

Executive Report

Wards affected: All

Report of Chief Financial Officer

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Items highlighted in Yellow need to be updated

Business planning – General Fund outline budget 2018-19

Executive Summary

This report outlines the current position on the 2018-19 outline budget and asks the Executive to note the position and the proposed way of preparing a balanced budget.

The Joint EAB Budget Working Group and Joint Executive Advisory Board (EAB) have both considered the outline budget at their meetings on 10th November and 23rd November, in particular the suggested growth and proposals for savings and additional income. The comments of the Joint EAB Budget Task Group are included at section 12. The comments of EAB will be circulated as an addendum to this report, as it meets after this agenda is published.

The report explains that we have included government grant at a level based on the 4-year local government finance settlement issued by Government in February 2016 but that we will not know the amount of our grant for certain until central government releases the draft local government finance settlement in December. We have assumed a £5 (3.19%) increase in Council Tax in line with the Business Planning report approved by Executive in July 2017 and our Medium Term Financial Strategy (Appendix 1).

The draft Council Tax base is xx,xxx, which is x.xx% higher than 2017-18. This has increased the resources available by approximately £xxx,xxx. At present, the figures assume no surplus or deficit on the collection fund for the current financial year.

The financial monitoring report for the first six months of 2017-18 will be reported to the Corporate Governance and Standards Committee on 30 November 2017. Section nine covers the projected net expenditure on the General Fund for the current financial year, which is estimated to be is £1.4 million less than the original estimate. The major reasons for this are lower than expected debt charges, an increase in interest income receivable and a reduction in interest payable.

Section 11 covers the current position on the 2018-19 outline budget, the outline budget (prior to growth, savings and additional income bids being taken into account) shows there is a shortfall (gap) of £1.83 million between the likely resources and the proposed net expenditure. If the Executive approve the growth, savings and additional income bids shown at Appendix 4, the shortfall (gap) will reduce to around £1.23 million. It is worth noting that work on the Council's Capital Programme and Treasury Management Strategy for 2018 to 2023 is in progress, in particular the amounts included in the outline budget in respect of interest will change and are expected to reduce the budget gap further.

The major reasons for movements between 2017-18 and 2018-19 by expenditure type are set out in the report and the variances at service level are set out in Appendix 3. A summary of the growth bids and proposals for savings and additional income are set out in Appendix 4 and proposed fees and charges in Appendix 5.

Because it is still early in the budget process the report also sets out the areas of uncertainty that will influence the final position, and how we believe a balanced budget can be achieved.

Recommendation to Executive:

The Executive is recommended to:

1. Note the current position on the outline budget for 2018-19
2. Comment on the proposals to achieve a balanced budget.
3. Recommend the approval of the growth and savings bids by Council at its meeting on xx February 2018
4. Recommend the proposal to use the Council's various earmarked reserves for specific projects as set out in section 8 of the report

Reason(s) for Recommendation:

To assist the Executive in the preparation of the General Fund estimates for 2018-19.

1. Purpose of report

- 1.1 This report outlines the current position on the 2018-19 outline budget and asks the Executive to note the position and the proposed ways of preparing a balanced budget.
- 1.2 Because it is still early in the budget process the report also sets out the areas of uncertainty that will influence the final position.
- 1.3 The report also proposes uses of the New Homes Bonus (NHB) in line with the NHB policy and Business Rates Retention reserve (or usage of the potential additional retained business rates gain from being a Pilot if our bid is successful).

2. Strategic Priorities

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

3. Background

- 3.1 This report will cover the following areas:

- the parameters within which the outline budget has been prepared
- assumptions on the level of Government Grant
- Council Tax, tax base and collection fund
- capital expenditure and minimum revenue provision
- use of reserves and interest earnings
- projected outturn for 2017-18
- 2018-19 to 2021-22 business planning
- draft outline budget for 2018-19
- comments of the Joint EAB Budget Task Group (JEABTG)
- issues for Executive Advisory Board (EAB)

4. Outline budget parameters

- 4.1 The outline budget has been based on the factors approved by the Executive at its meeting on 18 July 2017.

