Supplementary VFM Findings Report 2018/19:

Review of financial arrangements

Guildford Borough Council

06 February 2019

Contents

Our approach

Introduction

At your request we have brought forward our review of your arrangements to achieve financial sustainability to support our statutory requirement to provide a conclusion your arrangements to deliver value for money.

The scope of this work is to:

- Review medium term financial plan for the reasonableness of the assumptions
- Review the in-year financial performance in 2018/19
- Provide summary commentary on the financial position of the local government sector
- Review your arrangements for your Future Guildford Transformation Programme

Approach

Our approach involved:

- desktop analysis of relevant documentation; and
- meetings with key internal stakeholders.

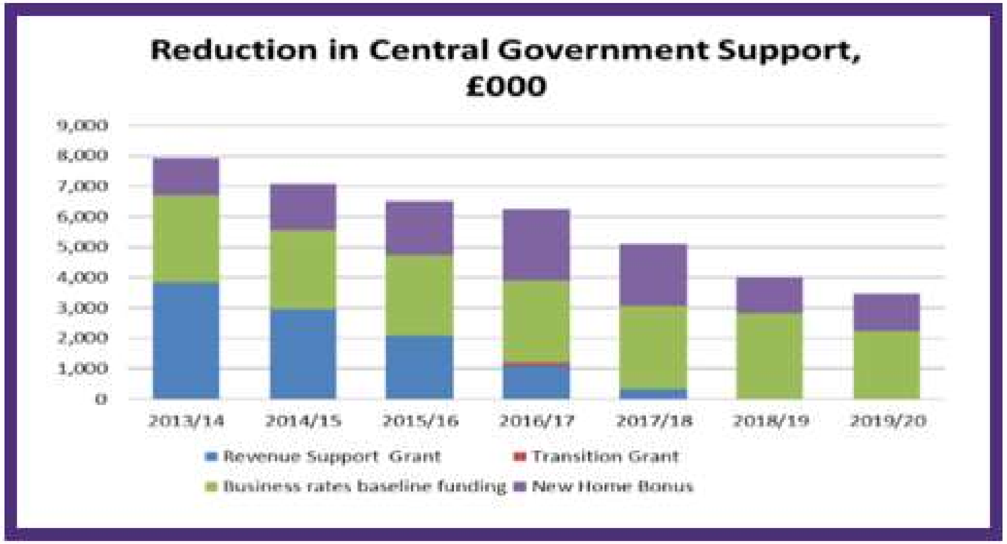
This report summarises the findings of our additional work to support our VfM conclusion for 2018/19. This review considers the financial challenges facing you, and the implications for your on-going financial position and plans to achieve financial sustainability. This report is supplementary to our Audit Findings Report, which will be issued later on in the year (July 2019) and an additional fee of £7,000.

Context & Background

Context of central government funding

Our 2018/19 Value for Money (VfM) conclusion requires us to undertake sufficient work to be able to satisfy ourselves as to whether, in our view, you have put arrangements in place that support the achievement of VfM. We are currently undertaking our initial risk assessment for our VFM audit. At the request of officers we have undertaken additional work to support our value for money conclusion and prepared a separate report.

In January 2019, the National Audit Office (NAO) published a report into local authority governance in which it reported that local authorities have seen a real-terms reduction in spending power (government grant and council tax) of **28.6%** between 2010/11 and 2017/18. For Guildford Borough Council (the Council), the reduction in the level of central government support has been significant with a 49% reduction in central government support since 2013/14.



