

Council Report

Wards affected: All

Report of Chief Finance Officer

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

Executive Summary

This report outlines the proposed budget for 2022-23, which includes a Council Tax requirement for Guildford Borough Council of **£10,898,310** and a Council Tax increase of £5 per year (2.75%), resulting in a Band D charge of £186.82. As set out in the report, the Council is required to set a balanced budget for 2022-23. Parish Council's have requested precepts totalling £2,029,250 meaning the overall council tax requirement for the borough including parish precepts will be £12,927,991.

We received the provisional Local Government Finance Settlement (LGFS) for 2021-22 on 16 December 2021. 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 enables us to retain £2.929 million of business rates in 2022-23 the same amount as we retained in 2021-22 and 2020-21. Core Spending Power has increased to £15million, within the core spending power calculation, the Government has assumed that we will raise the Council Tax by the maximum amount (£5 or 2% whichever is the higher).

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

- £240,000 grant to compensate the Council for the Business Rates Multiplier not increasing in line with inflation
- £131,000 lower tier services grant (this grant was £237,000 in 2021-22 but was meant to have been a one-off grant)
- £202,000 services grant which is a one-off grant for 2022-23 (to partly offset the National Insurance increase)
- £766,000 New Homes Bonus grant for 2022-23 only
- The ability to raise council tax by a maximum of £5 (2.75%) rather than 2.0%, this additional increase will generate a further £86,000 in council tax income

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** provide the General Fund Summary showing a balanced budget for 2022-23 but that the Council has a budget gap of £1.6million in 2023-24 which will rise to £3.8million by 2025-26. **Appendix 4** shows the budget movement summary of growth and savings which have been included in the General Fund Summary. **Appendix 5** details progress made against the Council's Savings Strategy. **Appendix 6** 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 2021-22 was reported to the Corporate Governance and Standards Committee on 20 January 2022. The projected net expenditure on the General Fund for the current financial year is estimated to be £0.2million less than the original estimate due mainly to actions undertaken as part of the voluntary non-essential expenditure freeze which was put in place a previously projected overspend due to the on-going impact of the COVID19 pandemic. Any ongoing variances between actual expenditure and budget identified in 2021-22 have been taken into account when preparing the budget for 2022-23.

Appendix 7 details a list of fees and charges for approval as part of the budget. The fees and charges for 2022-23 have increased by 3% from 2021-22 where the market allows however, as identified in the budget movement summary and the parking business plan, some fees have been increased more than 3%.

The Joint Executive Advisory Board (JEAB) considered the outline budget at its meeting held on 11 November 2021. The Executive approved the Outline Budget on 23 November 2021. At its meeting held on 25 January 2022, the Executive considered this report and endorsed the recommendation below. The Executive also resolved:

- (1) That the transfers to/from reserves as set out in Section 8 and **Appendix 2**, be approved.
- (2) That the growth and savings items included in the General Fund Summary at **Appendix 2** and set out in detail in **Appendix 4**, be approved.
- (3) That the savings identified in the updated savings strategy at **Appendix 5** to be delivered over the medium term plan period, be approved
- (4) That the financial risk register set out in **Appendix 6** be approved and noted that the level of reserves are currently sufficient to meet the Council's risks.

Recommendation to Council

- (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 Guildford Borough Council for 2022-23 be set at **£10,898,310**.
- (2) That the proposed fees and charges for 2022-23 relating to General Fund services and attached at **Appendix 7** to this report be adopted with effect from 1 April 2022.
- (3) That the Band D Council Tax for 2022-23 be set at £186.82, an increase of £5 (2.75%)

Reason for Recommendation:

To enable the Council to set the Council Tax requirement and council tax for the 2022-23 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 2022-23 budget process and the Council is asked to approve the budget and Council Tax for 2022-23.
- 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 details of the transfers to/from earmarked reserves, which were approved by the Executive.

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 23 November 2021 the Executive received a report on the draft budget, which indicated that there was a gap between the projected net expenditure for 2022-23 and our estimated resources of £1.2million and a draft projection for 2022-23 to 2025-26 showing a medium term budget shortfall (gap) of £5.5million.
- 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 2021. The report included the comments of the Joint Executive Advisory Board (JEAB) which considered the outline budget at its meeting on 11 November 2021.
- 3.3 This report covers the main changes since the draft budget was presented to the Executive.

