance at this stage (for example the assumed pay award) does not mean that this cannot be changed later in the process.

4.4 Within the period covered by the business planning horizon, there will be significant change to the system of local government finance. By 2021, government will re-assess the baseline need to spend of each local authority through the "fair funding review" and will establish a financing system based on 75% business rates retention. As part of the fair funding review, further powers and responsibilities will be passed to local government and the cost drivers and demand for local government services will be re-assessed. It was originally anticipated that the new funding system would come into effect from April 2020, this has now been delayed for a year by central government due to the governments wish for further engagement and consultation with the sector.

4.5 The settlement for 2020-21 is likely to be very similar to that of 2019-20 ahead of the changes proposed for 2021-22 with the government suggesting that the 2020-21 settlement will be a “roll-forward” settlement.

4.6 The assumptions used in the 2020-21 outline budget are set out in the table below. These assumptions are based on the approved parameters set during the 2019-20 budget setting process but have been reviewed for accuracy and updated where necessary.

	2020-21	**2021-22**	**2022-23**	**2023-24**	**Benchmark**
General Inflation	2.0%	2.0%	2.0%	2.0%	CPI
Payroll	2.0%	2.0%	2.0%	2.0%	CPI
Income	3.0%	3.0%	3.0%	3.0%	RPI
Council Tax Increase	£5	1.9%	1.9%	1.9%	Referendum limits
Business Rates Inflation	2.0%	2.0%	2.0%	2.0%	CPI
Revenue Support Grant (RSG)	0	Negative RSG of £0.6m	Negative RSG of £0.6m	Negative RSG of £0.6m	N/A
Council Tax Base Increase	0.73%	0.73%	1.08%	1.28%	Local plan
New Homes Bonus	£1.07m	£1.09m	£1.21m	£1.35m	Local plan & Government Guidance
Vacancy factor	3.0%	3.0%	2.0%	2.0%	Reduced as part of Future Guildford
Average Weighted Investment Returns	2.14%	2.08%	2.54%	2.39%	TM Strategy

5. Revenue Support Grant (RSG) and Business Rates Income under the Business Rates Retention Scheme (BRRS)

5.1 The Local Government Technical consultation was published on 3rd October 2019. The projections for RSG and BRRS included in the outline budget for 2020-21 are based on the information included in this consultation. The Ministry of Communities and Local Government (MHCLG) has provisionally indicated that the draft Local Government Finance Settlement (LGFS) will be announced in December 2019, therefore a further update on government funding will be provided to Executive in January 2020 as part of the final budget report.

5.2 The previous LGFS for the 4 years 2016-17 to 2019-20 showed that the Council’s settlement funding assessment would reduce over the period. The majority of the reduction fell on the RSG which has been nil from 2018-19 onwards. To enable the government to still have a mechanism for controlling/reducing our ability to raise funding locally, it introduced an adjustment to the tariff the Council pays to central government under the business rates retention scheme, which has the impact of, further reducing resources (shown in the table in paragraph 4.6). This tariff adjustment is the equivalent of a ‘Negative RSG’, i.e., the Council is paying the government from its share of the retained business rates and Council Tax.

5.3 The government consulted and removed ‘Negative RSG’ adjustments in 2019-20 and is again consulting on removing this adjustment for 2020-21.

5.4 The baseline funding level for business rates is different to our actual income. Up until the system is reviewed, the Council will keep 50% of any growth in business rate income above the baseline funding level and pay the remaining 50% to central government. This is known as the business rate levy. For 2016-17 and 2017-18, the Council was part of the Surrey – Croydon Business Rates pool which enabled the retention of the business rates levy by the members of the pool. For 2018-19, the council was part of the Surrey Pilot of 100% business rates retention, which involved a Surrey-only business rates pool and any growth in income above the baseline need to spend for the pilot was retained locally and shared between the pilot members. Possible pooling options are being looked at for 2020-21 but as this stage, it is unlikely that the Council will have the option to take part in any of these.

5.5 In December 2017, the Government issued further consultations on business rates reform (now at 75% rather than 100%) and a fair funding review of local government finance, the outcome of which will now be implemented for the financial year 2021-22. There is a substantial risk that the Council’s relative need to spend will be reduced by government as part of the fair funding review, as it looks to re-allocate resources into high demand services such as social care and will continue to expect local authorities to contribute towards meeting national austerity targets. This is likely to mean that the ‘additional tariff’ or ‘Negative RSG’ payable by the Council under the business rates retention scheme could increase from 2021 onwards. The impact of increasing the tariff adjustment is that Guildford will retain less business rates locally than it does now.

