

Executive Report

Ward(s) affected: All

Report of Director of Resources

Author: Claire Morris, Director of Resources

Tel: 01483 444827

Email: Claire.Morris@guildford.gov.uk

Lead Councillor responsible: Councillor Tim Anderson

Tel: 07710 328560

Email: tim.anderson@guildford.gov.uk

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## **Savings Strategy 2022-23 to 2025-26**

### **Executive Summary**

The General Fund Budget report presented to Council in February 2021 set out that the general fund budget gap over the period 2021-22 to 2025-26 is likely to be around £5.9million (this was set out in the CFO report at Appendix 1 and also in the general fund summary forward projections at Appendix 2). Sensitivity analysis carried out for the budget showed that the gap could be between £2million and £7million. Consequently, the Chief Finance Officer's (CFO) report at Appendix 1 of the Budget report recommended that the Council needs to identify a range of savings opportunities totalling around £6million so that it is able to balance its budget in the medium term.

The CFO has reviewed and updated the position ahead of key workstreams from the savings strategy coming forward to Executive for decision. This report sets out that the overall budget gap remains at £6.0million (as detailed in Appendix 2) however, the profile of the gap and therefore the savings required have changed between the years of the medium term financial plan.

The report sets out a strategy of 5 key workstreams to find savings of £6.0million in order to balance the budget over the medium term. Progress against those workstreams and updated actions are set out in the report. The savings strategy is an overarching programme of work aimed at delivering the savings and any delay or non-implementation of savings projects will require further actions and savings projects to come forward to meet the gap. The report sets out progress to date against the various projects and when councillors can expect information to be brought forward over the course of the next few months.

### **Recommendation to Executive**

To approve the updated savings strategy set out in this report and Appendix 1.

Reason(s) for Recommendation:

To ensure the Council remains financially sustainable into the medium term.

## 1. Purpose of Report

- 1.1 This report updates Executive on the overall Savings Strategy and sets the overarching programme of work.

## 2. Strategic framework

- 2.1 Good financial management and financial sustainability underpins all of the Council's corporate plan priorities.

## 3. Background

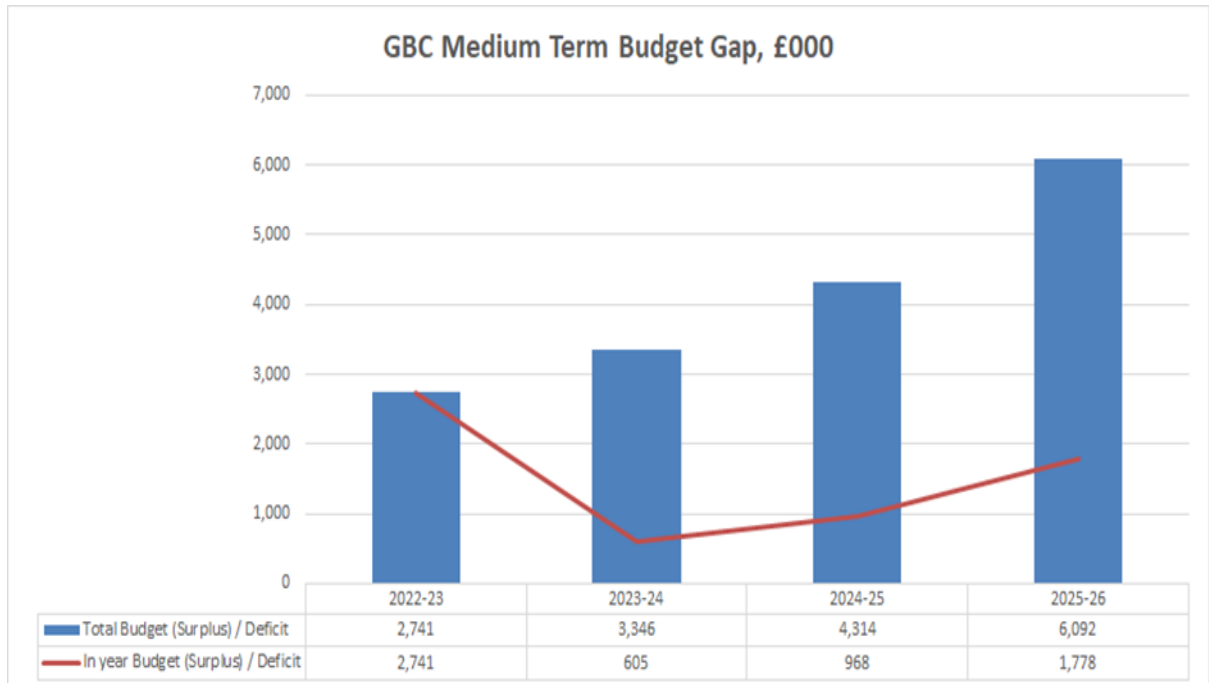
- 3.1 The General Fund Budget report presented to Council in February 2021 set out that the general fund budget gap over the period 2021-22 to 2025-26 is likely to be around £5.9million (this was set out in the CFO report at Appendix 1 and also in the general fund summary forward projections at Appendix 2). Sensitivity analysis carried out for the budget showed that the gap could be between £2million and £7million. Consequently, the CFO report at Appendix 1 of the Budget report recommended that the Council needs to identify a range of savings opportunities totalling around £6million so that it is able to balance its budget in the medium term.