- General Inflation – 2.0% (we have included a £203,000 inflation budget to be kept centrally and bid against)
- Payroll – 2.0% (plus increments where appropriate)
- Income – 3% increase wherever possible
- Council Tax – £5 increase (approximately 3.3%)
- Business Rates Increase 3%
- Council Tax Base Increase 0.6%

- 4.2 The general inflation assumption reflects the Bank of England's Consumer Price Index (CPI) inflation forecast over the medium term. CPI is however currently above 2% (3.0% October 2017) and is expected to remain so for sometime, this does therefore present a risk to the Council's budget.

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

- 5.1 The Local Government Finance Settlement (LGFS) provides each Council with a Settlement Funding Assessment (SFA). The SFA has two parts: Revenue Support Grant (RSG) and Baseline Funding Level (BFL); which represents the baseline level of business rates the Council will retain).
- 5.2 As part of the LGFS issued on 8 February 2016, the government released indicative settlement figures for the 4-year period 2016-17 to 2019-20 as part of an offer to local authorities of a multi-year finance settlement. The offer included a commitment by central government that the amounts included in the multi year settlement for RSG and the tariff payment made under the business rates retention scheme (BRRS) for 2017-18 and 2018-19 will not be altered for reasons related to changes in the relative needs of local authorities. However Government stated that accepting the multi-year settlement does not offer protection from:
- the extra responsibilities and functions that might need to be accepted by local government as part of the move to 100% business rates retention;
 - future transfer of functions to or between local authorities, or the impact of mergers or devolution; and
 - any other unforeseen events (such leaving the EU)
- 5.3 As part of the multi-year offer, central government required local authorities to publish an efficiency strategy, within which, the Council was expected to show how a four-year settlement will bring about opportunities for further savings, reducing reserves and where appropriate, work with public sector partners in conjunction with devolution plans. The Chief Financial Officer accepted the multi-year settlement in October 2016 on behalf of the Council on a conditional basis, following consultation with the Lead Councillor for Finance and Leader of the Council. On 16 November 2016, we received confirmation that the Council is now formally on the multi-year settlement. We therefore expect the provisional LGFS for 2018-19 due for release in December 2017 to include the amounts stated within the mutli year settlement for RSG and BRRS and these amounts are included within the outline budget.
- 5.4 It is not until we complete a government return (the NNDR1) that we will know the estimated amount of retained business rates for 2018-19 (and any levy amount) with any certainty. The return does not have to be sent to the Government until 31 January 2018 and at present we do not know when it intends to issue the return. We are projecting a levy payment to the government and continue to assume that our share of business rates income (above the assumed figure in the settlement) will be transferred to the Business Rates Equalisation reserve (i.e. the amount equal to the levy payment). However, these figures are subject to change if the Council's bid (in conjunction with other Surrey authorities) to form a Surrey Pilot for the new 100% Business Rates Retention scheme in 2018-19 is successful and the completion of the NNDR1 government return.

6. Council Tax, tax base and collection fund

- 6.1 The outline budget assumes that council tax will increase by £5 (approximately 3.2%) This means that the band D tax will go up from £161.82 to £166.82. The increase will generate approximately £283,000 based on the 2017-18 tax base.
- 6.2 At present, the government sets a limit each year above which increases in council tax have to be supported by a referendum. In the past, this limit has been 2%. However, as part of the final local government finance settlement issued in February 2016, for Shire District Councils this was changed to allow increases of less than 2% or up to and including £5 per Band D property, whichever is higher. The recent technical consultation on the local government finance settlement issued by government proposes that this rule remains the same for 2018-19 and we expect that the government will continue to set the same council tax referendum limit for 2019-20.
- 6.3 The Head of Financial Services, in consultation with the Lead Councillor for Finance, has agreed the council tax base for 2018-19 at xxxxx. This is xx% higher than the 2017-18 figure and has increased the available resources by approximately £xxx,000.
- 6.4 Any surplus or deficit on the Collection Fund in the current financial year (2017-18) feeds into the 2018-19 budget. The figures presented assume no surplus or deficit and as we will not know this information until January 2018.
- 6.5 At present, it seems likely that there will be a surplus on the council tax element of the Collection Fund, which will help the bottom line. However, it is likely that there will be a deficit on the business rates element of the Collection Fund. This is mainly because of a significant increase in the appeals provision made as part of the closure of the 2015-16 accounts. Officers propose that any business rates deficit is financed from the Business Rates Equalisation Reserve. The Collection Fund position regarding Business Rates is difficult to determine prior to the completion of the NNDR1 form referred to above.