6. Council Tax, tax base and collection fund

6.1 The outline budget assumes that council tax will increase by £5 (approximately 3.0%) This means that the band D tax will go up from £171.82 to £176.82. The increase will generate approximately £288,300 based on the 2020-21 tax base.

6.2 At present, the government sets a limit each year above which increases in council tax have to be supported by a referendum. In the past, this limit has been 2%. However, as part of the final local government finance settlement issued in February 2016, for Shire District Councils this was changed to allow increases of less than 2% or up to and including £5 per Band D property, whichever is higher. The recent technical consultation on the local government finance settlement issued by government proposes that this rule remains the same for 2020-21 and we expect that the government will revert to the 2% council tax referendum limit for 2021-22.

6.3 The Director of Finance, in consultation with the Lead Councillor for Finance, Assets and Customer Services, has agreed the council tax base for 2020-21 at 57,645.76. This is 1.5% higher than the 2019-20 figure and has increased the available resources by approximately £146,100.

6.4 Any surplus or deficit on the Collection Fund in the current financial year (2019-20) feeds into the 2020-21 budget. The figures presented assume no deficit [this will be updated in time for Executive in January 2020]

6.5 At present, it seems unlikely that there will be a surplus on either the council tax or business rates element of the Collection Fund. This is a consequence of an increase in the number of exemptions and discounts primarily in respect of student occupancy and single person discounts and on the business rates element a significant increase in the appeals provision made as part of the closure of the accounts in previous years. Officers propose that any business rates deficit is financed from the Business Rates Equalisation Reserve.

7. Care Leaver Council Tax Reduction

7.1 On 26 February 2019 the Council resolved:

(1) That the financial, social and emotional needs of care leavers under the age of 25 living in Guildford Borough, and the attendant services and help provided by this Council, be examined by the Overview and Scrutiny Committee at its earliest convenience, and recommendations to the Executive made as appropriate.

(2) That the Council also agrees to look at ways of supporting care leavers further to ensure they fulfil their potential.

7.2 On 10 September 2019, the Overview and Scrutiny Committee resolved:

That, with due regard to budget constraints and future cohort complexities, all the key options identified within the report submitted to the Committee for improving support to care leavers living in the Borough be commended to the Executive.

7.3 One of the items considered at the meeting was provision of a council tax exemption for all care leavers living independently up until the age of 25.

7.4 Guildford Borough Council can only grant a council tax reduction to care leavers under section 13A(1)(c) of The Local Government Finance Act 1992. We must apply it after any other discounts, disregards or exemptions – for example single person discount, local council tax support or student exemptions. The reduction can be from 1 to 100% of the Council Tax liability. The reduction can be for individual cases or for a defined class. Where the reduction is for a defined class, the Council must determine the class.

7.5 Legally Guildford Borough Council is liable for the full cost of any section 13A(1)(c) reduction. The police have advised that they do not have the powers to contribute. The County considered the matter at Cabinet on 16 July 2019 and resolved to pay 75% of the cost for their own care leavers, with a review of the funding in 2021 and every four years thereafter. Where Surrey care leavers live outside of Surrey, they can claim 75% of their council tax from the county.

7.6 The Overview and Scrutiny Committee was advised that

- Trying to identify the likely financial impact of adopting the exemption was difficult, because we had insufficient information on age profiles, whether they were liable for the Council Tax, or eligible for an existing exemption or discount.
- In addition to Surrey County Council care leavers, care leavers from other counties would be living in the borough. Guildford Borough Council would have to pay the whole cost of any section 31A(1)(c) reduction for these individuals.
- Around half of Surrey care leavers live outside Surrey.
- The County expects the number of care leavers to increase.
- The creation of a reduction for care leavers may increase requests for a similar reduction from other groups.
- If a decision was made to grant a reduction then eligibility should be clearly defined and verified, and provision made to withdraw the reduction in exceptional circumstances (for example the care leaver benefits from a significant capital payment or is on a high income).

7.7 Following the meeting Surrey County Council has provided additional information, to help with the financial forecast. They have answered officers follow up questions, but it has become apparent that they do not hold the detailed information required to remove uncertainty in calculating the financial impact.

