

Council Report

Wards affected: All

Report of Chief Finance Officer

Author: Claire Morris

Tel: 01483 444827

Email: claire.morris@guildford.gov.uk

Lead Councillor responsible: Tim Anderson

Tel: 07710 328560

Email: tim.anderson@guildford.gov.uk

Date: 10 February 2021

Business Planning – General Fund Budget 2021-22

Executive Summary

This report outlines the proposed budget for 2021-22, which includes a Council Tax requirement of **£10,392,720** and a Council Tax increase of £5 per year (2.83%), resulting in a Band D charge of £181.82. As set out in the report, the Council is required to set a balanced budget for 2021-22.

We received the provisional Local Government Finance Settlement (LGFS) for 2021-22 on 17 December 2020. The figures included in the budget presented reflect the information contained in the settlement.

The Settlement Funding Assessment (SFA) consists of the local share of business rates, and revenue support grant and is set out in the provisional LGFS. The settlement was in line with our expectation which enables us to retain £2.929 million of business rates in 2021-22, which is the same amount as we retained in 2020-21. Core Spending Power has also stayed the same as 2020-21 at £14.090m; however, within the core spending power calculation, the Government has assumed that we will raise the Council Tax by the maximum amount (£5 or 3% whichever is the higher).

Overall, the LGFS was positive for the Council as it included additional funding of:

- £153,000 grant to compensate the Council for the Business Rates Multiplier not increasing in line with inflation
- £237,000 lower tier services grant (this is a one-off new grant to support services)
- £623,000 additional COVID 19 funding to help fund the impact of COVID 19 into the new year
- £100,000 Section 31 grant for local council tax support
- £192,000 New Homes Bonus grant for 2021-22 only
- The ability to raise council tax by a maximum of £5 (2.83%) rather than maximum of 2.0%, this additional increase will generate a further £90,000 in council tax income

The Joint Executive Advisory Board (JEAB) considered the outline budget at its meeting

held 11 November 2020. The Executive approved the Outline Budget on 24 November 2020.

The Chief Finance Officer's statutory report is included at **Appendix 1**. This gives information about the strategic context within which our budget has been prepared, the medium term financial plan, the robustness of the estimates, adequacy of reserves and budget risks. **Appendix 2** provides the General Fund Summary showing a balanced budget for 2021-22, but that the Council has a budget gap of £1.6million in 2022-23 which will rise to £5.9million by 2025-26. **Appendix 3** lists the growth and savings which have been included in the General Fund Summary. **Appendix 4** details the financial risk register, Council is asked to note that the level of reserves are currently sufficient to meet the Council's risks.

The financial monitoring report for the first eight months of 2020-21 was reported to the Corporate Governance and Standards Committee on 14 January 2021. The projected net expenditure on the General Fund for the current financial year is estimated to be £8.1million more than the original estimate due mainly to the COVID19 pandemic. Any ongoing variances between actual expenditure and budget identified in 2020-21 have been taken into account when preparing the budget for 2021-22.

Following the Executive approval of the outline budget in November 2020, the Council has undertaken a public consultation exercise on its priorities for spending. The results of the consultation are set out in section 11 of the report with the detailed findings from the consultation set out in **Appendix 5**.

Appendix 6 details a list of fees and charges for approval as part of the budget. The fees and charges for 2021-22 have been frozen at the same levels approved by Council in February 2020. As part of the spending review, the Government has confirmed that the compensation scheme for Sales, Fees and Charges income will extend in to 2021-22 by 3 months.

At its meeting held on 26 January 2021, the Executive considered this report and resolved to approve:

- (1) the transfers to/from reserves as set out in Section 8 and Appendix 2 to the report;
- (2) the growth and savings items included in the General Fund Summary at Appendix 2 and set out in detail in Appendix 3;
- (3) the financial risk register set out in Appendix 4 and to note that the level of reserves are currently sufficient to meet the Council's risks.

The Executive also noted the findings of the consultation response set out in Appendix 5 and endorsed the recommendation to Council below.