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 minimum revenue provision for 2017-18 will be £573,852 which is based on a General Fund CFR at 31 March 2017 of £70.1 million. It is currently estimated that the CFR at 31 March 2018 will be £xxx million and the MRP for 2018-19 will be £1.6 million. This figure is included in the outline budget.
- 7.3 Officers are currently preparing an updated capital programme for councillors to consider early in 2018. The level of capital programme that Councillors wish to

support will determine the level of capital receipts used, interest earnings and MRP for 2018-19.

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 the 2016-17 and the projected balances at the end of 2017-18 financial years are shown below:

Reserve	Actual 2016-17 Balance, £ million	Projected 2017-18 Balance £ million
General Fund Reserves	3.7	3.7
Housing Revenue Account (HRA) Reserve	2.5	2.5
Earmarked GF Reserves	35.7	34.4
Earmarked HRA Reserves (incl MRR)	72.0	74.0
Useable Capital Receipts Reserve (General)	0.3	0
Useable Capital Receipts Reserve (housing related)	27.4	19.2
Total Useable Reserves	141.8	133.8

8.2 HRA reserves are considered as part of the HRA budget. The general fund earmarked revenue reserves includes £14.1million of projected earmarked reserves which are not available for general spending because they are contingent in nature (for example the insurance reserve), or are earmarked for specific future spending such as car parks maintenance which helps even out expenditure on the general fund. The Council is also required, under accounting practice, to hold endowment funds received as developer planning contributions in earmarked reserves for the long term repairs and maintenance expenditure on Special Protection Areas (SPA) or Suitable Alternative Natural Greenspaces (SaNGs), these reserves are required to fund the revenue costs of SPA / SaNGS for 80 years. Earmarked reserves for SPA and SaNGS are projected to be £4.4million at 31st March 2018. The level of projected earmarked reserves available for general purposes, to support the revenue or capital budgets is therefore £15.9million.

8.3 In the current year's budget, we anticipated net interest earnings to be approximately £xxx,xxx. The estimate for net interest included in the outline budget for 2018-19 is £xxx,xxx; a reduction of around £xxx,xxx. These figures are net of the interest paid by the General Fund to the HRA, which has increased

by £xxx,xxx because of higher HRA balances. Base rate, which has been at 0.25 per cent since xxxxxx, is not expected to rise until xxxxxx when we have assumed a 0.25% increase with a further 0.25% in xxxxxxxxxx. 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

Business Rates Equalisation Reserve

- 8.4 In 2016-17 the Council approved the use of £958,000 of the Business Rates levy (ie, our share of any business rates income above the amount assumed by government), to fund growth in economic development, regeneration and business support services. In particular, to fund the establishment of a major projects team to support the delivery of major regeneration schemes and business development grants to start-up businesses and small medium enterprises. Officers propose to continue to allocate the same amount of the business rates levy to support the on-going cost of these services in the outline budget and the medium term financial plan.
- 8.5 We continue to assume that any additional income from the business rates levy over and above the amount in paragraph 8.4 will be transferred to the Business Rates Retention Reserve. The transfer is recommended for two reasons:
- a. As part of our Corporate Plan, we will undertake the redevelopment of key parts of our town centre during the business plan period. During the redevelopment schemes, we expect that our income from business rates will fall. If we contribute some of our share of the business rate levy into the business rate reserve now, we will be able to offset future reductions in business rates income from regeneration schemes in the future without impacting council tax payers. Once developments are completed, we should experience a growth in business rates.
 - b. There is significant volatility in the business rates system arising from appeals which has led to an increasing deficit on the Council's collection fund account as mentioned in paragraph 6.6. If the Council sets aside a share of the business rates levy into the reserve then it can continue to use the reserve to offset any collection fund deficits relating to business rates and avoid passing the impact of business rates volatility on to council tax payers.
- 8.6 The use of the business rates levy does carry some risk as the income is not a permanent income stream, there is a risk that in 2020 when the fair funding review and 100% business rates retention scheme are implemented that the ability of the Council to generate levy income will cease. In addition, should business rate income fall below the council's baseline need a levy will not be achievable.
- 8.7 On 27th October 2017, the Council, in conjunction with Surrey County Council and all the other district and borough Council's in Surrey submitted a bid to government to be a business rates pilot in 2018-19. If the bid is successful we propose that the following projects, which officers have submitted growth bids for (see Appendix 4) are funded from the additional resources from being a pilot:

- Bid 80 – rural economy officer £23,340 (funding for 1 year only whilst options to share the post with Waverley and Woking are pursued)
- Bid 110 – transport strategy project manager, £31,000 (Shared post with SCC to be made permanent)
- Bid 108 – development of an infrastructure delivery plan to support the local plan, £80,000
- Bid 114 – Guildford railway station development brief, £150,000
- Bid 151 – Guildford west railway station grip 3 feasibility study, £100,000

8.8 The uncommitted balance on the business rates retention reserve as at 31st March 2018 is projected to be £3.4 million. If the pilot bid is unsuccessful officers propose that these bids are funded from the business rates retention reserve.

The Budget Pressures Reserve

8.9 The budget pressures reserve was established in 2015 to manage the financial challenges the Council faces over the next five years 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. In 2017-18 Council approved the use of this reserve to offset the potential loss of income during the crematorium rebuild project of £846,000 in 2018-19 and £200,000 in 2019-20. Officers do not propose any further use of this reserve as part of this reserve.

New Homes Bonus Reserve

8.10 The Council adopted a new homes bonus policy in February 2016. The policy assumes that the first £1 million of NHB grant continues to support the general fund revenue budget. Any grant in excess of this amount will be allocated as follows:-

- 1) allocate up to 15% of the NHB grant generated from new homes, in a ward or parish where a community group or parish council has an adopted neighbourhood plan in place and the new homes were generated from a site allocated for new housing within the neighbourhood plan, to an earmarked reserve for that community group or parish council.
- 2) allocate the remaining NHB to projects identified in the Guildford Borough Council Corporate Plan, which will directly benefit our community, and where funding is requested as part of the annual business planning process. The projects may include but will not be limited to:
 - a. delivery of affordable homes
 - b. delivery of the town centre regeneration plan
 - c. delivery of new or improved pedestrian and cycling routes
 - d. support the introduction and running costs of an electronic bike scheme
 - e. delivery of new or improved bus routes
 - f. delivery of transport schemes such as improvements to the A3 and new railway stations
 - g. delivery of improvements to public realm, particularly along the riverside

h. delivery of rural initiatives including crime reduction and environmental, cultural and leisure projects

i. improve existing and create new parks and open spaces and provision of SANG

j. delivery of a new cultural and education centre and multi-use sports facility in the town

k. work with partners to deliver additional schools and educational facilities, health facilities, residential care, and community facilities to meet population changes and local demand

l. improve residents access to nature and wildlife

m. deliver projects that help implement the play, sports development and arts strategies of the Council

n. support projects that help vulnerable people, those that are hard-to-reach and ethnic minorities to create supportive community groups and volunteer hubs to address issues of concern to them

8.11 The projected uncommitted balance on the New Homes bonus reserve at 31st March 2018 is expected to be just over £1million. Following submission of the 2018-19 business planning growth and capital bids (see section 11), Officers propose that the following projects requesting funding in 2018-19 are funded from NHB:

a. Bid 124 – development of a Supplementary Planning Document (SPD) for the strategic sites in the submission local plan, £200,000

b. Bid 139 – Guildford Bike share scheme feasibility study, £70,000

c. Bid 142 - Ash road railway bridge design, £80,000

d. Bid 193 – feasibility study for redevelopment of Spectrum leisure centre, £120,000

8.12 Currently Burpham is the only ward in the Borough where a community group has an adopted neighbourhood plan in place. The Burpham neighbourhood plan was adopted by Guildford Borough Council in April 2016. However, no new homes have been completed from sites allocated for new housing within the neighbourhood plan at this stage.