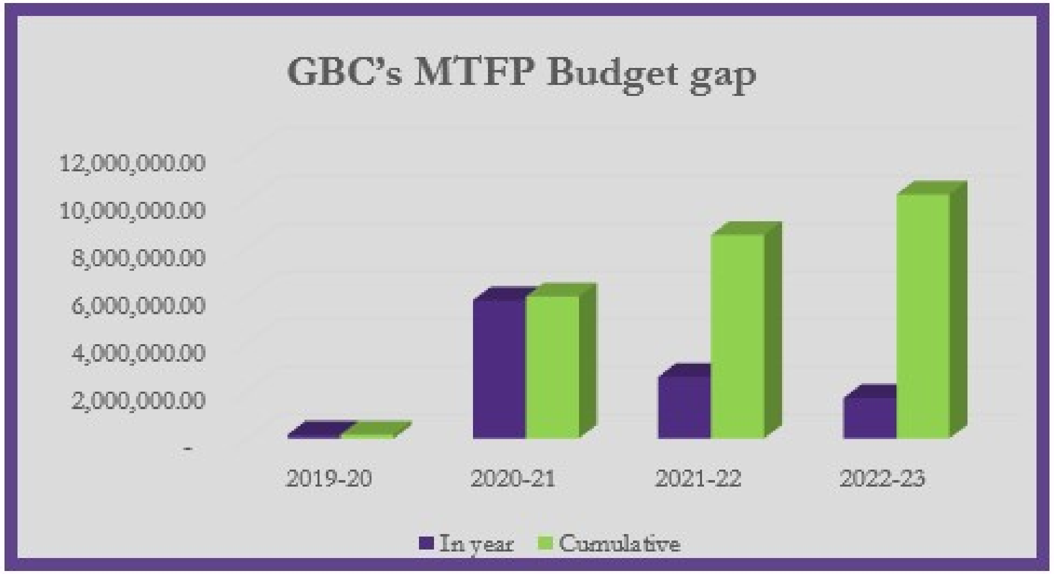
Context & Background

Whilst all local authorities have seen reductions in central government support the impact of this varies depending on the proportion of a local authority's income that is from central government support. 2017/18 is the final year in which you will receive Revenue Support Grant. The impact on you is mitigated by your ability to raise additional funds through council tax increases. Your reliance on central government funding is comparatively low. Based on your most recent figures, central government funding only represents 29% of your overall spending power in 2018-19 reducing to 28% in 2019-2020. The impact of this is that despite the significant reduction in central government support of 49%, your overall spending power from the period in the period 2013-14 to 2019/20 has reduced by 12%.

In response to continued reductions in central government funding, much of the local government sector has instigated major transformations to balance their budgets. For top tier authorities the reduction in funding has impacted at the same time as significant increases in cost and demand pressures in services such as children and adult social care. As a second tier authority, you are not subject to the same degree of demand pressure and you have been able to deliver cumulative efficiencies and increases in revenue of £10.6 million since the 2013/14.

Historically, your financial position has been very healthy. As at 31 March 2018, your useable revenue reserves totalled £45.5 million, which was 44% of gross revenue expenditure for that period. Useable reserves as percentage of gross revenue expenditure is a key indicator in assessing financial resilience; with a percentage of 44%, you compare very favourably with the rest of the sector.

Whilst you have a history of strong financial performance, the current medium term financial plan to 2022/2023 (4 year horizon) identifies a £10.4 million cumulative budget gap, as shown in the graph below.



Your own analysis identifies the main factors contributing to the budget gap were:

- Under achievement of prior year savings and efficiencies
- Inflation and other cost pressures on services
- Increases in interest payable and MRP costs as a result of planned projects in the general fund capital programme
- The estimated impact of the fair funding review post 2020

Executive Summary

Review and challenge the 4 year budget projections produced by the finance team to ensure that the estimates are based on evidence and/or realistic assumptions that can be supported

Your budget is produced using a robust arrangement where we were able to agree a sample of assumptions to underlying documentation. We identified an area of improvement where you could improve transparency by setting out more clearly the significant assumptions enabling focused scrutiny.

Estimates within the MTFP have been found to be based on realistic assumptions and there is a good understanding of the financial risks within the position. The cumulative deficit of £10.4 million identified in your MTFP is therefore considered to be an reasonable and prudent forecast and the Council should continue to explore ways to bridge this gap to ensure long term financial sustainability.

We did identify scope for you to review your Minimum Revenue Provision (MRP) forecasts. Your MRP forecasts are linked to your capital programme. Slippage in your capital programme changed the profile of when you need to obtain external borrowing which has in turn impacted on your required MRP.