Recommendation to Council

Council is asked to approve:

- (1) That the budget, as set out in the General Fund Summary in **Appendix 2** be approved, and specifically that the Council Tax requirement for 2021-22 be set at **£10,392,720**

(2) That the proposed fees and charges for 2021-22 relating to General Fund services and attached at **Appendix 6** to this report be adopted with effect from 1 April 2021.

(3) That the Band D Council Tax for 2021-22 be set at £181.82, an increase of £5 (2.83%)

Reason for Recommendation:

To enable the Council to set the Council Tax requirement and council tax for the 2021-22 financial year.

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

1. Purpose of report

1.1 This is the final report in the 2021-22 budget process and the Council is asked to approve the General Fund budget for 2021-22.

1.2 The financial implications of proposals contained in the Capital and Investment Strategy, to be considered as part of this agenda are included in this report.

1.3 The report also sets out the proposed transfers to/from earmarked reserves, which the Executive approved on 26 January.

2. Strategic Priorities

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

3. Background

3.1 At its meeting on 24 November 2020 the Executive received a report on the outline budget, which indicated that there was a gap between the projected net expenditure for 2021-22 and our estimated resources of £2.0million and a draft projection for 2021-22 to 2024-25 showing a medium term budget shortfall (gap) of £4.38million.

3.2 The November report assumed a 1.94% increase in Council Tax. This has changed to £5 following the announcement of the Local Government Finance Settlement (LGFS) in December 2020. The report included the comments of the Joint Executive Advisory Board (JEAB) which considered the outline budget at its meeting on 11 November 2020.

3.3 This report will cover the main changes since the outline budget was presented to the Executive.

4. Outline budget parameters

4.1 The outline budget has been prepared on the factors approved by the Executive at its meeting on 24 November 2020. Following the announcement of the Spending Review and LGFS by government, the assumptions have been updated as follows:

- (a) The council tax increase has been amended from 1.94% to £5 (2.83%) as announced in the LGFS

- (b) Additional funding and the SFA has been included at the amounts set out in the LGFS
- (c) An assumption that the Government's Sales, Fees and Charges compensation scheme will continue in to 2021-22 for 3 months has been made. This means that the Council needs to cover the first 5% of any income loss but the government will then compensate the Council for 75% of the losses above 5%, and that the Council will need to fund the remaining 25% of losses above 5%

5. Revenue Support Grant (RSG) New Homes Bonus (NHB) and Business Rates Income under the Business Rates Retention Scheme (BRRS)¹

- 5.1 We received the provisional Local Government Finance Settlement (LGFS) for 2021-22 on 17 December 2020. Full details and commentary regarding the settlement are set out in the Chief Finance Officer's report at **Appendix 1**.
- 5.2 The Settlement Funding Assessment (SFA) consists of the local share of business rates, and revenue support grant and is set out in the provisional LGFS. Our baseline funding level was set at £2.929 million, a nil increase from 2020-21.
- 5.3 The provisional award of New Homes Bonus (NHB) for 2021-22 totalling £192,000, is higher than the nil award assumed in the outline budget reported to Executive in November. Other grants announced as part of the LGFS, which were unexpected are:
 - £153,000 grant to compensate the Council for the Business Rates Multiplier not increasing in line with inflation
 - £237,000 lower tier services grant (this is a one-off new grant to support services)
 - £623,000 additional COVID 19 funding to help fund the impact of COVID 19 into the new year
 - £100,000 Section 31² grant for local council tax support
- 5.4 Officers have now completed and submitted the annual business rates estimate return to government, called the NNDR1 form. This return estimates the business rates income and section 31 grant in respect of business rates due for 2021-22. It also estimates the surplus or deficit on the collection fund in respect of business rates. The estimated business rate income for 2021-22 is £33.7 million which is £0.986 million lower than the £34.7 million income received in 2020-21, but £1.1 million higher than the income estimated in the November Executive report. The Section 31 grant has been estimated as £1.3 million which is £0.5 million lower than the estimate presented to Executive on 24 November 2020. The changes relate to updated estimates of bad debt, appeals and reliefs. The transfer to the business rates equalisation reserve has been adjusted accordingly for the changes.