Invest to Save Reserve

8.13 The invest to save reserve exists to pump prime the up front costs of service transformation and efficiency projects, including staff redundancy costs. Costs to be funded from the invest to save reserve are often approved in year under delegated authority. **Appendix 1** details transformation projects to be carried out as part of the Council's medium term financial (efficiency) strategy to achieve savings as part of the business planning process for 2017-18 to 2020-21. If there are any up-front costs of service transformation required to achieve these savings then we will seek to fund the costs from the invest to save reserve.

The Car Parks Maintenance Reserve

8.14 The balance on the car parks maintenance reserve at 31st March 2017 was £3.2 million. This reserve is available to fund repairs, maintenance and improvement

of car parks. Officers propose that this reserve is used to fund growth bid 177 (see Appendix 4) which is for £80,000 for a feasibility study to increase capacity at millbrook car park.

9. Projected outturn for 2017-18 (based on period 6 monitoring)

- 9.1 At total directorate level, once account is taken of offsetting contributions to reserves, the projected outturn is £200,630 higher than the original estimate.
- 9.2 Net external interest receivable is £929,000 higher than estimate. The major reason for the additional projected interest is the level of balances being higher than anticipated (for example due to slippage in the capital programme) plus better returns than estimated on external funds.
- 9.3 The Minimum Revenue Provision, based on the Capital Financing Requirement at 31 March 2017 is £573,852. This is £655,000 lower than estimated.
- 9.4 The overall projected position for net expenditure is £1.4 million lower than the original estimate.
- 9.5 Officers will present a report on the projected outturn to Corporate Governance and Standards Committee at its meeting on 30 November 2017. However, the major movements are set out below. Where relevant, officers have taken these into account when preparing the 2018-19 outline budget:

	Higher net cost (£000)	Lower net cost (£000)
Community Services		
Day Services – savings arising from vacancies		(27)
Corporate Services		
Public Relations and Marketing – reversing deletion of posts	49	
Development Directorate		
Industrial Estates – rent reviews		(92)
Major Projects – staffing implications	54	
Asset Development – savings arising from vacancies		(120)
Environment Directorate		
Cemeteries and Closed Churchyards – works deferred		(53)
Crematorium – implications of cremator works	40	
Electric Theatre – implications arising from change of operator	76	
Guildford House – repair and Maintenance		(40)
Guildhall – repair and maintenance		(45)
Guildford Museum – repair and maintenance	33	
Off street Parking – rescheduling of decoration works/season tickets		(183)
Parks and Countryside – traveller costs/contract arrangements	120	

	Higher net cost (£000)	Lower net cost (£000)
Public Conveniences – assessment of maintenance requirements		(40)
Refuse and Recycling – gate fees/recycling credits		(55)
Woking Road Depot – maintenance costs	25	
Management Directorate		
Internal Audit – savings arising from vacancies		(25)
Resources Directorate		
ICT Business Services Team – savings arising from vacancies		(61)
Climate Change – savings arising from vacancies		(60)
Council Tax – salary savings pending restructure		(59)
Miscellaneous Items – variation in external grant/corporate inflation		(301)
The Village – variation in rental income and expenditure	625	

10. 2018-19 to 2021-22 Business Planning

10.1 For some years, the Council has identified a gap between available resources and projected expenditure over the medium term. To address the shortfall, we continue to pursue a programme of transformation to ensure a financially sustainable future. The transformation programme has three strands:

Commercial / traded services

10.2 Although we already have a significant base in these services, it is thought that more can be done. Any service activity traded specifically for a profit will have to be carried out through a company. In 2016, the Council set up a local authority housing company. Other potential commercial services projects are in the pipeline. The Society EAB considered a presentation on options for business case development at its meeting in May 2017. Any costs associated with these projects which will be subject to further committee reports outlining the business cases in due course.