- 3.2 The assumptions used to calculate the General Fund Budget gap are as follows:-

	2021-22 %	2022-23 %	2023-24 %	2024-25 %	2025-26 %
<b>General inflation</b>	0.0	2.0	2.0	2.0	2.0
<b>Pay award</b>	0.0	2.0	2.0	2.0	2.0
<b>Pay Increments</b>	2.0	2.0	2.0	2.0	2.0
<b>Increases in fees and charges</b>	0.0	3.0	3.0	3.0	3.0
<b>Income reduction due to COVID19</b>	-5.0	-2.0	-2.0	-1.0	0.0
<b>Council Tax</b>	2.83	1.94	1.94	1.94	1.94
<b>Housing rents</b>	0.0	2.0	2.0	2.0	2.0
<b>Council Tax Base</b>	-0.84	1.3	1.57	1.52	1.24
<b>Vacancy Factor</b>	2%	2%	2%	2%	2%
<b>Government</b>	nil	£442k	£588k	£735k	£735k

Settlement Funding Assessment (SFA)		Reduction	Reduction	Reduction	Reduction
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- 3.3 Officers have recently updated the medium term financial position in preparation for the 2022-23 Budget process. Changes have been made to the medium term plan as follows:-
- a. The growth and savings for 2021-22 that were listed in the growth and savings schedule (Appendix 3 of the February 2021 budget report) have now been allocated to the directorates and included in the base budget for 2022-23
  - b. Estimates of the Minimum Revenue Provision for debt repayment (MRP) have been updated to reflect the period 10 capital programme outturn forecasts for 2020-21. These will need to be further updated once the 2020-21 capital programme outturn is produced.
  - c. The list of growth and savings has been updated to include the anticipated impact of the Leisure Contract extension in October 2021, the potential cost of green energy supply (mandate to be presented to Councillors) and anticipated cost of implementing the national waste strategy (for which a briefing note / project mandate will need to come forward in due course)
  - d. Detailed analysis of the Council’s reserves and projections for future contributions to reserves have been updated.
- 3.4 The impact of the changes above can be seen in the general fund summary 4 year projection which is shown in Appendix 2 with further service level budget detail at Appendix 3 and details of the growth and savings included in the medium term financial plan at Appendix 4. The overall gap has risen slightly to just over £6million however, the anticipated profile of the gap between the financial years has changed from that reported in February. The current budget gap estimate is as follows:-