¹ Within the BRRS, all authorities are either top-up or tariff. Where the authorities' share of Business Rates is more than the government believes it needs, it pays the excess to the government as a tariff. Conversely, if the income from business rates is less than the government's need assessment, a top-up is paid. Generally, district councils are tariff authorities and county councils and single tier authorities are top-up.

² Local Government Act 2003

- 5.5 Following completion of the NNDR1 form, the estimated deficit on the collection fund for 31 March 2021 in relation to business rates is £50.3 million of which, Guildford Borough Council's share is **£20.1 million**. The deficit consists of £11.7 million deficit relating to the prior year and a £38.5 million deficit relating to 2020-21. The 2020-21 deficit arises due to significant business rate relief granted during 2020-21 under the Government's small business rate relief and extended retail, leisure and hospitality rate relief schemes. The reliefs were not budgeted as part of the 2020-21 NNDR1 form or budget because they relate to the Covid-19 pandemic and the financial support measures the government has introduced for businesses in response. The Council has received a £42million Section 31 grant during 2020-21 which offsets these reliefs, of which **£20million** is the Council's share. As the £42million Section 31 grant for 2020-21 is higher than the £38million deficit relating to 2020-21, there is a £3.6million underlying business rate surplus on the collection fund in 2020-21 if the impact of Covid-19 is removed from the accounts.
- 5.6 The underlying surplus means the Council cannot therefore take advantage of the Government's offer to spread exceptional collection fund deficits relating to Covid-19 in 2020-21, over three years. The Council's policy is to transfer the surplus or deficit to the business rates equalisation reserve to equalise the impact of the business rates system on council tax payers and to provide revenue resources for specific regeneration and economic growth projects. As a result, the Council's £20million share of the Section 31 grant will be transferred to the business rates equalisation reserve as part of closing the accounts for 2020-21 to fund the Council's £20million share of the business rate deficit on the Collection fund in 2021-22. As these transactions are material but relate to cashflow timing differences they are not shown as part of the estimated level of available reserves in section 10 of Appendix 1 because they would present a misleading picture as to the level of the Council's reserves.

6. Council Tax, tax base and collection fund³

- 6.1 The proposed budget assumes that council tax will increase by £5 (approximately 3.0%) This means that the band D tax will go up from £176.82 to £181.82. The increase will generate approximately £288,000 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 provisional local government finance settlement issued by government proposes that this rule remains the same for 2021-22. We expect that the government will return to the referendum limit of 2% for future years. The three-

³ The collection fund is a separate account that we must keep, which collects all the income from council tax and business rates and pays it out to other bodies. For council tax, the recipients are Surrey County Council, the Police and Crime Commissioner for Surrey and Guildford Borough Council. For business rates, the recipients are the Government, Surrey County Council and Guildford Borough Council. We have to predict the surplus or deficit on each part of the fund and that is paid out to (or recovered from) the relevant precepting authority in proportion to their original share. The surplus or deficit arises because of movements in the amounts collectable (i.e. the total amount of the bills we have sent out) and provisions for bad debts and business rates appeals.

year financial projections for the period to 2024-25 assume a council tax increase of 1.94%.

- 6.3 The Director of Resources, in consultation with the Lead Councillor for Resources, has agreed the council tax base for 2021-22 at 57,159.40. This is 0.84% lower than the 2020-21 figure, and has reduced the available resources by approximately £85,000.
- 6.4 Any surplus or deficit on the Collection Fund in the current financial year (2020-21) feeds into the 2021-22 budget. We currently estimate that there will be a deficit on the collection fund of £530,413 at 31 March 2021. The deficit consists of a brought forward surplus on the collection fund of £697,116 as at 31 March 2020 and an in-year deficit of £1,227,528. The in-year deficit has arisen due to a reduction in tax collection and an anticipated increase in bad debt arising from the Covid-19 pandemic. The deficit is shared between Guildford Borough Council, the Police and Crime Commissioner for Surrey, and Surrey County Council. The Government has allowed councils to spread the in-year deficit for 2020-21 over three years. As such the deficit will be spread as follows:

	Deficit for 20/21						Deficit for Ctax Demand 2021/22
	Total	2020/21		Spreading 2020/21			
		Pre 2020/21	ONLY	2021/22	2022/23	2023/24	
	£	£	£	£	£	£	£
Guildford BC	55,767	- 73,294	129,060	43,020	43,020	43,020	- 30,274
Surrey Police	72,067	- 94,716	166,783	55,594	55,594	55,594	- 39,122
Surrey County Council	402,579	- 529,106	931,685	310,562	310,562	310,562	- 218,544
Total	530,413	- 697,116	1,227,528	409,176	409,176	409,176	- 287,940

- 6.5 As the table above shows, the ability to spread the in-year deficit for 2020-21 means that £818,352 of the deficit will be recovered in 2022-23 and 2023-24 and as such in 2021-22 we will distribute a net surplus from the collection fund. The Council's share of the surplus included in the general fund summary at Appendix 2 is £30,274.

7. Capital expenditure and minimum revenue provision

- 7.1 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.
- 7.2 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 estimated minimum revenue provision for 2021-22 is £1.5 million, which is based on an estimated General Fund CFR at 31 March 2021 of £122.3million and debt funded capital expenditure of £28.5 million. This figure is included in the proposed budget.

- 7.3 There is a separate report on this agenda relating to the Capital and Investment Strategy for 2021-22 to 2025-26.

8. Use of Reserves and interest earnings

- 8.1 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 2019-20 and the projected balances at the end of 2020-21 and 2021-22 are presented in Section 10 of **Appendix 1**. As stated in paragraph 5.5, the projected balances exclude the exceptional movements relating to business rate section 31 grant and collection fund deficit. We expect that the Council will hold £154.2 million of reserves as at 31 March 2021, of which £119.5 million relate to the HRA and £34.7 million relate to the General Fund.
- 8.2 HRA reserves are considered as part of the HRA budget. The general fund earmarked revenue reserves includes £16.6 million of projected earmarked reserves which are not available for general spending because they are contingent in nature (for example the insurance reserve). 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 (SPAs) or Suitable Alternative Natural Greenspaces (SANGs); these reserves are required to fund the revenue costs of SPA / SANGS in perpetuity. Earmarked reserves for SPAs and SANGS are projected to be £5.4million at 31 March 2021. The level of projected earmarked reserves available for general purposes, to support the revenue or capital budgets is therefore £8.5 million, this is around £8 million lower than the £16.7 million that was available as at 31 March 2020 due to the impact of the Covid-19 pandemic. The £8.5 million is predominantly earmarked for the Future Guildford transformation programme and as such the Council is advised to refrain from any further use of reserves in 2021-22.
- 8.3 In the 2020-21 budget, we anticipated a net interest charge of £1.172 million. The estimate for net interest receipt included in the outline budget for 2021-22 is £682,726. Interest payable to the Housing Revenue Account (HRA) is estimated at £481,700 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 0.1%. We will continue to keep under review the timing of possible base rate changes as the estimates process proceeds.

Proposed Use of Key Earmarked Reserves

The Budget Pressures Reserve

- 8.4 The budget pressures reserve was established in 2015 to manage the financial challenges the Council faces over the medium term and in particular, allow 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.