Asset investment

10.3 The Executive received a report on 2 September 2014, which set out our strategy for the investment in property assets to support our strategic priorities. The two main reasons for property investment are to increase income generated and to stimulate and encourage business growth and sustainable economic development.

10.4 The Executive approved the investment strategy and acquisition programme, including an asset investment fund of £25 million to be spent on buying new or investing in existing property assets. At that time, the anticipated annual rental income from expenditure of £25 million was £1.2 million. Following Executive approval of a capital supplementary estimate in July 2016; we have spent £40.5 million and achieved additional rental income of **£2.4 million**.

- 10.5 For 2017-18 onwards, the Council has been focussing its asset investment strategy and acquisition programme on our industrial estates strategy and regeneration schemes as set out in the Council's Corporate plan and regeneration strategy. The Council's draft capital programme for 2018-19 to 2022-23 includes schemes that will require strategic acquisitions and development of property as part of the following projects:
- North Street
 - Slyfield Area Regeneration Project (SaRP)
 - Bedford Wharf development
 - Midleton Industrial estate redevelopment and intensification strategy
 - Slyfield Industrial estate redevelopment and intensification strategy
 - Redevelopment of Woodbridge industrial estate for housing (as per the TCMP)

Fundamental service reviews (FSR)

- 10.6 To date, there have been reviews of Office Services, Bereavement Services, Street Cleansing, Parking and Planning (including Building Control) and Recycling. More followed some of the process. A time table for future reviews was presented to the Joint Scrutiny committee at its meeting on 17 November 2015.
- 10.7 Since 2015 we have brought together the corporate and service planning process, the transformation programme and financial planning as part of an overall business planning process to ensure we deliver a medium term budget to achieve the Council's corporate plan. The Council uses a programme and project management system, Verto, to hold and monitor its business plans including all the bids for capital funding, revenue growth and savings proposals.

11. 2018-19 outline budget – current position

- 11.1 Although it is still very early in the estimates process (the Council does not set its 2018-19 budget and Council Tax until 7 February 2018), officers are confident that we can set a balanced budget incorporating significant investment in services through growth bids largely financed from efficiently savings, additional income generation and use of reserves.
- 11.2 In order to arrive at the final budget, service managers prepare an outline budget based on existing levels of service, which is then amended for existing commitments and agreed changes relating to growth and savings.
- 11.3 The base outline budget position, excluding new growth and savings proposals, is projected net expenditure approximately £1.8 million more than estimated resources, assuming a £5 council tax increase. Service managers and their accountants continue to work on these figures and update them as appropriate.
- 11.4 The figure above includes the effect of the increase in council tax base, which has increased available resources by approximately £xxx,000.
- 11.5 At present, the figures assume no surplus or deficit on the collection fund as mentioned in paragraph 6.6.

11.6 We have included income from the Business Rates Retention Scheme (BRRS) and Revenue Support Grant (RSG) at the level stated in the multi year settlement as set out in paragraph 5.4.

Major changes from 2017-18

11.7 The estimated directorate level expenditure for 2018-19 (excluding net growth) is £xxxxx million which is £xx million more than the 2018-19 directorate level expenditure estimate of £xx.xx million. The major variances by expenditure type, as currently identified, are given below.

Reduction in net expenditure

- £xxx

Increase in net expenditure

- xxxx

11.8 **Appendix 3** shows the variances at directorate level with an explanation of those above £30,000.