4. Draft budget parameters

- 4.1 The draft budget has been prepared on the factors approved by the Executive at its meeting on 23 November 2021. 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 (2.75%) as announced in the LGFS
 - (b) Additional funding and the SFA has been included at the amounts set out in the LGFS

- (c) Unison have amended their three-year pay claim request following a rise in inflation and this is subject to negotiation
- (d) The additional impact of the government's 'Plan B' Covid restrictions of requiring office based workers to work from home where possible on the recovery of our income streams to pre-Covid levels (particularly parking) has been included in the budget for 2022-23 based on the parking Business Plan approved by executive on 25th January 2022
- (e) In autumn 2021, the government announced an increase of 1.25% on national insurance, a recurring growth of £423,000 has therefore been included within the general fund budget to account for the cost. The increase is partially, but not fully, offset by the services grant announced in the LGFS (see paragraph 5.3 below)
- (f) The interest and minimum revenue provision for debt repayment (MRP) have been updated to reflect the capital and investment strategy
- (g) The business rate income, Section 31 grant and collection fund surplus/deficit for business rates has been updated following completion of the NNDR1 return to government
- (h) The surplus/deficit on the council tax element of the collection fund has been calculated and included within the budget

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 2022-23 on 16 December 2021. 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 2021-22.
- 5.3 The provisional award of New Homes Bonus (NHB) for 2022-23 totalling £766,000, is higher than the £113,000 award assumed in the draft budget reported to Executive in November. Other grants announced as part of the LGFS, which were unexpected are:
- £240,000 grant to compensate the Council for the Business Rates Multiplier not increasing in line with inflation
 - £131,000 lower tier services grant (this grant was introduced in 2021-22 supposedly as a one-off grant to support services, (the grant was £237,000 in 2021-22)
 - £202,000 services grant for 2022-23 which is reported to be a one-off grant; this grant is in part to offset the rise in National insurance contributions referred to in paragraph 4.1(e) above
- 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 2022-23. It

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.

also estimates the surplus or deficit on the collection fund in respect of business rates. The estimated business rate income for 2022-23 is £26.2 million which is £7.5 million lower than the £33.7 million income budgeted for in 2021-22 due to the 2022-23 Retail, Leisure and Hospitality relief announced in the Budget in October 2021. The Section 31 grant has been estimated as £9.4 million which is £8.1million higher than the estimate presented to Executive on 23 November 2021. The changes relate to updated estimates of bad debt, appeals and reliefs. The multiplier compensation grant announced as part of the LGFS has been included in the budget. The transfer to the business rates equalisation reserve has been adjusted accordingly for the changes.

- 5.5 Following completion of the NNDR1 form, the estimated deficit on the collection fund for 31 March 2022 in relation to business rates is £20.6 million of which, Guildford Borough Council's share is £8.3 million. The deficit consists of £3.8million deficit relating to the prior year and a £4.4million deficit relating to 2021-22. The deficit arises due to significant business rate relief granted during both 2020-21 and 2021-22 under the Government's small business and covid related retail, leisure and hospitality schemes. The reliefs were not budgeted as part of the 2020-21 and 2021-22 NNDR1 form or budget because they relate to the Covid-19 pandemic and the financial support measures the government introduced for businesses in response which were announced after the budgets had been set.
- 5.6 The Council receives Section 31 grant to offsets these reliefs however, the S31 grant is accounted for in the general fund whereas the impact of the reliefs is accounted for within the Collection Fund in the relevant year. The resulting deficits on the collection fund are then charged to the General Fund in the following year through the surplus/deficit calculation. As such there is a timing difference between years. It is the Council's policy is to transfer both the S31 grant and the surplus or deficit on the collection fund 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.

6. Council Tax, tax base and collection fund²

- 6.1 The proposed budget assumes that council tax will increase by £5 (approximately 2.75%) This means that the band D tax will go up from £181.82 to £186.82. The increase will generate approximately £292,000 based on the 2021-22 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 2022-23. We expect that the

² 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.

government will return to the referendum limit of 2% for future years. The three-year financial projections for the period to 2025-26 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 2022-23 at 58,335.91. This is 2% high than the 2021-22 figure and has increased the available resources by approximately £214,000.
- 6.4 Any surplus or deficit on the Collection Fund in the current financial year (2021-22) feeds into the 2022-23 budget. We currently estimate that there will be a surplus on the collection fund of £374,000 at 31 March 2022. The surplus consists of a brought forward deficit on the collection fund of £2.09million as at 31 March 2021, and a projected in year surplus for 2021-22 of £2.4million. The 2020-21 the deficits arose due to a reduction in tax collection and an increase in bad debt arising from the Covid-19 pandemic. The deficit is shared between this Council, Surrey Police and Crime Commissioner, and Surrey County Council. The Government has allowed councils to spread the estimated 2020-21 deficit over 3 years. As such the deficit will be spread as follows:

	Deficit for 21/22	2021-22 Only	Prior Year	Prior Year	2020-21 Estimated	Deficit / (Surplus) for 2022-23
	Total	Deficit / (Surplus)	Actual Deficit	Deficit not Spread	Exceptional Deficit spread	CTAX Demand
					2022/23	
	£	£	£	£	£	£
Guildford BC	(39,415.06)	(260,164.57)	220,749.51	91,690	43,020	(125,455.06)
Surrey PCC	(52,313.21)	(345,300.61)	292,987.39	126,204	55,594	(163,502.21)
Surrey County Council	(283,095.55)	(1,868,611.30)	1,585,515.75	653,831	310,562	(904,218.55)
Total	(374,823.83)	(2,474,076.47)	2,099,253	871,725	409,176	(1,193,175.83)

- 6.5 The Council's share of the surplus included in the general fund summary at Appendix 2 is £125,455.

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 2022-23 is £1.5 million, which is based on an estimated

General Fund CFR at 31 March 2022 of £102million and debt funded capital expenditure of £37.4 million. This figure is included in the proposed budget.

There is a separate report on this agenda relating to the Capital and Investment Strategy 2022-23 to 2026-27.

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 2020-21 and the projected balances at the end of 2021-22 and 2022-23 are presented in Section 9 of **Appendix 1**. We expect that the Council will hold £121.9 million of reserves as at 31 March 2022, of which £84.9 million relate to the HRA and £36.9 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 £10.8million 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 £11.5million at 31 March 2022. The level of projected earmarked reserves available for general purposes, to support the revenue or capital budgets is therefore £10.6million, this is lower than in previous years due to the unplanned use of reserves to finance the impact of the Covid-19 pandemic and the planned use of reserves to fund the Future Guildford transformation project during 2019-20 to 2021-22. As such, the Council is advised to refrain from any further unplanned use of reserves in 2022-23.
- 8.3 In the 2021-22 budget, we anticipated net interest income of £682,726. The estimate for net interest receipt included in the budget for 2022-23 is £552,300. Interest payable to the Housing Revenue Account (HRA) is estimated at £53,900 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 0.25%. 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 as approved by the Executive

Business Rate Equalisation Reserve

- 8.4 The balance on the business rate equalisation fund is anticipated to be £7.8million at 31 March 2022. A contribution of £1.98million to the reserve is required to be made in 2022-23 as the final contribution to repay the three year pre-payment of the superannuation backfunding to the pension fund (as determined by the 2019 triennial valuation) which was paid from the reserve in 2019-20. It is the Council's policy that the reserve is used to even out fluctuations in the business rate retention scheme (BRRS) arising from annual changes in the levy, S31 grant and the business rates element of the surplus or

deficit on the Collection fund. The Council budgets for the net impact of the BRRS on the general fund to be equal to the settlement funding assessment provided by government. Any BRRS income above this has been transferred to the reserve in previous years and any shortfall in income is taken from the reserve. As a result, officers recommended making a contribution of £9.2million from the reserve to fund the projected collection fund deficit and business rates levy payable for 2022-23. Taking both items together, the net transfer from the reserve is £7.2million for 2022-23.

New Homes Bonus Reserve

- 8.5 The Council adopted a new homes bonus policy in February 2016. The policy assumed that the first £1million of NHB grant would be available to support the general fund revenue budget. Due to the changes to the scheme, the 2020-21 budget 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 Council's current policy is that any NHB award is transferred to the NHB reserve to finance one-off costs associated with items set out in the NHB policy adopted in 2016. The balance on the NHB reserve at 31 March 2022 is anticipated to be £0.2million. The budget assumes that the NHB grant of £766,000 is transferred to the reserve in line with policy.

Invest to Save Reserve

- 8.6 The invest to save reserve exists to pump prime the upfront costs of service transformation and efficiency projects, including staff redundancy costs. The Council partially funded the implementation costs associated with the Future Guildford transformation programme from this reserve during the period 2019-20 to 2021-22. Following the funding of remaining Future Guildford costs incurred during 2021-22 it is anticipated that there will be a balance of £92,000 on this reserve at 31 March 2022. Over recent years, the Council has made a contribution to the Invest to Save reserve of £250,000 per annum which allowed us to build the reserve in order to fund the transformation programme. Officers recommend making a contribution of £433,000 in 2022-23 and £250,000 in each of the years in the medium term plan to 2025-26. Rebuilding the reserve will enable the Council to support further transformation of Council services, which will be necessary, particularly as part of the Guildford-Waverley Collaboration.