Review the 2018-19 in year financial performance, in particular looking at the underlying financial position by assessing if over / under spends in year are one-off or on-going

Based on your most recent budget monitoring report, your current in-year performance is broadly in line with budget, with the exception of MRP which is significantly less than budgeted due to slippages in the capital programme. Our work did identify a number of recommendations within this area where there is scope:

- To give greater prominence for significant variances between budget and outturn together with proposed mitigating actions
- To improve transparency in your budget monitoring reports for where reserves are being used to pump-prime investments and where they are being used to fund service overspends
- To improve transparency by showing more clearly progress on delivery of savings and efficiencies
- To review and strengthen your arrangements to identify, monitor and deliver financial and non-financial benefits from projects
- To consider the capacity and skills to manage the future requirements of change and obtain additional support where gaps are identified

Provide commentary on the context of local government funding nationally and in particular, review the impact of the national funding proposals on district councils

Local government funding is entering a period of significant uncertainty after a period of reducing government funding. As a result councils need to be planning their finances for a range of scenarios and anticipating risk. Key areas of uncertainty are:

- Negative Revenue Support Grant
- Fair funding review
- Government policy
- Prospects for the UK economy
- Local factors

To provide an independent review (sense check) of the approach the Future Guildford Transformation Programme proposes.

In November 2018, Ignite Consulting presented a report entitled “Guildford Borough Council Future Operating Model Blueprint”. It set out to provide the ‘blueprint’ for the delivery of an ambitious transformation programme for you including a refined business case, an organisational design and a costed implementation approach and plan. Our independent high level review did not identify any significant issues or omissions, however in our detailed findings section we have outlined a number of key considerations you may want to take on board when assessing the proposal.

Detailed findings

Methodology

In order to prepare the budget, officers need to make a number of working assumptions. Significant assumptions, ones which have a material impact on the medium term financial plan, are required to be approved by the executive. For the 2019-20 budget and medium term financial plan to 2022-23, ten significant assumptions were identified and approved by the executive in July 2018.

Each of the ten significant assumptions approved in July 2018 have been subject to challenge and review as part of this report (refer to pages 8 - 10 for detailed findings). In addition to this work, we also set out to understand *how* the budget was produced at the individual cost line and review the arrangements in place to ensure figures uploaded to the budget were reasonable and based on supportable evidence.

	Area of focus	Findings
1. Review and challenge the 4 year budget projections produced by the finance team to ensure that the estimates are based on evidence and/or realistic assumptions that can be supported	**Understanding how the budget is produced**	You use an electronic platform to record and maintain the budget and medium term projections. Our review found robust arrangements supporting your budget process; many of the individual revenue and expenditure lines are subject to zero based budgeting principles, taking into account local factors. We also confirmed the implementation of a review and scrutiny process for all budget uploads. As set out in your policy, inflation is not attributed at the individual cost line, rather the cost pressure is centralised. As part of our review we confirmed that this policy is in effect and that no general price inflationary pressures are included at the individual expenditure line.

Detailed findings

	Area of focus	Findings
1. Review and challenge the 4 year budget projections produced by the finance team to ensure that the estimates are based on evidence and/or realistic assumptions that can be supported	**Deep-dive into the validity of assumptions at the individual cost centre line**	At random, we selected a cost line flowing into the 2019/20 budget and requested information to support the figures and key assumptions used. The cost line selected was 'Pay costs' of £31 million. Supporting documentation obtained confirmed the use of the executive approved assumption of a 2% pay increase. We are satisfied that the source data used in the calculation, i.e. the full establishment list was appropriate. We also obtained evidence of independent review and scrutiny by an appropriate person. In conclusion, no issues were identified and we are satisfied that the assumptions and methodology used to prepare the estimate are reasonable. **Key observation:** Within the forecasted budget figures for pay there is an assumption about the vacancy rate of general staff. This is currently set at 2.5% and is based on historic evidence. Whilst this assumption is not considered to be unreasonable, it is not one which is set out in the Executive Budget Assumptions Report and therefore not given the same level of challenge and scrutiny. This is despite the fact that this assumption has a sensitivity of £255k for a 1% change, which is comparable to the sensitivity of pay inflation which is £300k. **Recommendation:** To improve transparency, the Executive Budget Assumptions report should clearly set out what constitutes a significant assumption and a review should be conducted to ensure all parameters required to prepare the budget which meet this agreed threshold of significance is reported and given the appropriate level of scrutiny.