Business Rate Equalisation Reserve

- 8.5 The underlying balance on the business rate equalisation fund is anticipated to be a deficit of £407,000 as at 31 March 2021; however, it is anticipated that there will be a transfer of £20 million Section 31 grant relating to the Covid-19 business rate relief to the reserve as part of closing the 2020-21 accounts as described in paragraph 5.5. The main reason for the underlying deficit is that the Council made a one-off lump sum contribution to the Surrey Pension fund in lieu of the Council's annual backfunding superannuation contribution for the period 2020-21 to 2022-23 which was funded from this reserve. The reserve will be repaid in 2021-22 and in 2022-23 through budgeted contribution of £2.0 million per annum to the reserve to replenish it to former levels. It is the Council's policy that the reserve is used to even out fluctuations in the business rate retention scheme including the business rates element of the surplus or deficit on the Collection Fund. As a result, the Executive has agreed to make a contribution from the reserve of £17.6 million (which represents the 2021-22 Section 31 grant, the Council's share of the business rates levy, the business rates income above SFA funding level and the Council's share of the business rates deficit on the collection fund in 2020-21) from the reserve in 2021-22. The money will be set aside to fund future business rate losses and specific economic growth and regeneration projects.

New Homes Bonus Reserve

- 8.6 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. Changes to the scheme in 2020-21 removed this funding stream from the budget and as a result of the Future Guildford transformation programme savings in the Council's expenditure were made to compensate for the income loss. The balance on the NHB reserve at 31 March 2021 is anticipated to be £0.6 million as the Council intends to use around £2.4 million of the NHB reserve in 2020-21 to fund the Covid19 pandemic costs. The Executive agreed to transfer the £192,000 NHB due to be received in 2021-22 to the reserve and then use the remaining balance on this reserve to fund a £460,000 contribution towards the Guildford Economic Regeneration Programme in 2021-22 and to fund the Council's contribution to the rebuild of Ripley Village Hall as previously agreed by the Executive in January 2020. The Outline Budget report proposed that this reserve be closed during 2021-22; however, it is now anticipated that the Council will receive a further £113,000 of NHB in 2022-23 and so closure of the reserve will be delayed until 2022-23.

Invest to Save Reserve

- 8.7 The invest to save reserve exists to pump prime the upfront costs of service transformation and efficiency projects, including staff redundancy costs. The Council has previously agreed to fund the implementation costs associated with the Future Guildford transformation programme from this reserve. The costs of Future Guildford are anticipated to predominantly fall in 2020-21 leaving a balance of just under £2 million on the reserve as at 31 March 2021. Over recent years, the Council has made a contribution to the Invest to Save reserve of £250,000 per annum. The Executive agreed not to make the annual contribution of £250,000 and it is not anticipated that there will be any further use of the reserve in 2021-22. A contribution of £250,000 per annum to the invest to save

reserve is included within the forward projections for 2022-23 to 2024-25 so that the reserve is rebuilt to support further transformation of Council services.

The Car Parks Maintenance Reserve

- 8.8 The balance on the car parks maintenance reserve as at 31 March 2021 is anticipated to be £1.5 million due to officers anticipating having to use this reserve during 2020-21 to fund the costs of COVID 19 and the Future Guildford Transformation Programme. This reserve was originally established to fund repairs, maintenance, and improvement of car parks. The Council normally budgets to contribute around £500,000 per annum to the reserve from parking income and then budgets for annual expenditure of around £187,000 on capital projects and repairs and maintenance of car parks which is taken from the reserve, meaning that there is an annual net contribution of £313,000. The Executive agreed to make a net contribution to the reserve of £63,000 in 2021-22 and then gradually to increase the annual budget contribution to the reserve back up to around £300,000 per annum over the three year period up to 2024-25. This will rebuild the reserve to a level that can be used for future repairs and maintenance of the car parks.

IT Renewals

- 8.9 The anticipated balance on the ICT renewals fund as at 31 March 2021 is £0.283 million. The reserve has been used in the last two years to fund the investment in technology required under the ICT refresh and Future Guildford Programmes to aid new ways of working and improve value for money and efficiency in the delivery of Council services. The Executive has agreed to make a contribution of around £542,000 to the ICT renewals reserve in the period 2021-22 to 2024-25 to replenish the reserve to fund ongoing annual ICT renewals.

Other Reserves

- 8.10 The Executive also agreed contributions to the Election costs reserve, on-street parking reserve, spectrum reserve and 'other' reserves as set out in **Appendix 2**.