7.8 Officers have concluded that the issues around forecasting are unlikely to be resolved, as the County simply does not hold the information required. They therefore propose to pilot a 100% reduction for Surrey County Council care leavers for 2020-21 only.

This will provide some facts, enabling a decision on whether to

- continue to offer a reduction in future years
- extend the reduction to all care leavers living in the borough.

It will also allow some further debate around a definition of “exceptional circumstances”, which will end the entitlement to the reduction.

The proposed determination is set out in Appendix 3

7.9 The latest snapshot provided by the County indicates that four care leavers are in independent living and 20 in semi-independent living. However, semi-independent living may mean living alone with support, or sharing a house with other people – and officers do not have any further information on this.

We do know that most shared houses in the Borough are Band D or Band E properties and that the supply of Band B properties (on which the County based their financial estimates is limited). Officers have concluded that basing the budget on a Band D charge (without any additional parish charge) is prudent.

The 2019-20 charge is £1,885.89, which was a 3.9% increase on 2018-19. A similar increase for 2020 gives a value of £1,959.44.

Where care leavers live alone they qualify for a 25% discount. If they share with one other they would be due to pay 50% of the bill, if they share with three others 25% of the bill. Officers have assumed a 50% liability (£980) and then applied the other snapshot information as set out in the table below:

Snapshot	**No**	**Charge £**	**Proposed Budget £**
7 not in education, employment or training Assumption: qualify for 100% Local Council Tax Support	7	0	0
1 in higher education Assumption: qualifies for 100% student exemption	1	0	0
9 in education Assumption: these may not qualify for a student exemption as not all courses qualify. Assume 5 do.	4	980	3920
7 unknown Assumption: potentially working so may or may not be eligible for Local Council Tax Support. Assume 0 do.	7	980	6860
TOTAL			**10,780**
Less 75% County Reimbursement			8,085
Amount falling on GBC Budget			**2,695**

8. New Homes Bonus (NHB)

8.1 The NHB was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. In December 2016 the Government announced reforms to the NHB as follows:

- Reduction in the number of years payments are made (legacy payments) from 6 to 5 in 2017-18 and to 4 years from 2018-19
- Introduction of a national baseline for housing growth of 0.4% of council tax base from 2017-18, below which new homes bonus is not paid

8.2 As part of the “roll-forward settlement” for 2020-21 the government intends to continue to fund legacy payments associated with previous allocations and make a new round of allocations for 2020-21.

8.3 It is currently not known if the housing growth baseline of 0.4% will continue for the 2020-21 or be increased to ensure the government remains within spending limits. This will be announced as part of the provisional settlement in December.

8.4 In the technical consultation published on 3 October 2019 the government sets out its intention to review the NHB for future years and as a result any new allocations given in 2020-21 will not result in legacy payments for the next four years. Further consultation will happen on any proposals prior to implementation. The 2020-21 outline budget reflects the reduction in legacy payments.

9. Capital expenditure and minimum revenue provision

9.1 The Council has a single capital programme for the General Fund that we finance from the Capital Schemes reserve, capital receipts and revenue contributions towards specific schemes. Unless we generate significant capital receipts, the Council needs to borrow from either its own resources (earmarked for other uses) or from the market; at the current time borrowing is internal as it is more financially advantageous.

9.2 Because the capital programme shows an underlying need to borrow, represented at the year-end by the capital-financing requirement (CFR), there is a requirement to make a debt charge to the revenue account called the minimum revenue provision (MRP). This charge is based on the value and life of the assets funded by borrowing (internal or external). The minimum revenue provision for 2019-20 will be £795,000, which is based on a General Fund CFR at 31 March 2019 of £106.9 million. It is currently estimated that the CFR at 31 March 2020 will be £149.5 million and the MRP for 2020-21 will be £1.57 million. This figure is included in the outline budget.

9.3 Officers are currently preparing an updated capital programme for Councillors to consider early in 2020. The level of capital programme that Councillors wish to support will determine the level of capital receipts used, interest earnings and MRP for 2020-21.