Detailed findings (Cont'd)

1. Review and challenge the 4 year budget projections produced by the finance team to ensure that the estimates are based on evidence and/or realistic assumptions that can be supported

Area of focus	Findings
General inflation assumption (2%)	Your assumption for general inflation is 2% each year up to 2022/2023. This is based on CPI inflation forecasts from the Bank of England. We have obtained the latest CPI inflation forecast from the Bank of England (August 2018) and the forecast remains largely unchanged from the forecast the council used to derive the 2% assumption (May 2018). We are therefore satisfied that the 2% assumption is reasonable and is based on supportable evidence.
Pay rise (2%)	Officers proposed a 2% pay allowance uplift assumption each year up to 2022/2023 which was approved by the Executive in July 2018. The industry standard for estimating future salary increases is to link it to CPI inflation, with a +'ve or –'ve variable. Based on our industry knowledge, we would be concerned if the pay inflation assumption was more than 1% different (positive or negative) from CPI inflation. Given CPI inflation is 2%, we are satisfied that the pay inflation assumption of 2% is reasonable.
Income (3%)	Your current headline assumption for income is that it is increased by 3% for 2019/20 to 2022/23 as it reflects the RPI forecast over the same period. Having obtained the most recent RPI forecasts from the bank of England, we are satisfied that 3% is in line with RPI forecasts. There is however an important caveat to this assumption which is the 3% is only applied "where there is capacity in the market". Having performed a detailed review at the individual line level of the budget, we obtained evidence that this caveat is being applied. We identified instances, for example within car parking, where local factors and trends were taken into account rather than a blanket increase of 3%. This demonstrates that there is a level of sophistication and robustness in the process of applying general assumptions.
Council Tax increase (3.3% in 2019-2020 and 1.9% until 2022-2023	As part of the multi-year Local Government Finance Settlement (LGFS) issued in 2016, central government introduced an allowance for district councils to increase their council tax by a maximum of £5 per annum or 2%. In the medium term financial plan, your current assumption is a Council Tax increase of £5 (approximately 3%) for 2019/20 and then 1.9% for 2020/21 to 2022/23. This is a reasonable estimate in line with local government regulations. We also reviewed whether the council tax percentage increases agreed by the executive were correctly included in your underlying calculations which feeds into the medium term financial plan. No issues were identified from this work.
Business Rates Inflation (3% in 2019-20 and 2% until 2022-2023	The assumption for business rates inflation is linked to RPI inflation in 2019/2020 and CPI from 2020/2023. This is deemed to be a reasonable basis for the estimate.

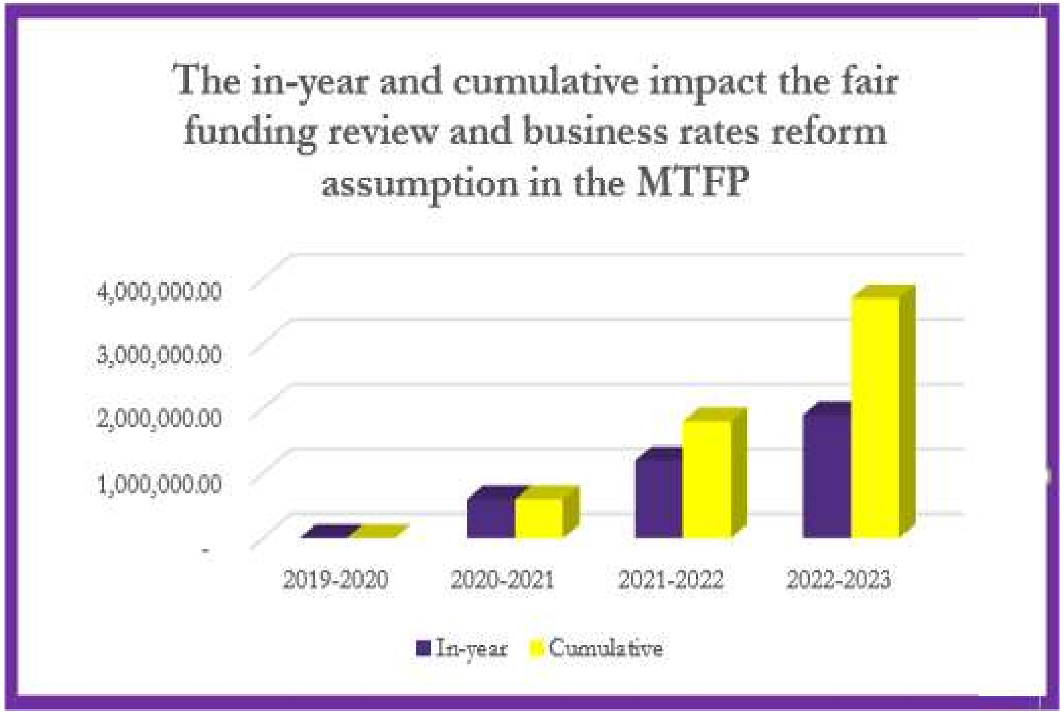
Detailed findings (Cont'd)

	Area of focus	Findings
1. Review and challenge the 4 year budget projections produced by the finance team to ensure that the estimates are based on evidence and/or realistic assumptions that can be supported	Anticipated impact of the fair funding review (FFR)	Within the medium term financial plan, you make an assumption that the settlement funding assessment will reduce by 20% per annum over the 4 year period to 2022/23. This assumption is based on the expectation of a reduction to baseline need following the fair funding review and an anticipation that local government will need to continue to make further reductions to meet national austerity targets.