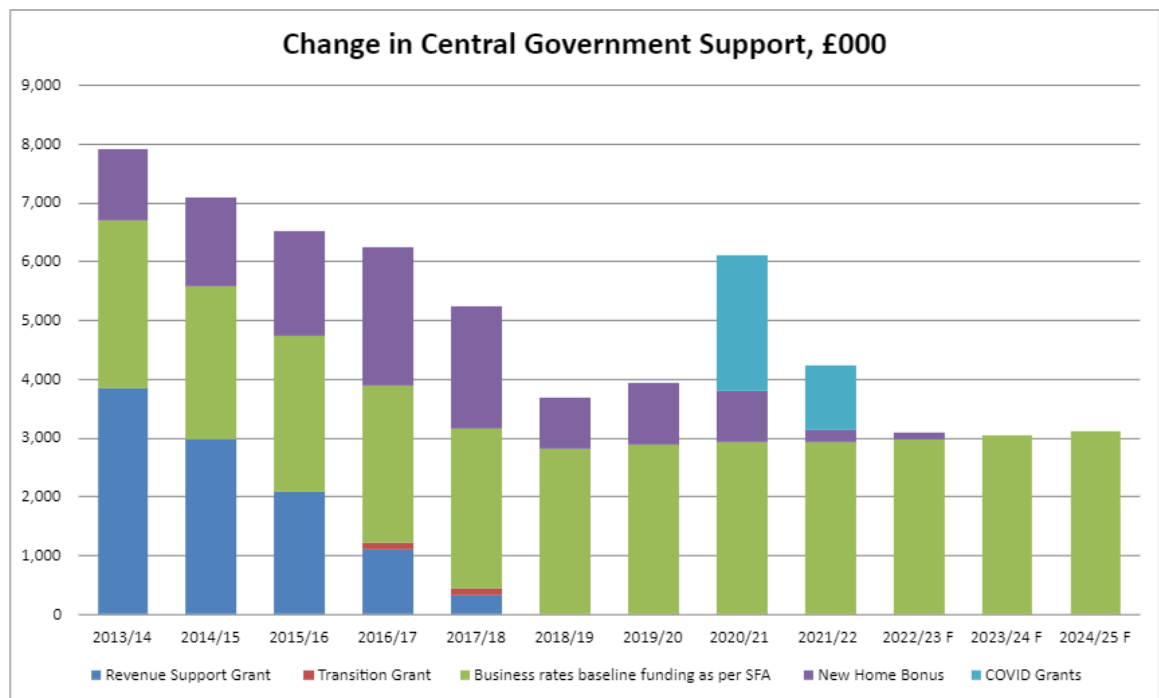
3.5 The budget gap arises due to:

- a. Increase in net service expenditure, mainly due to inflation over the 4 years of £1.4million
- b. Increase in minimum revenue provision for the repayment of debt arising from the Council's capital programme over the 4 year period, £5.2million
- c. Reduction in retained business rate income as a result of the anticipated settlement fund assessment over the 4 year period, £3.4million

Offset by,

- d. Increase in income from Council Tax rises at the maximum allowed without a referendum over 4 years, £1.4million
- e. Savings already profiled into the medium term plan, £1.8million
- f. Other minor adjustments, £800,000

3.6 As reported in the Budget report to Council in February 2021, the Council has seen a reduction in Government support from Central government since 2013, although additional exceptional support has been provided during the Covid-19 pandemic.



- 3.7 In 2020-21 the Council has seen significant additional costs as a result of the impact of the Covid-19 pandemic. The Council is still in the process of closing its accounts for 2020-21 and the Outturn position will be reported to executive in July 2021. However the period 10 monitoring (as at January 2021) forecasted additional expenditure of £5.4million on Council services which had been offset by £2.2million additional COVID grants from government leaving a net additional expenditure of £3.3million for the Council to fund. In addition, the P10 monitoring report forecasted an anticipated income loss of around £8million which has been partially offset by a claim of £4.5million under the Government's Sales, Fees and Charges compensation scheme leaving a net loss of income of £3.5million. Taken together the net additional expenditure and income loss were forecasted to have a total impact on the Council leading to a £7million overspend against the Council's original net budget. In order to fund the overspend, the Council has previously agreed a draw down of reserves of up to £15million. The final overspend and therefore draw down of reserves will be confirmed as part of the Outturn report.
- 3.8 Additional expenditure and income losses as a result of COVID-19 will also be experienced in 2021-22. The Council received additional funding of £622,000 in general covid grant from government and will be able to make a further claim under the sales fees and charges scheme. It is anticipated however, that the net additional costs and loss of income will lead to a further overspend in 2021-22. It is too early in the financial year to predict the scale of the overspend.
- 3.9 Future Guildford has transformed the staffing structure of the Council and introduced a significant amount of new technology to improve the efficiency of Council processes and move the Council's services to be more on-line with customers serving themselves both internally and externally.