10. Use of Reserves and interest earnings

10.1 An important element of the Council's budget is the income it receives from investment of the cash held in reserves. The balances held at the end of 2018-19 and the projected balances at the end of 2019-20 financial years are shown below:

Reserve	Actual 2018-19 Balance £ million	Projected 2019-20 Balance £ million
General Fund Reserves	3.7	3.7
Housing Revenue Account (HRA) Reserve	2.5	2.5
Earmarked GF Reserves	45.1	37.4
Earmarked HRA Reserves (incl MRR*)	93.2	98.9
Usable Capital Receipts Reserve (General)	0	0
Usable Capital Receipts Reserve (housing related)	20.5	14.1
Total Usable Reserves	**164.9**	**156.6**

*Major Repairs Reserve (MRR)

10.2 HRA reserves are considered as part of the HRA budget. The general fund earmarked revenue reserves include £14.5 million of projected earmarked reserves which are not available for general spending because they are contingent in nature (for example the insurance reserve) or are earmarked for specific future spending such as car parks maintenance which helps even out expenditure on the general fund. The Council is also required, under accounting practice, to hold endowment funds received as developer planning contributions in earmarked reserves for the long term repairs and maintenance expenditure on Special Protection Areas (SPA) or Suitable Alternative Natural Greenspaces (SANGs), these reserves are required to fund the revenue costs of SPA / SANGS in perpetuity. Earmarked reserves for SPA and SANGS are projected to be £7.8 million at 31 March 2020. The level of projected earmarked reserves available for general purposes, to support the revenue or capital budgets is therefore £15.1million.

10.3 In the 2019-20 budget, we anticipated a net interest receipt of £279,095. The estimate for net interest receipt included in the outline budget for 2020-21 is £641,385. Interest payable to the Housing Revenue Account (HRA) is estimated at £531,550 reflecting the level of balances and investment returns consistent with the application of a risk-free rate of return. The Bank of England base rate is currently 0.75%. The rate for borrowing from the Public Works Loans Board increased by 1% on 9 October 2019, which will therefore increase the costs of borrowing going forward. We will continue to keep under review the timing of possible additional base rate changes as the estimates process proceeds.

Proposed Use of Key Earmarked Reserves

<u>The Budget Pressures Reserve</u>

10.4 The budget pressures reserve was established in 2015 to manage the financial challenges the Council faces over the medium term and in particular, allows us to carry forward underspends on the general fund at the end of each financial year to offset future growth pressures. Revenue costs associated with the Future Guildford transformation programme will continue to be funded from either the budget pressures and/or invest to save reserve.

10.5 <u>New Homes Bonus (NHB) Reserve</u>

The Council adopted a new homes bonus policy in February 2016. The policy assumed that the first £1 million of NHB grant would be available to support the general fund revenue budget. Due to the changes to the scheme referred to in section 8, it is not proposed to continue to use this funding each year to support the general fund budget but to use this to support one-off growth bids that contribute to the delivery of new homes. Officers propose using this reserve to fund the Town centre masterplan growth bid of £500,000 in 2020-21 and £125,000 in both 2021-22 and 2022-23. This project will contribute to the delivery of housing in the town centre. It is also proposed to fund the Public realm scheme for Chapel / Castle street & Swan Lane, £1.615million. The NHB covers funding public realm improvements so it fits with this policy.

Invest to Save Reserve

10.6 The invest to save reserve exists to pump prime the upfront costs of service transformation and efficiency projects, including staff redundancy costs. Costs to be funded from the invest to save reserve are often approved in year under delegated authority. If there are any up-front costs of service transformation required to achieve these savings, then we will seek to fund the costs from the invest to save reserve.

10.7 The budget includes a transfer to reserve of £250,000 to support future service transformation. Officers recommend that any revenue costs associated with the Future Guildford transformation programme continue to be funded from either the budget pressures and/or invest to save reserve.

10.8 Officers also recommend using £260,000 from this reserve to cover the costs of lost rental income, business rates and maintenance costs at Midleton Industrial Estate as this unit has been vacated ahead of redevelopment of the site.

The Car Parks Maintenance Reserve

10.9 The balance on the car parks maintenance reserve at 31 March 2019 was £4.7 million. This reserve is available to fund repairs, maintenance and improvement of car parks. Officers propose that this reserve is used to fund works totalling £190,000 in 2020-21 [detail of works to follow]

IT Renewals

10.10 The budget includes a transfer to reserve of £100,000 to support the investment in ICT technology to stimulate the use of technology and new ways of working to improve value for money and efficiency in the delivery of Council services.

Other Reserves

10.11 Officers propose to use £77,000 from the Investment property reserve and £515,000 from the Liongate House rent reserve to offset the loss of rent for this property that is currently empty.