9. Projected outturn for 2020-21 (based on period 8 monitoring) and the 2021-22 Budget

- 9.1 The financial monitoring report for the first eight months of 2020-21 was reported to the Corporate Governance and Standards Committee on 14 January 2021. The projected net expenditure on the General Fund for the current financial year is estimated to be £8.1 million more than the original estimate. The main reason for this is due to the impact of the COVID-19 Pandemic.
- 9.2 At the time the outline budget was presented to Executive on 24 November 2020, officers were anticipating a gap between net expenditure and estimated resources of £2.0 million. This position now is a balanced budget. The changes are summarised in the table below.

	Executive (24 Nov 2020)	Proposed Budget Appendix 2	Movement	Comment
Total Directorate Level	20,319,000	20,319,000	0	
Provisional Savings & Growth	-1,959,328	-1,726,073	233,255	Amendment to split of Future Guildford savings between General Fund and HRA, inclusion of revised growth for GERP and traveller transit site, reduction in service challenge savings following assessment of deliverability
Depreciation	-8,791,000	-8,791,000	0	
Directorate Level excl. depreciation	9,568,672	9,801,927	233,255	
Net external interest receivable	-200,000	-682,726	-482,726	Updated following finalisation of the capital and investment strategy and Period 8 Financial Monitoring of the Capital Programme
Interest payable HRA	481,700	481,700	0	
Minimum Revenue Provision (MRP)	2,410,000	1,534,915	-875,085	Updated following finalisation of the capital and investment strategy and Period 8 Financial Monitoring of the Capital Programme
Revenue Contribution to Capital (RCCO)	537,000	537,000	0	
Transfers to/(from) reserve	5,251,459	-16,974,563	-22,226,022	Amendment to Business Rates Equalisation fund transfer following LGFS and NNDR 1 form completion
Total after transfers to/(from) reserve	18,048,831	-5,301,747	-23,350,578	
Net Retained Business Rates	-5,701,300	17,028,939	22,730,239	Amended as per LGFS and NNDR1 form completion
Other Grants	0	-1,112,236	-1,112,236	Additional funding set out in the LGFS
New Homes Bonus (NHB)	0	-192,251	-192,251	Additional funding set out in the LGFS
Collection fund deficit – council tax	0	-30,274	-30,274	Amended as per collection fund estimates, paragraph 6.4
Parish Precept	0	1,935,225	1,935,225	As per final parish council precept notifications
Council Tax Requirement	12,347,531	12,327,656	-19,875	
Max Council Tax income available	-10,303,000	-10,392,720	-89,720	Increase in council tax income due to ability to raise by £5 (2.83%) rather than 1.94%
Budget Gap (Council Tax requirement less parish precepts less max council tax income)	2,045,000	-289	2,045,289	

- 9.3 The proposed budget includes the financial implications of the Capital and Investment Strategy which councillors will also consider on this agenda.
- 9.4 The estimated directorate level expenditure, excluding depreciation charges for 2021-22, is £9.8 million, which is £6.9 million lower than the 2020-21 directorate level expenditure estimate of £16.67 million. The main reason for this is removal of the one-off lump sum payment to the pension fund agreed as part of the 2020-21 budget and the additional growth savings included in the 2021-22 budget.
- 9.5 The long-term projections still indicate that a saving of around £5.9 million is needed over the period to 2025-26 as highlighted in the graph below and as shown in paragraph 8.5 of **Appendix 1**. Officers continue to work towards identifying the necessary savings over the medium term. Revenue growth and savings from the Future Guildford transformation programme have been included in the outline budget and forward projections as set out in **Appendix 3**.

10. Fees and Charges

- 10.1 Fees and charges for 2021-22 have been frozen at the level agreed by Council in February 2020. The fees and charges schedule is presented as **Appendix 6**.