3.10 The scope for increasing efficiency of the services provided by the Council following Future Guildford is somewhat limited. There are some further residual improvements to be made through the ICT and Digital roadmap that can be explored to improve efficiency but in many cases the services were restructured and the staff savings have already been taken. The key residual work streams from Future Guildford which may generate further efficiencies are:-

- a. Review and replacement of Housing Repairs System (Orchard)
- b. Further BusinessWorld development (Income Manager, Bank reconciliation, HR Training, HR Performance management & project costing and billing)
- c. Expansion of Salesforce field service technology to regulatory and compliance services
- d. Review of the Housing Allocations system

3.11 Therefore in general other savings must be found.

3.12 The scale of the shortfall between income and expenditure is significant. In order to deliver further savings of around £6million against the net service budget (before reserves transfers) of £18million means that savings equivalent to around 10% of the Council's budget per annum need to be found. This may require some difficult decisions to be made around the level of service provision that the Council can afford to provide to the community.

#### Savings Strategy

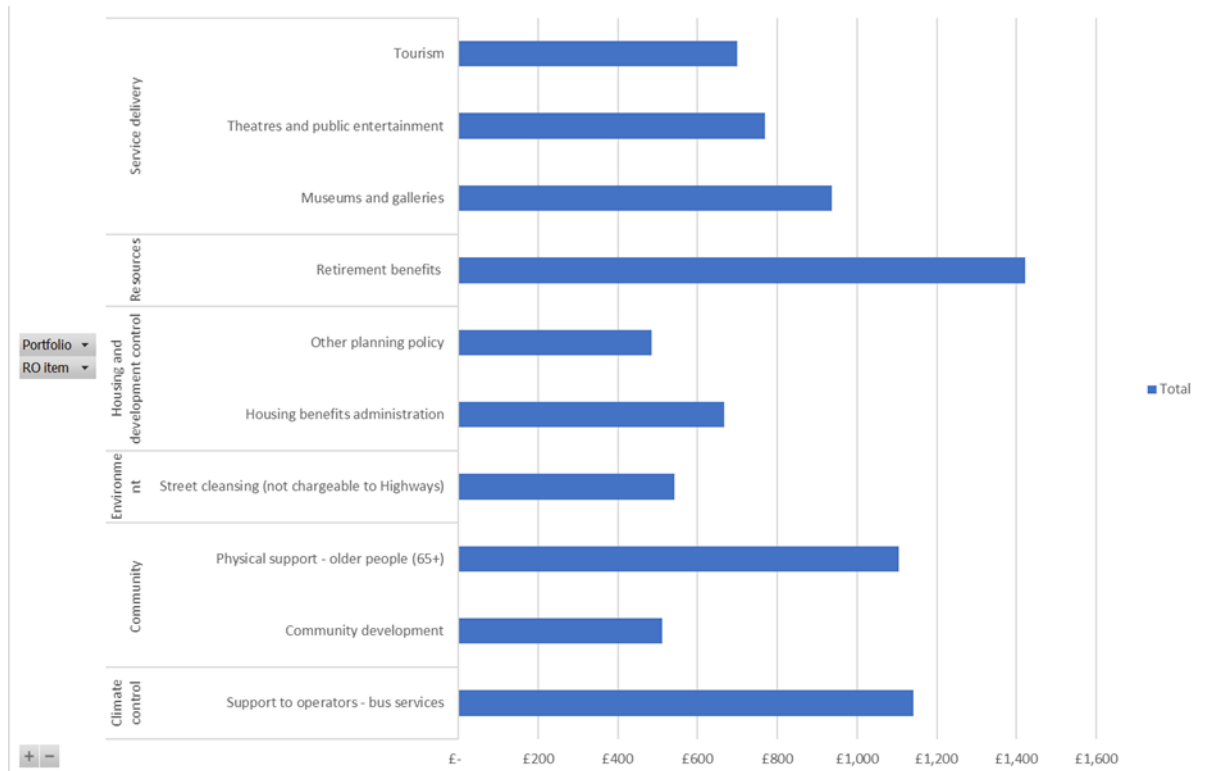
3.13 Recognising the need to achieve significant savings beyond those set out within Future Guildford, in November 2020, the Executive considered and approved a saving strategy which identified a number of work streams:-