11. 2020-21 outline budget – current position

11.1 Although it is still very early in the estimates process (the Council does not set its 2020-21 budget and Council Tax until 5 February 2020), the current outline budget shows a shortfall between the likely resources and the proposed net expenditure of £820,760. This shortfall could be funded by using reserves or identifying further savings to be made in 2020-21.

11.2 In order to arrive at the final budget, service managers prepare an outline budget based on existing levels of service, which is then amended for existing commitments and agreed changes relating to growth and savings.

11.3 The base outline budget position, excluding the revenue implication of capital bids to be considered as part of the capital and investment strategy report in

January is projecting net expenditure levels to be higher than the estimated resources, assuming a £5 council tax increase. Service managers and the finance team continue to work on these figures and update them as appropriate.

11.4 The figure above includes the effect of the increase in council tax base, which has increased available resources by approximately £146,100

11.5 At present, the figures assume no deficit on the collection fund as referenced in paragraph 6.5.

11.6 We have included income from the Business Rates Retention Scheme (BRRS) and Revenue Support Grant (RSG) at the level indicated by the Local Government technical consultation document. Any changes to this will be updated after the provisional settlement is published in December 2019.

11.7 Savings from the Future Guildford transformation programme have been included in the outline budget and forward projections as follows:

	2020-21 £	2021-22 £	2022-23 £	2023-24 £
Staffing savings	2,388,125	3,491,750	4,050,500	4,050,500
Service Challenge efficiency savings	83,300	592,600	975,850	1,486,750
Total	**2,471,425**	**4,084,350**	**5,026,350**	**5,537,250**

11.8 The Future Guildford transformation project identified a number of potential service challenge savings. Some of these savings have been incorporated in the draft outline budget (see table in paragraph 11.7) the remainder of these savings, amounting to up to £3.4m over the next four years are currently being assessed and reviewed by officers before being incorporated into the medium-term financial plan.

Major changes from 2019-20

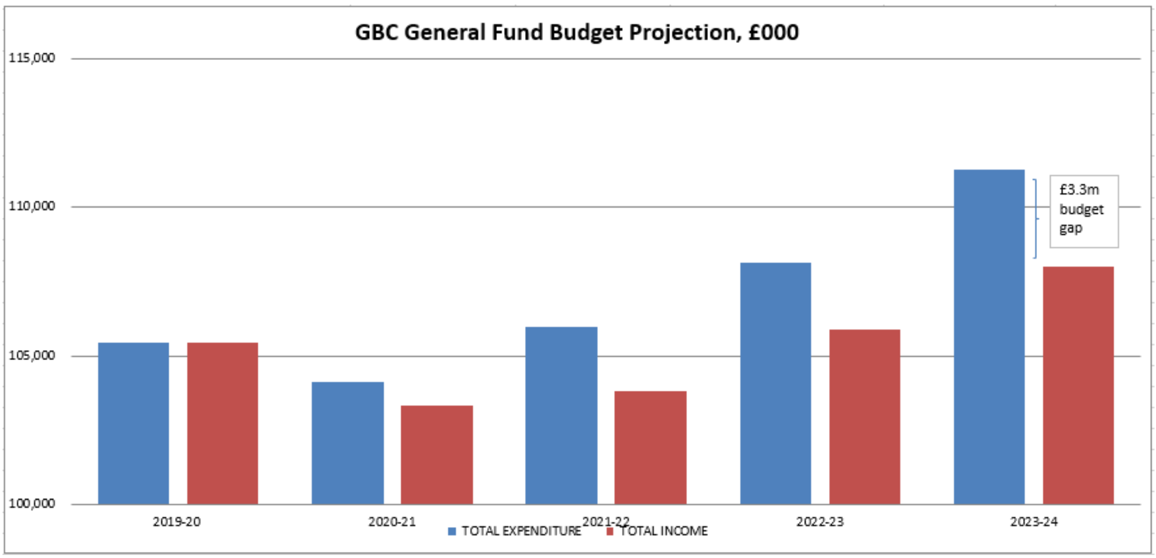
11.9 The estimated directorate level expenditure excluding depreciation charges for 2020-21 is £11.66 million, which is £1.32 million less than the 2019-20 directorate level expenditure estimate of £12.98 million. The major variances are set out in **Appendix 2.**