11. Consultations

- 11.1 The Joint Executive Advisory Board (JEAB) have been consulted about the outline budget for 2021-22, the medium term financial position and the savings strategy. Their comments were reported to the Executive at its meeting on 24 November 2020. At the meeting of JEAB in January 2021, the project mandates for some of the savings set out in Appendix 3 were discussed and supported.
- 11.2 Officers have consulted the Lead Councillor for Resources about assumptions to be used on the level of council tax increase and the proposed budget (including balancing the budget) and he agrees with the approach taken in this report.
- 11.3 At its meeting on 24 November 2020, the Executive agreed to carry out a public consultation on the Council's priorities for its services and spending for 2021-22 and beyond. The public consultation started on 30 November 2020 and finished on 8 January 2021. To ensure the research was robust and reflected the profile of the local community, a representative sample of 1,100 residents was completed via telephone methodology which included members of the Guildford Borough Council Citizens' Panel. The telephone interviews were conducted using random quota sampling to maximise representation across the borough. A total of 1,100 residents participated by telephone; and a further 381 residents completed the questionnaire online. The results of the on-line survey support the view of the telephone survey and so the Council can be 95% certain that the results of the consultation represent the views of the whole borough (all residents) to within +/- 3%.
- 11.4 When asked to consider council services in terms of importance, priority and spending, residents across both consultations were almost unanimous in rating services to the elderly and vulnerable highest for each aspect. On average, telephone respondents attributed a score of 8.90 out of 10 to this service in terms of importance whereas online respondents agreed on an average of 8.33, placing

environmental services as slightly more important (8.90). Both cohorts rated services to the elderly and vulnerable their highest priority on average when scoring on a scale of ten (telephone 9.10, online 8.68) and also felt funding for this service area should be most protected when scoring on a scale of ten (telephone 9.24, online 8.68).

- 11.5 Other services that scored highly in terms of the three aspects of importance, priority and spending were public health and safety, economic services and environmental services, the latter being more prevalent amongst online respondents.
- 11.6 Arts and heritage and tourism services were consistently attributed the lowest scores on average by respondents who participated in the survey, the two provisions making up the lowest ranked services for each aspect of importance, priority and spending within both strands of the consultation. Transport and parking and public facilities were also perceived as less important services by residents across both consultations.
- 11.7 The Executive will consider the results of the survey and its impact on the proposed savings strategy at its meeting in March 2021.

12. Equality and diversity implications

- 12.1 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.

13. Financial implications

- 13.1 The financial implications are considered throughout the report.

14. Legal implications

- 14.1 The Council is required to set a Council Tax for the financial year 2021-22 before 11 March 2021. It may not be set before all precepts have been issued or before 1 March 2021 whichever is the earlier. The decision is reserved to Council and cannot be taken by the Executive or delegated to officers, although the Executive has to recommend a budget to Council. Before setting the level of the tax, the Council must have agreed a balanced budget, differentiated by services, which is sufficient to meet estimated revenue expenditure, levies, contingencies, any deficit estimated to be brought forward from previous years and any amounts required to be transferred between funds. The tax itself must be sufficient to cover the difference between the agreed budget less government grants credited to the consolidated revenue account and any other expenditure which must be met from the Collection Fund less any surplus (or plus any deficit) brought forward from previous years.
- 14.2 These legal duties are set out in the Local Government Finance Act 1992, as amended, and requires various specific calculations and decisions to be made by the Council:

- (a) First, it must calculate its budget requirement in accordance with section 32 of the Act;
 - (b) Second, it must calculate the Borough Council element of the Council Tax – first for Band D and then for all bands in accordance with sections 33 to 36; and
 - (c) Third, it must set the overall Council Tax for each band in accordance with section 30
- 14.3 A note of the amount set must be published in at least one newspaper circulating in the Council's area within 21 days of the decision.