To put into context, the cumulative impact this assumption has over the medium term financial plan is £3.7 million which equates to 35% of the £10.4 million cumulative budget gap.

As to whether a reduction of 20% per annum is a realistic assumption, past experience does support this assumption. The indicative LGFS for the 4 years 2016-17 to 2019-20 shows that your settlement funding assessment reduced by 24% over the period.

In the provisional local government finance settlement released in December 2018, which has since been confirmed as final, negative RSG has been removed. This is correctly reflected in the MTFP as there is a nil impact in this period. However, after 2019-2020 the future of local government funding is uncertain due to the fair funding review, and so budgeting and forecasting in this environment is challenging. Whilst it is advisable to take a prudent view in these circumstance, as you have done, it is important that this estimation uncertainty is clearly defined and considered as part of any decision making process on the back of its impact.



Key observation: The cumulative budget gap of £10.4 million is predicated on a number of assumptions and judgements. One of the most significant assumptions relates to the fair funding review. The cumulative impact of the fair funding review and business rates reform assumption equates to 35% of the cumulative budget gap.

Recommendation: You should ensure that the decision making process, where applicable, takes into account and understands the impact of assumptions with a high degree of estimation uncertainty.

Detailed findings (Cont'd)

1. Review and challenge the 4 year budget projections produced by the finance team to ensure that the estimates are based on evidence and/or realistic assumptions that can be supported

Area of focus	Findings
Council tax base increase	Your Council Tax base increase assumption in the MTFP is outlined below:

Council Tax Base Increase	*-0.5%*	*0.73%*	*0.73%*	*1.27%*	*Planning applications and local plan forecast*

The input into the assumption used to calculate the increase in the Council Tax Base is the expected increases in housing each year. The figures for the number of new homes built each year comes from the proposed Submission Local Plan: strategy and sites, profiled over the plan period. As part of our work, we agreed the number of houses set out in the Local Plan to your underlying calculations which feeds into percentage increase figures set out above; no issues were identified form this work. You then factor in an assumed slippage on the number of houses built each year of 14%, this is considered to be reasonable and prudent.

Area of focus	Findings
New Homes Bonus	The revenue from new homes bonus (NHB) is predicated on the same assumptions used in the Council Tax base i.e. the number of new homes built (information from the local plan). However, due to uncertainty around the future of the from 2020/21 onwards, any NHB grant received will be transferred in full to reserves in accordance with your NHB policy, adopted on 10 February 2016. Therefore the amount of NHB grant will not affect the council tax calculation or the budget gap identified from 2021/22. This is considered to be a reasonable and prudent assumption which avoids the risk of you relying on a source of funding which is highly uncertain.
Housing Rents	Assumption used for housing rents appears reasonable on the basis that we have confirmed the assumptions are in line with government guidance where possible.
Average Weighted Investment Returns	We obtained the latest figures for averaged weighted investment returns and agreed them to underlying calculations. Figures are calculated from information from Arlingclose, a consultancy company which specialises in Treasury management advice. We are satisfied that the estimate is based on reasonable assumptions from a credible third party.

Detailed findings (Cont'd)

	Area of focus	Findings
1. Review and challenge the 4 year budget projections produced by the finance team to ensure that the estimates are based on evidence and/or realistic assumptions that can be supported	**Review and challenge assumptions related to MRP projections**	The Minimum Revenue Provision (MRP) charge is the means by which capital expenditure which is financed by borrowing or credit arrangements is paid for by council tax payers. Local Authorities are required each year to set aside some of their revenues as provision for this debt. Your current projections for MRP are detailed below:

	Medium Term Financial Plan 4 Year Horizon			
2018-19	2019-20	2020-21	2021-22	2022-23
1,200,643	1,019,158	2,340,691	3,123,396	3,870,811

Between 2019/20 and 2022/23 the MRP charge almost quadruples from £1 million to £3.9 million. The sharp rise relates to your estimated increase in capital expenditure during the MTFP to £400 million. Within the MRP calculation we identified two key assumptions which have been subjected to challenge and review in this report as detailed below.