Major changes from 2020-21 projection included in the 2019-20 estimates

11.10 When the 2019-20 estimates were approved, we projected an increasing budgetary pressure in 2020-21 and beyond. The 2020-21 outline budget shows an improvement in the position compared to what was projected largely due to the delay in implementing the business rate reset and fair funding review and the savings being achieved through the future Guildford transformation programme. The major movements that have contributed to this overall position:

- Reduction in the anticipated directorate budgets - £0.23 million [this includes a working assumption around the savings from the Future Guildford transformation project and growth bids of £1 million]]
- Increase in net interest receivable - £0.4 million
- Increase in the MRP charge - £0.6 million
- Reduction in the proposed use of reserves - £3.0 million

11.11 The long-term projections still indicate that a saving of around £3.3 million is needed over the period to 2023-24 as highlighted in the graph below. Officers continue to work towards identifying the necessary savings over the medium term.



<u>Growth bids</u>

11.12 As in previous years, officers were invited to submit growth bids and proposals for savings and additional income. The revenue bids received are as follows;

- Azure Server and Cloud Environment maintenance - £54,000 - Utilisation of ICT Infrastructure in Microsoft Azure (Microsoft cloud hosted infrastructure) supports user accounts which are moving to Microsoft Office 365.

- Town Centre Management master plan - £500,000 - To establish a portfolio of projects that will together contribute to the comprehensive planning and regeneration of Guildford town centre

- Carbon Emissions Footprint and Zero Emissions Trajectory - £186,000 - Development of a carbon emissions footprint and trajectory setting out the pathway towards zero carbon from Council operations and a zero-carbon borough.

- Drinking water filling points - £58,000 - Installation of external drinking water bottle filling points to public conveniences, car parks and parks areas.

- Oak Processionary Moth - £30,000 - The project aims to minimise the risk from Oak Processionary Moth to the general public and operators working with trees.

- Some capital bids may have revenue implications attached to them. These will be considered as part of the capital and investment strategy report in January 2020.

11.13 Any comments made about the bids by the Joint EAB Budget Task Group (JEABTG) are included in section 12 below and the comments of the EAB will be included on the Supplementary Information sheet to be circulated at the meeting, as it meets after this agenda is published.

11.14 It is possible that service managers will submit additional bids before the budget process is finished in February 2020. Officers will update the Executive at its meeting on 21 January 2020.

11.15 There is currently a gap of £820,760 between estimated expenditure and income in the outline budget for 2020-21. Officers suggest the following potential actions to remove the budget gap:

(a) inclusion of revised interest and MRP estimates following production of the draft capital programme and treasury management strategy
(b) reduce payroll inflation assumption
(c) inclusion of a further transformation savings targets to be met by future service reviews
(d) further one-off use of reserves – this is not a sustainable action for on-going cost pressures

<u>Fees and Charges</u>

11.16 The fees and charges proposed by service managers for 2020-21 will be considered by Executive in January 2020. The target increase agreed by the Executive was 3% but councillors will see that there is a wide variance in the percentage increases proposed. This is because service managers have discretion to consider the market within which their services operate when proposing fee increases. The estimated income included within the outline budget is based on these proposed charges.

<u>Forecasted position for 2019-20</u>

11.17 The financial monitoring report for the first six months of 2019-20 will be reported to the Corporate Governance and Standards Committee on 19 November 2019. The projected net expenditure on the General Fund for the current financial year is estimated to be £0.57 million more than the original estimate. One of the factors contributing to the forecasted position in 2019-20 is the costs incurred in respect of planning appeals. This report requests the approval of a supplementary estimate to cover these costs.

11.18 At the end of September, it is forecasted that over £318,000 of planning appeal costs will be incurred. Officers seek to recover costs wherever possible and has been successful in recovering some of these costs, it is however forecasted that the budget will be exceeded by £125,000 in the current financial year.

11.19 Officers propose that a supplementary estimate to cover the forecasted costs of planning appeals is approved for £125,000 to be funded from the budget pressures reserve.

11.20 In December 2018 an Abatement Notice was served under the Environmental Protection Act 1990 in respect of the caravans being used for human habitation at Stoney Castle, Grange Road, Pirbright, because their condition was considered prejudicial to health. The Abatement Notice explained that there was no satisfactory provision for personal washing facilities, sewage disposal and a portable water supply to the premises to caravans and campervans making them unfit for human habitation.