11.9 Net external interest payable / income is as outlined in paragraph xx

Major changes from 2017-18 projection included in budget book

11.10 When the 2017-18 budget book was published, we projected a budget for 2018-19 that required a saving of £5.4 million to be within the estimated resources available. The major movements that have contributed to us now being in a better position are:

- £0.2million additional expenditure on services as outlined above
- additional income
- changes in proposed use of reserves
- increase
- reduction in (analysis to follow)

11.11 Several large capital projects originally planned for 2017-18 have not started as anticipated when the 2017-18 budget was agreed and this has resulted in the large reduction in MRP (debt charge) listed above. These include:

- North Street development
- Guildford Park car park
- Spectrum Roof
- Woodbridge Road sports ground refurbishment

11.12 The projects are still planned to occur during the next five years; further details will be provided as part of the capital programme report.

11.13 The long term projections still indicate that a saving of around £7 million is needed over the five years to 2022/23 and officers will continue to work towards identifying the necessary savings over the medium term.

Growth bids

- 11.14 As in previous years, officers have submitted growth bids and proposals for savings and additional income. Corporate Management Team (CMT) evaluated the bids in September, Joint EAB Budget Task Group discussed them at its meeting on 10 November and the Joint Executive Advisory Board (EAB) considered them at its meeting on 23 November.
- 11.15 **Appendix 4** is a summary of the growth bids and savings and income proposals showing the evaluation scores agreed.
- 11.16 These are the General Fund revenue bids. The Joint EAB Budget Task Group will consider the capital bids at a meeting early in December, followed by the **Borough, Economy and Infrastructure EAB on xx January 2018**. Where there are revenue consequences of capital bids these have been provisionally included in the outline budget, the currently estimated figure is **£xx million**, the majority of which is proposed in section 8 to be funded from reserves.
- 11.17 Any comments made about the bids by the Joint EAB Budget Task Group are included in section 12 below and the comments of the EAB will be circulated as an addendum to this report, as it meets after this agenda is published.
- 11.18 Once the proposed growth, savings and income are taken into account the current position on the outline budget (see appendix 2) is as follows:

	£'000
Net position on the general fund before growth, savings and income bids	1,832
Growth Bids	1,190
20% non-achievement allowance for growth bids	(49)
Savings Bids	(798)
Net one-off use of reserves	(944)
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Net position on the general fund after growth, savings and income bids	1,261
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- 11.19 It is possible that service managers will submit additional bids before the budget process is finished in February. Officers will update the Executive at its meeting in January 2018.
- 11.20 There is currently a gap between estimated expenditure and income in the outline budget of £1.26 million. Officers suggest the following potential actions for reducing the gap:-
- inclusion of the council tax surplus on the Collection Fund
 - inclusion of revised interest and MRP estimates following production of the draft capital programme and treasury management strategy
 - removal of the general inflation budget (estimate £203,000)
 - reduce payroll inflation assumption

- e. increase FSR / staff savings target – this could be a risk as a target of £500,000 is already proposed on top of a 2.8% vacancy target
- f. include a target for commercial services transformation workstreams
- g. reduce the level of growth proposed (excluding bids proposed to be funded from reserves)
- h. further one-off use of reserves – this is not a sustainable action for on-going cost pressures

Fees and Charges

11.21 **Appendix 5** shows the fees and charges proposed by service managers for 2018-19. The target increase agreed by the Executive was 3% but councillors will see that there is a wide variance in the percentage increases proposed. This is because service managers have discretion to take into account the market within which their services operate when proposing fee increases. The estimated income included within the outline budget is based on these proposed charges.

12. Comments of Joint EAB Budget Task Group and Joint Scrutiny committee

12.1 Joint EAB Budget Task Group (JEABTG) discussed the growth bids in detail at its meeting on 10 November 2017. In several cases, it requested clarification on the written bid, or had questions for officers. Some of these queries were answered at the meeting but for others the officers present had to refer the queries to other service managers. The table below details the JEABTG queries and comments, and the officer replies.