- a. Review and potential reduction of the Council's discretionary services, target rough order of magnitude of savings £2.2million (split £1.7million savings and £0.5million additional income)
- b. Review of the Council's capital programme and Major projects to reduce debt and interest costs, target rough order of magnitude savings £0.5million
- c. Review the Council's need for operational assets, target rough order of magnitude savings £1.5million
- d. Consideration of further collaboration of the Council with a neighbouring borough, target rough order of magnitude savings £1.5million
- e. Consideration of merging the Council with a number of other neighbouring boroughs and part of the County Council to create a Unitary Council (one of multiple unitary Council's in Surrey), no saving target set.

## Update on Workstreams

### *Review of Discretionary Services*

3.14 Benchmarking of expenditure by Guildford Borough Council against the expenditure of other similar councils on a per head of population basis (using 2018-19 RO form data) identified that the Council spends significantly more than other Council's on some areas of service. The top 10 areas where the Council's expenditure is significantly above other similar council's are shown in the chart below:-



3.15 For many of the areas above, the service is classed as a non-statutory, or 'discretionary' area of service for a borough council, ie, there is no legislation setting out the Council has to provide the service. Therefore the continued provision of these services and at what level is a choice which has to be measured against what the Council can afford to spend. With the support of Ignite Consulting, Officers identified a programme of actions and have been further reviewing the potential rough order of magnitude of savings that may be possible from each action if the idea is pursued. The table in **Appendix 1 (Part 2 Confidential)** details the progress against each action.

### *Review of the Capital Programme and Major Projects*

3.16 This programme is to carry out a detailed review of the Council's capital programme to remove or reduce the programme of projects that cause a revenue cost on the general fund. Projects will be prioritised and measured against what

the Council can afford to fund using the local performance indicators that were approved as part of the capital and investment strategy in 2020-21.

- 3.17 Officers will also look to review and re-focus the Council's major projects to provide a more affordable/social housing led regeneration focus to the programmes rather than an infrastructure/market housing led focus. The aim and intention of the review is to create scope to charge more of the development cost to the HRA and to ensure that the Council fully utilises the capacity and funding it has within the HRA to deliver affordable/ social housing regeneration schemes. Some initial recommendations from the review were approved by Council as part of the Capital and Investment Strategy report in February 2021 where projects such as the museum, public realm, bike share and town centre gateway were removed from the capital programme. Further work is continuing on the review and it is anticipated that two more projects totalling £14million, will be proposed for removal from the capital programme as part of the Capital and Investment outturn report in June 2021 which will help reduce the projection of debt and interest costs over the medium term plan. Further work on the capital programme will continue as part of the 2022-23 budget process and a re-assessment of the debt (MRP) and interest costs over the medium term plan period will be made. Officers are targeting a reduction in debt and interest costs of around £0.5million from those currently projected however, there may be scope to make further reductions.

#### *Review of Operational Assets*

- 3.18 This option may be progressed in conjunction with Option D or Option E, or it may be progressed independently. As part of Future Guildford, the Council's officer team were starting to implement remote or Agile working. The aim was that many officers would split their time between working in the office, working at different sites or working at home. COVID19 has significantly accelerated this move and also introduced the ability to hold virtual committee meetings and enabled an increased level of virtual customer services. As a result, there is an opportunity for the Council to further review its need for office space and other accommodation. The workstream will consider options such as:
- a. vacating Millmead house for sale or redevelopment, and buying or renting smaller office accommodation in the town/ borough
  - b. sharing Council offices and premises with another authority
  - c. consolidating GBC sites
  - d. producing a strategic plan for the depot, car parks and stoke park
- 3.19 This workstream has now started and a mandate has been prepared. The Mandate is scheduled to be presented to EAB on 14th June alongside this savings strategy update. Officers are targeting savings of around £1.5million from this strand of work however, whether that target can be met or not is subject to review as part of the project.