Section 25 Report

- 14.4 The Chief Finance Officer is required by the Local Government Act 1972 section 151 and by the Accounts and Audit Regulations 2015 to ensure that the Council's budgeting; financial management and accounting practices meet relevant statutory and professional standards.
- 14.5 In addition, the Local Government Act 2003, section 25, provides that the Council's Chief Finance Officer (the Local Government Act 1972 section 151) is required to report to the Council on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves. The Council must have regard to the report when making decisions about the calculations in connection with which it is made. The Chief Finance Officer's advice on those requirements is set out in **Appendix 1** to this report.

Administrative law/consultations

- 14.6 In reaching decisions on these matters, councillors are bound by the general principles of administrative law. Lawful discretions must not be abused or fettered and all relevant considerations must be taken into account. No irrelevant considerations may be taken into account and any decision made must be one which only a reasonable authority, properly directing itself, could have reached. Councillors must also balance the interests of the service users against those who contribute to the Council's finances. The resources available to the Council must be deployed to their best advantage. Councillors must also act prudently.
- 14.7 Amongst the relevant considerations, which councillors must take into account in reaching their decision, are the views of business ratepayers and the advice of officers. The duty to consult representatives of non-domestic ratepayers on the Council's expenditure plans is contained in the Local Government Finance Act 1992, section 65.
- 14.8 In considering, the advice of officers and the weight to be attached to that advice, councillors should have regard to the personal duties placed upon the Chief Finance Officer. The Council may take decisions, which are at variance with her advice provided that there are reasonable grounds to do so. However, councillors may expose themselves to risk if they disregard clearly expressed advice, for example as to the level of provision required for contingencies, bad debts and future liabilities.

Referendum requirement

- 14.9 The government no longer has power to cap local authority budgets under the Local Government Act 1999. However, the Localism Act 2011 introduced limits each year above which any increase in Council Tax would need to be supported by a referendum. In setting the Council Tax for the next financial year, and in agreeing the Council's budgetary requirements, the Council will need to take into account these limits. The local government financial settlement allows for an increase of less than 3% or up to and including £5 per Band D property, whichever is the higher.

Constitutional arrangements

- 14.10 The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 provide that votes at key budget decision meetings must be recorded. The Council's Constitution provides in Part 4 – Council Procedure Rule 19 (d) that a recorded vote shall be taken at a meeting of the Council in respect of any motion or amendment to approve the budget or set council tax.

Restrictions on voting

- 14.11 Councillors should be aware of the provisions of the Local Government Finance Act 1992, section 106, that applies where:
- (a) they are present at a meeting of the Council, the Executive or a committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and
 - (b) any budget or council tax calculation or recommendation or decision, which might affect the making of such calculation, is the subject of consideration at the meeting
- 14.12 In these circumstances any such councillors shall at the meeting and as soon as practicable after its commencement disclose the fact that section 106 applies to them and shall not vote on any question concerning the matter referred to in (b) of paragraph 14.11 above. It should be noted that councillors are not debarred from speaking on these matters.
- 14.13 Failure to comply with these requirements constitutes a criminal offence unless a councillor can prove they did not know that section 106 applied to them at the time of the meeting or that a matter in question was the subject of consideration at the meeting. Councillors should be aware that the responsibility for ensuring that they act within the law at all times rests solely with the individual councillor concerned. All councillors were reminded of these requirements by email dated 30 December 2020.

15. Human Resource implications

- 15.1 There are no immediate human resource 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.

16. Conclusion

- 16.1 The proposed budget includes a Council Tax requirement of £10,392,720 resulting in a Council Tax increase of £5 per annum (2.83%)
- 16.2 The Chief Finance Officer's report, attached at **Appendix 1**, covers the medium term financial plan, the robustness of the estimates, adequacy of reserves and budget risks. The medium term financial plan position remains challenging and we estimate that we will need to find savings of approximately £5.9 million over the period to 2025-26.

17. Background Papers

None

18. Appendices

Appendix 1: Chief Finance Officer's statutory report
Appendix 2: General Fund Summary
Appendix 3: Summary of Growth and Savings
Appendix 4: Financial Risk Register
Appendix 5: Guildford Borough Council Budget Survey 2021 report
Appendix 6: Proposed 2021-22 Fees and Charges