Asset lives assumption

A high level review has been conducted on all asset lives flowing through into the MRP calculation. No issues have been identified from this review, assumptions are considered to be reasonable and in line with our expectations.

Assumptions on the timing and amount of capital expenditure

Our review found that the MRP calculation assumes 100% delivery of capital spend in the capital programme, despite historical slippages of 65%. There is therefore a risk that the MRP forecast is over prudent as it is not based on realistic assumptions about capital delivery. Slippage impacts on the timing of when the MRP charge will increase not whether the charge will increase.

Key observation: Review and challenge of the assumptions and judgements within the MRP forecast calculation has indicated a level of over-prudence in relation to the timing of the charge.

Recommendation: There is scope to consider whether to re-profile the capital expenditure phasing and the associated impact on your forecasted MRP calculation.

Detailed findings (Cont'd)

1. Review and challenge the 4 year budget projections produced by the finance team to ensure that the estimates are based on evidence and/or realistic assumptions that can be supported

Area of focus	Findings

Interest payable

As set out in the specification for this work, one of the four main contributing factors to the cumulative budget gap was thought to be "the increases in interest payable and MRP costs as a result of planned projects in the general fund capital programme". Having already considered MRP costs, we also considered the reasonableness of interest payable cost projections.

Set out below is the impact of interest receivable/payable over the four year MTFP horizon.

		MTFP 4 year period			
Budget 2018-19	Probable Outturn 2018-19	2019-20	2020-21	2021-22	2022-23
- 677,696	- 1,358,345	- 877,355	- 174,545	806,880	2,496,140

The table above shows interest going from a net receivable in 2018/19 at (£678k) to a net payable by 2022/23 at (£2,496k). This has a significant impact on your MTFP and contributes to the cumulative budget gap of £10.4 million. For 2018/19 you planned for a net interest receivable of £677k but are currently projecting a net outturn interest receivable of £1.36 million due to slippage in your planned capital programme which reduced your need for external borrowing during the year. In considering options to meet your budget gap, re-phasing your capital programme is an option you should assess.

Whilst our review has confirmed that the Council has taken a more realistic view regarding the profiling of capital spend in its interest calculations compared to the MRP calculation, it is still fair to say that the interest projections are prudent. As part of our work we also considered assumptions used about interest rates on future loans – no issues were identified.

Review of the financial risk register

As part of the budget process, each year, a financial risk register is compiled to clearly articulate financial risks to the general fund. This is considered to be good practice, and having reviewed the financial risk register in detail, it is clear that the current arrangements are robust with clear identification of the risk owner, systematic scoring of the risks and current mitigations in place to manage the risk. Comparisons between the 2018/19 and 2019/2020 risk registers demonstrates that the analysis is well thought out and not a simple roll-forward exercise from the previous year.

Detailed findings (Cont’d)

2. Review the 2018-19 in year financial performance, in particular looking at the underlying financial position by assessing if over / under spends in year are one-off or on-going

Area of focus	Findings
Review of the month 8 financial monitoring report	You are forecasting an underspend on the general fund revenue account of £792k which equates to 2.13% of the original net budget. The main cause for the underspend is a reduction in the MRP charge to the general fund as a result of slippages in capital schemes. From our review of the financial monitoring reports, it was difficult to conclude what your underlying position was. In part this is due to the way you report your use of reserves within the general financial position. It is difficult to easily determine the extent to which you are using reserves to pump-prime one-off investment or whether you are meeting a budget deficit through use of reserves. Greater clarity on the use of reserves will make it more transparent for you to demonstrate your underlying financial position. **Recommendation:** To improve transparency in your budget monitoring reports for where reserves are being used to pump-prime investments and where they are being used to fund service overspends Efficiencies and savings are embedded within budgets and monitoring is undertaken at the budget level. It is therefore difficult to clarify whether savings are being delivered or not. It is helpful to monitor delivery of savings and efficiencies separately together with their impact on the budget. Where organisations are able to identify savings separately they have the opportunity to learn which type of savings are delivered successfully and which are not. There is a risk that underlying issues in managing savings plans are masked by unplanned easing of budget pressures elsewhere. **Recommendation:** To improve transparency in your budget monitoring reports by showing more clearly progress on delivery of savings and efficiencies In the appendix to the main monitoring report is another report which shows detailed information for each service split between direct expenditure, income and indirect costs. The document also provides detailed commentary to explain the reason for variations between projected outturn and budget. This document runs to 31 pages and provides a significant amount of information. It is however difficult to disseminate the key messages and risks to the financial position. Within the 31 page document, some significant variations are identified which require considered thought, scrutiny and potential actions. To this end, services with the larger variances are picked out and reported in the main monitoring document to ensure due prominence is given. The detailed report provides information on why a variation has occurred however it is less easy to identify the context of the financial risk or what mitigating actions may or may not be taking as a result. **Recommendation:** Significant variances between budget and outturn at the service level should have greater prominence in the financial monitoring report. A greater level of detail should be included against each significant variance, including what mitigating actions are being proposed. Together this can help build financial accountability and ownership.