#### *Collaboration with another Council*



- 3.20 Officers are exploring the option of closer collaboration with Waverley Borough Council. In order to deliver the scale of the savings required, the option of a full merger of Officer teams, systems and processes, particularly at corporate and senior leadership level needs to be considered across all services. It is unlikely that sharing a small number of services will generate the scale of savings that are required for the Council to balance its budget in the medium term. Work on this workstream is progressing and a mandate to pursue further collaboration and sharing of services with Waverley Borough Council will be considered by the EAB on 14th June. Officers are targeting savings of around £1.5million from this workstream however, a high level scoping study is currently being undertaken with support from the LGA which will be able to verify the rough order of magnitude of savings possible and the timescales achievable for the delivery of the savings. The initial scoping study is currently in progress and will be presented to Councillors in July 2021.

#### *Creation of one of Multiple Unitary authorities*

- 3.21 This workstream was managed by KPMG on behalf of all the Borough and District Council's in Surrey. Initial conclusions from the study were presented to the Joint Executive Advisory Board on 15th February 2021 and to the Executive on 16th February. The report concluded that further work on unitary councils would not proceed, but identified areas for greater joint working between councils. Arising from this work, Guildford and Waverley agreed to progress work to determine the potential magnitude of savings possible from further collaboration and sharing of services (as described in 4 above).

#### **4. Consultations**

- 4.1 The Strategy and Resources EAB were consulted on this report at its meeting on 14<sup>th</sup> June 2021. Comments from the EAB will be presented to executive as a late sheet. As key workstreams and projects to deliver savings come forward, a project mandate will need to be prepared and agreed by executive. Each project mandate will consider different options for delivery of the savings and will be consulted upon with the EAB prior to approval at the executive. More complex savings projects will require a full business case in addition to the Mandate.

#### **5. Key Risks**

- 5.1 The Council is facing significant financial challenges over the next 4 years and there is a significant risk that if any part of the programme is delayed or not implemented that other actions will need to be found to balance the Council's budget over the medium term.

#### **6. Financial Implications**

- 6.1 The financial implications have been stated throughout the report.

#### **7. Legal Implications**

- 7.1 The Council has a legal obligation to set a balanced budget (section 32 of the Local Government Finance Act 1992).

## **8. Human Resource Implications**

- 8.1 There are no Human Resource implications as a result of this report. HR implications of the savings projects will be set out in the business case for each project if necessary.

## **9. Equality and Diversity Implications**

- 9.1 There are no Equality and Diversity implications arising from this high level strategy, there may be equality and diversity implications arising from some of the savings projects and if that is the case an equalities impact assessment will be required for those particular projects.

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

- 10.1 There are no climate change impacts arising from this high level strategy however, some of the savings projects may have a positive impact on climate change.

## **11. Executive Advisory Board comments**

- 11.1 To be advised following the meeting on 14<sup>th</sup> June 2021.

## **12. Conclusion**

- 12.1 This report provides an update on the various workstreams being undertaken as part of the savings strategy and how each of the work streams fit within the overall programme. The strategy provides the overarching programme of work but project mandates and business cases are required for each sub-programme and then individual project. The project and programme mandates are in various stages of preparation but all will be presented to the EAB and Executive for decision in due course if they have not been presented already.

## **15. Background Papers**

Council February 2021 – General Fund Budget report

## **16. Appendices**

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Appendix 1 (Confidential) – Discretionary Services workstream update

Appendix 2 – General Fund Budget Summary

Appendix 3 – Service level budgets

Appendix 4 – growth and savings summary already included in the MTFP