11.21 The notice required the removal of the caravans from the site within 120 days which expired on 16 April 2019. Securing compliance with the notice relating to fitness for human habitation of the caravans is an outstanding matter as, to date, the residents are still living on the site. To comply with the notice the caravans have to cease to be used for human habitation and removed from site. No works can be completed to make them suitable as there is no consent for stationing caravans or campervans on the site.

11.22 CMT considered a number of options and possible next steps for securing compliance with the caravan habitation notices. Following discussion CMT agreed to support the enforcement notice by conducting works in default to remove the caravans used for human habitation, pursuant to S81 Environmental Protection Act 1990. Estimates to conduct the works are £120,000.

11.23 In considering whether to take action to secure compliance with the requirements of the notice requiring the removal of the caravans, the Council must balance the public interest in securing the removal of caravans, which is now in breach of criminal law, against any personal circumstances of the occupiers of the site, should that be relevant, and any hardship which could be caused and their accommodation needs.

11.24 Prior to any works being conducted a full impact assessment of personal circumstances and human rights of site residents would need to be completed and approved by the Director of Community Services before works in default to remove caravans from the site would be completed.

11.25 Officers propose that a supplementary estimate to cover the forecasted costs of the enforcement action is approved for £120,000 to be funded from the budget pressures reserve.

12. Comments of Joint EAB Budget Task Group

12.1 The Joint EAB Budget Task Group (JEABTG) and Joint Executive Advisory Board (JEAB) will consider the outline budget at their meetings on 8 November and 20 November respectively.

12.2 The Budget Task Group was set up by the Executive Advisory Boards to go through the details of the budget working papers and growth bids as it is not possible to go into this level of detail in a Committee meeting.

12.3 The Task Group meeting held on 8 November focused on the revenue budget and considered:

- The Draft budget Report
- Appendix 2 – detailed service variations in budget
- Growth bids

12.4 Members of the task group went through the report in detail asking questions on how the assumptions were arrived at, what the risks were in the medium term with the proposed changes to the funding regime, how confident officers were of achieving the savings set out in the report and how reserves are being used and managed.

12.5 Options to balance the budget were discussed and Members of the task Group suggested that the corporate inflation budget could be reduced with the rest coming from the Business rate retention reserve.

12.6 The current forecasted overspend was questioned and officers reported that they are confident that they can bring spend back into line before the end of the financial year. The issues are largely to do with income generation which suggests the local economy is under pressure.

12.7 The task group went through the detailed service variations in Appendix 2, asking questions to clarify why there were variations.

12.8 The JEABTG were supportive of the proposed growth bids but requested clarification on aspects of some bids. A number of queries were answered at the meeting, but others will be referred to service managers for clarification. The questions raised at the meeting, along with the clarifications will be tabulated and presented to next meeting of the JEABTG and JEAB, which will consider the capital programme and bids.

12.9 The JEABTG when considering the growth bid for the Azure Server & Cloud Environment Maintenance felt that this was essential expenditure and was unavoidable so it should not go as a growth bid but as an essential adjustment to the budget.

13. Equality and diversity implications

13.1 There are no equality or diversity implications arising from this report. Where changes to services are included within the budget the service managers will carry out the relevant equality impact assessments as part of the changes.

14. Financial implications

14.1 The financial implications are considered throughout the report.

15. Legal implications

15.1 The Council is required by legislation to set a balanced budget

16. Human Resources implications

16.1 There are no immediate human resources implications because of this report. Officers will address any changes in the level of resources because of growth or savings initiatives as the changes are implemented.

17. Conclusion

17.1 At this early stage in the budget process, there is a gap between the projected net expenditure for 2020-21 and our estimated resources of £820,760. There remain a number of external factors that may result in a budget gap developing further as we move through the process. It remains possible that there will be revisions to the local government finance settlement but we will not know this until December, along with the impact, if any of the business rates revaluation on our income. However, officers are confident that we can deliver a balanced budget for the financial year 2020-21.

17.2 The medium term financial plan position remains challenging and we estimate that we will need to find savings of approximately £3.3 million over the period to 2023-24.

18. Background Papers

None

19. Appendices

Appendix 1: General Fund summary
Appendix 2: Variances between 2019-20 estimate and 2020-21 outline budget at service level
Appendix 3: The proposed determination for the council tax reduction pilot scheme