Detailed findings (Cont'd)

	Area of focus	Findings
2. Review the 2018-19 in year financial performance, in particular looking at the underlying financial position by assessing if over / under spends in year are one-off or on-going	**Benefits realisation**	A significant proportion of your discretionary investment spend and planned savings within your medium term forecast and future Guildford blueprint relates to change and transformation programmes within the organisation. This in turn depends on planned benefits from transformation being realised in line with business case forecasts. Delivery of financial and non financial benefits is key to your transformation success and long term financial sustainability. Benefits realisation is an area that has proved difficult to do well across the public sector and many public sector organisations. Based on interviews with your team, you have a mixed track record of achieving the planned for benefits. You do have a process with model template business cases in place however your team has expressed a view that the quality of submitted business case varies including the following issues: • Poor articulation of non-financial benefits in business cases • A lack of governance arrangements to monitor and track the benefits from individual projects • No post implementation review of projects back to original business case to assess whether benefits have bene achieved as intended leading to a lack of arrangements for sharing best practice as well as 'lessons learnt' It is important that change and transformation programmes achieve the intended benefits and therefore this is an area where you should consider taking action. We discussed the arrangements for benefits realisation with a number of relevant officers and in all cases, a similar view was shared. Overall, the arrangements were not considered to be robust and this was partly due to skills and capacity but also a general culture and attitude within the authority. From these discussions we identified three recommendations: **Recommendation:** Review and strengthen your arrangements to identify, monitor and deliver financial and non-financial benefits from projects. **Recommendation:** Consider the capacity and skills required to manage future change programmes and obtain additional support where gaps are identified **Recommendation:** Continue to embed a culture of ownership of financial management across the organisation.

Detailed findings (Cont'd)

	Area of focus	Findings
3. Provide commentary on the context of local government funding nationally and in particular, review the impact of the national funding proposals on district / borough (2nd tier Councils)		Local government funding is entering a period of significant uncertainty. The initial round of 4 year settlements are due to start expiring in the next financial year, and the current high levels of political and economic uncertainty make it unclear what the financial position for the next 3 to 5 years will be. Therefore, councils need to be planning their finances for a range of scenarios and anticipating risk. The Council's medium-term financial plan and the creation and maintenance of adequate financial reserves are the key means by which this uncertainty can be managed. Failure to make decisions early enough or the premature depletion of reserves to fund services in lieu of making efficiencies, can be a key characteristic of Council's who find themselves with significant financial problems. Key areas of financial uncertainty facing Guildford in the medium term include: • Negative RSG – The government had calculated that in order to fund local government within its reduced financial envelope, some councils with proportionally higher levels of business rates collected (including Guildford) would need to pay an additional levy back to government, reducing the income retained to fund services. This levy, known as 'Negative RSG', has now been confirmed to be removed for 2019-2020. However, this is likely to be only a temporary reprieve as the problem of how to redistribute the limited available funding for local government remains acute. • Fair funding review – For some time councils have highlighted the need to reform the way that local government is financed. The fair funding review is currently underway and will feed into the wider Government spending review expected in 2019. A key driver is the need to divert more funding to demand led services in the top tier of local government a well as to address longstanding demographic and other imbalances. Because of this, there is a greater risk that proportionally less funding will be available for district councils in future settlement. Given the uncertainty and the risk outlined above, we feel it appropriate for tier 2 councils to include prudent assumptions regarding the outcome of the fair funding review. • Government Policy – As noted, a wider government spending review is expected in 2019 which will set funding envelopes for the MHCLG from 2020 onwards. This will directly impact on the total funding available for local government in the medium term. The Government continues to face significant financial challenges in managing the deficit as well as meeting spending commitments in areas such as the NHS and defence. Therefore, while the intention is that a period of growth in public spending will replace 'austerity' this is heavily dependent on other economic factors working in the government's favour and further austerity cannot be ruled out with confidence. In addition, the current political conditions are such that a change in government and/or its priorities for local government cannot be ruled out, creating further uncertainty.