The Car Parks Maintenance Reserve

- 8.7 The balance on the car parks maintenance reserve as at 31 March 2022 is anticipated to be £2.4 million due to financing repairs to car parks included in the Council's capital programme. This reserve was established to fund repairs, maintenance and improvement of car parks. Building up and using the reserve mitigates the need to fund such capital expenditure from borrowing. However £860,000 of the reserve was used in 2020-21 to fund the impact of the Covid pandemic and in particular the loss of parking income. In previous years, the Council budgeted to make an annual contribution of £500,000 to the reserve from parking income and then expenditure on capital projects and repairs and maintenance of car parks is taken from the reserve. Officers proposed that the Council budgets to rebuild this reserve by £355,000 in 2022-23 and then

gradually increase the annual budget contribution to the reserve back up to £500,000 per annum over the three year period up to 2025-26. This will rebuild the reserve to a level that can be used for future repairs and maintenance of the car parks. For 2022-23 contributions of £508,000 will be taken from the reserve to fund the proposed capital programme and £180,000 to fund the delay in implementing the shopper tariff increases set out in the parking business plan. from 1st April to 1st July 2022. As a result the net amount will be a contribution from the reserve of £333,000 for 2022-23.

IT Renewals

- 8.8 The anticipated balance on the ICT renewals fund as at 31 March 2022 is £0.256million. The reserve has been used in the last three 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. Officers recommended that the Council budgets to make a contribution of around £543,000 to the ICT renewals reserve in 2022-23 to enable the completion of phase 2 of the ICT refresh Programme which involves the migration of remaining software applications to cloud based solutions and enables the decommissioning of old on-premise applications. The annual contribution to the fund can then be reduced to around £290,000 per annum to fund on-going annual ICT renewals such as the lifecycle replacement of laptops, mobile equipment and ICT application upgrades.

Other Reserves

- 8.9 Officers proposed contributions to the Election costs reserve, spectrum reserve and 'other' reserves as set out in **Appendix 2**.

9. Projected outturn for 2021-22 (based on period 8 monitoring) and the 2022-23 Budget

- 9.1 The financial monitoring report for the first eight months of 2021-22 was reported to the Corporate Governance and Standards Committee on 20 January 2022. The projected net expenditure on the General Fund for the current financial year is estimated to be £0.2 million less than the original estimate. The main reason for this is due to the non-essential expenditure freeze and savings action plan put in place to offset the income losses arising from the on-going impact of the COVID-19 Pandemic.
- 9.2 At the time the outline budget was presented to Executive on 23 November, Officers were anticipating a gap between net expenditure and estimated resources of £1.2 million. This position now balanced. The changes are summarised in the table below.

	Executive (23 Nov 2021)	Proposed Budget Appendix 2	Movement	Comment
Total Directorate Level	18,875,957	18,596,875	(279,082)	Removal of inflation from car park income budgets
Provisional Savings & Growth	(2,272,541)	(679,604)	1,592,937	Revision of unison pay claim, pay increments cost, GBC-WBC collaboration costs and savings, car park income reduction (due to utilisation only returning to 90% of pre-covid levels as per parking business plan), costs associated with climate change and north street bus station.
Depreciation	(8,790,570)	(8,790,570)	0	
Directorate Level excl. depreciation	7,812,846	9,126,701	1,313,855	Revision of growth/savings and loss of parking income
Net external interest receivable	497,515	(551,090)	(1,048,605)	Revised as per the capital and investment strategy following review of capital programme
Interest payable HRA	84,340	53,930	(30,410)	Revised as per the capital and investment strategy
Minimum Revenue Provision (MRP)	2,460,833	1,545,213	(915,620)	Revised as per the capital and investment strategy following review of capital programme
Revenue Contribution to Capital (RCCO)	500,000	1,008,000	508,000	Transfer from car parks maintenance reserve to capital programme as per capital and investment strategy and parking business plan
Transfers to/(from) reserve	(4,679,667)	(5,356,218)	(676,551)	Increased transfer from the Business rates equalisation reserve following LGFS & NNDR1 return, amended transfer from car parks maintenance reserve as per parking business plan, increased transfer to Invest to Save reserve and New Homes Bonus Reserve
Total after transfers to/(from) reserve	6,675,867	5,826,536	(849,331)	
Net Retained Business Rates	5,451,434	6,297,066	845,632	Updated as per the provisional LGFS and NNDR1 return
Other Grants	0	(333,250)	(333,250)	Updated as per the provisional LGFS
New Homes Bonus (NHB)	(113,000)	(766,155)	(653,155)	Updates as per the provisional LGFS
Collection fund deficit – council tax	43,020	(125,455)	(168,475)	Updated for collection fund surplus / deficit calculation
Parish Precept	0	2,029,250	2,029,250	As notified by parish councils
Council Tax Requirement	12,057,321	12,927,991	870,670	
Council Tax Requirement excl. Parish Precepts	12,057,321	10,898,741	(1,158,580)	

	Executive (23 Nov 2021)	Proposed Budget Appendix 2	Movement	Comment
Max Council Tax income available	(10,812,400)	(10,898,310)	(85,910)	Ability to increase council tax by £5 rather than 2% as per provisional LGFS
Budget Gap (Council Tax requirement less parish precepts less max council tax income)	1,244,921	431	(1,244,490)	

- 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 2022-23 is £8.8 million, which is £1.0 million lower than the 2021-22 directorate level expenditure estimate of £9.8 million. The main reason for this is progress is being made in delivering the Council's savings strategy approved by Executive in June 2021.
- 9.5 The long-term projections still indicate that a saving of around £3.8 million is needed over the period to 2025-26 as highlighted in the graph shown in paragraph 7.7 of **Appendix 1**. Officers continue to work towards identifying the necessary savings over the medium term. Revenue savings from the approved savings strategy have been included in the budget and forward projections as set out in **Appendices 4 and 5**.
- 9.6 **Appendix 5** shows that significant progress is being made against the savings strategy. Officers have so far identified £7.6million of savings over the medium term plan period. The savings identified have been included within the budget and medium term financial plan.
- 9.7 In July 2021, Guildford Borough Council and Waverley Borough Council agreed to a long term collaboration and approved the first stages of appointing a joint Chief Executive and a joint senior management team. Further collaboration opportunities will be identified once this platform is in place. In total, the collaboration report from July 2021 identified a potential opportunity for each council to save in the region of £700,000 from the collaboration over and above what would be achievable individually. These savings have been reflected in the budget movement summary at Appendix 4 and will be monitored through reports to Overview & Scrutiny Committee and Executive over the coming years. In order to set up the collaboration, some one-off upfront costs are necessary. These include costs of preparing the Inter-Authority Agreement, undertaking the necessary HR work to deliver the senior management team, initial IT adaptation and additional resource required to support the ongoing governance process. Some of these costs will fall in Quarter 4 of 2021-22, and these will be met from existing budgets. Those costs that can be identified with certainty at this stage in 2022-23, have been included in the growth proposals in the budget movement summary in Appendix 4. There is likely to be further one-off costs that could include redundancy costs and these will be subject to a separate approval process, supported by a business case.

9.8 Whilst good progress is being made against the savings strategy, cost pressures arising from the national insurance increase, the Unison pay claim, the national waste minimisation strategy, the on-going effects of the Covid-19 pandemic and the North Street development on our car parking income have placed additional pressure on the Council's medium term financial plan which were not known about at the time of setting the savings strategy. Despite identifying and including about £7.6million of savings in the medium term financial plan, the Council still has a projected budget gap of £3.8million over the medium term. Officers are continuing to work to identify further savings from proposals set out in the savings strategy from the discretionary services review, operational assets review and the Guildford-Waverley collaboration.

10. Fees and Charges

10.1 Fees and charges for 2022-23 are presented as **Appendix 7**. The charges have been increased by 3% where market factors allow, in line with the assumptions set by the Executive. Where market factors allow, additional increases have been made.

11. Consultations

11.1 The Joint Executive Advisory Board (JEAB) have been consulted about the budget for 2022-23, the medium term financial position and the savings strategy. Their comments were reported to the Executive at its meeting on 23 November 2021. The capital and investment strategy was considered by the JEAB and Corporate Governance and Standards Committee in January 2022. In addition, the project mandates on the savings projects set out in the savings strategy have been discussed with the EABs throughout the year as shown in **Appendix 5**.

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.

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 2022-23 before 11 March 2022. 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 requires the Council's Chief Finance Officer (as defined by the Local Government Act 1972 section 151) 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 an affirmative outcome of 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 in (b) 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.

15. Human Resources implications

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

16. Conclusion

16.1 The proposed budget includes a Council Tax requirement of £10,898,310 resulting in a Council Tax increase of £5 per annum (2.75%)

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 £3.8 million over the period to 2025-26.

17. Background Papers

None

18. Appendices

Appendix 1: Chief Finance Officer's statutory report (including Long Term Financial Strategy)

Appendix 2: General Fund Summary

Appendix 3: General Fund Service Summary Budgets

Appendix 4: Budget Movement Summary

Appendix 5: Savings strategy update

Appendix 6: Financial Risk Register

Appendix 7: Fees and Charges Schedule for 2022-23