Detailed findings (Cont'd)

	Area of focus	Findings
3. Provide commentary on the context of local government funding nationally and in particular, review the impact of the national funding proposals on district / borough (2nd tier Councils)		• Prospects for the UK economy – Local government is now more directly reliant on local taxation and growth in its tax base than in the past. It therefore faces increased exposure to the risk of economic downturn, e.g. through lost revenue from business rate growth, council tax and new homes bonus, alongside the potentially higher costs of supporting the community. Many economists predict that Brexit could result in at least some short-term economic impact and coupled with signs of slower growth in the global economy, there is a possibility that the risk of an economic recession should at least be considered within the medium-term planning horizon • Local factors - Surrey County Council's has announced financial recovery plans that will focus more on statutory services and Children's and Adults in particular. This could lead to a vacuum in some areas of discretionary spend where County and district services in the community overlap or complement one another. Given the situation, Guildford may find itself under pressure to backfill services and incur additional costs, for example in regard to projects that promote economic growth and social cohesion, as well as support for residents who encounter economic hardship.

Detailed findings (Cont'd)

Area of focus	Findings
4. To provide an independent review (sense check) of the approach the Future Guildford Transformation Programme proposes.	In response to your identified financial gap you commissioned Ignite Consulting to consider future options. In November 2018, Ignite Consulting presented a report entitled "Guildford Borough Council Future Operating Model Blueprint". It set out to provide the 'blueprint' for the delivery of an ambitious transformation programme for Guildford Borough Council. The report included a refined business case, an organisational design and a costed implementation approach and plan. Across the local government sector, and indeed public services in general, there are very few organisations that have not undergone major transformation of the kind set out in the "Future Guildford Model" since 2013/14. In our experience, transformation has become so prevalent that *change* has become the new "business as usual". The stimulus for change is often borne out of financial pressures. Where we see major transformation done best, the main focus for the entire organisation is on the non-financial benefits. Often, there are many aspects of these transformation projects which are good, in and of themselves because of the non-financial benefits. Councils need to consider whether a transformation delivers benefits for its residents beyond the impact on the financial position. Having the arrangements to be able to identify the non-financial benefits pertaining to individual projects within the overall transformation plan is therefore key in being able to make informed decisions and prioritise accordingly. The report represents your ambition with significant investment. As you consider how to progress the recommendations in this report you may want to consider the following: • How you can be assured that the business case has been produced with high level of engagement with your organisation? In our experience, the greater the level of engagement, the more realistic and deliverable the change programme will be. • This proposal represents a significant investment, how can you be assured that you have considered appropriate alternatives including doing nothing. Cost benefit • How have your articulated the non financial benefits of this proposal? Many transformational programmes aim to deliver more benefits beyond the financial and these need to be clearly articulated • Do you understand what the financial and non-financial benefits/consequences are of each phase of the change and to what extent has this analysis has been subject to robust scrutiny and challenge? If these arrangements are not in place there is a risk of unintended consequences which may be difficult or even impossible to reverse.

Detailed findings (Cont'd)

Area of focus	Findings
4. To provide an independent review (sense check) of the approach the Future Guildford Transformation Programme proposes.	• To what extent does the transformational change set out in 'Future Guildford' have an impact on assumptions within your MTFP e.g. whether redundancies will alter the vacancy rate %? If interdependencies are unclear there will be a risk of unintended consequences. • In your assessment of this proposal, how have you assessed the sensitivity of upward pressure on costs and downward pressure on benefits realistion? In our experience, transformation projects often experience increasing costs whilst also reducing the expected benefits. • How have you learnt from your track record of achieving intended benefits of previous projects? The organisations who learn from previous experiences achieve a greater proportion of the intended benefits.

Grant Thornton

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