Bid	Description	JEABTG queries/questions	Officer comment
154	Tree Management	<p>Are there opportunities to explore joint working/ and procurement with other neighbouring authorities?</p> <p>Will this work be undertaken by the in-house team or contracted out?</p> <p>How many trees do we have?</p> <p>Do we have a replanting programme?</p> <p>Supportive of bid and acknowledge risks</p>	<p>Neighbouring local authorities have their own tree risk management systems in place. Establishing a new system that covers additional local authorities will cause a significant delay and additional complications for implementation and as a consequence risk. The size of the additional tree management land holdings outside of Parks and Car Parks is sufficient in size to believe that no saving could be achieved through economies of scale.</p> <p>The initial surveys will be outsourced to get a baseline data set. At this point it will be managed by our own tree officers.</p> <p>We estimate approximately 2 million</p> <p>Our tree risk management policy aims to retain trees wherever possible. We replace trees in setting where this is</p>

			appropriate. In woodlands trees regenerate naturally, and planting would be inappropriate in most cases. We have a Countryside Vision Strategy which accounts for managing woodlands and various Green Flag Management Plans all of which consider removal, planting and management.
166	Procurement Support Assistant	Is there an opportunity to charge pre-qualification fees? Supportive of bid	In order to achieve the most economically advantageous tender prices we wouldn't seek to narrow the range and response from potential tenderers by levying pre-qualification fees.
174	Annual Contribution to Elections Reserve	No comments Supportive of bid	n/a
179	Air Quality Monitoring	Will there be requirement to continue to fund this work at the end of 2019/20? Supportive of bid	The outcome of the work proposed may identify the requirement for works that extend into 2020/21 and beyond. If this proves to be the case opportunities will be explored for joint funding work with other public bodies.
217	Memorial Safety	Is this work potentially suitable for a sub-contractor? Supportive of bid	Initially this will be outsourced to get a base survey for immediate action and then ongoing monitoring and inspection of our cemeteries will be carried out by our staff. Closed churchyards would need to be subcontracted on an ongoing basis due to the volume of memorials. Our staff will retain responsibility for contacting and liaising with families.
220	Bereavement Service Restructure	Will the cost of the restructure be reflected in fees? Supportive of bid	Yes over time, with a full complement of staff and improved facilities there will be options for new, different or enhanced income streams catering for an increasingly diverse range of needs and expectations.
226	Burchatts Lease	Supportive of the bid and an innovative use of the building	n/a
130	Castle Grounds Cottage	Is the investment justified in relation to the ongoing museum review project? Has consideration been given to the tenure of the refurbished property? Reject/defer. Intrinsically linked to the outcome of museum review.	The property would be let on an assured shorthold tenancy (AST) through a letting agent to comply with statutory requirements.

133	Millmead Complex	The pre-contract works seem high in relation to the works?	Pre-contract works are usually considered to represent between 10-12% of works costs. The scheme costs have been reduced from the initial assessment, but the fees have not been flexed to reflect this. The bid will be revised to reflect this in future committee reports.
200	Air source heat pump systems - Park Barn Day Centre	Supportive of bid	n/a
207	Air source heat pump systems – Sutherland Memorial Park	Supportive of bid	n/a
205	Hydro Private Wire	Supportive of bid. Good payback period and shows environmental leadership	n/a
208	Citizens Advice Bureau – rewire, lighting and heating works	Defer pending clarification of potential re-location of CAB	n/a
259	Transformation Programme Savings	Supportive of bid	n/a
254	Public Art Maintenance	Supportive of bid	n/a
80	Rural Economy Officer	Is there an opportunity to charge for services provided to neighbouring authorities on an ad-hoc basis if no formal agreement is in place? Supportive of bid	Yes this could be considered, although currently the focus is on developing partnerships with formal agreements, supported by confirmed levels of funding.
101	Innovate Guildford Arts and Science Festival	Is the assessment of sponsorship realistic? Supportive of bid, acknowledge the importance of engaging young people	The estimate of sponsorship revenue is considered modest and achievable
110	Transport Strategy Project Manager - Shared Post	Supportive of bid, and important strategic role	n/a

	SCC		
108	Planning Policy – Infrastructure Delivery Plan	Supportive of bid	n/a
193	Development of Spectrum 2.0	Supportive of bid	n/a
114	Guildford Railway Station Development Brief	Supportive of bid subject to the outcome of planning appeal	n/a
124	Planning Policy – Strategic Site design overview	Supportive of bid	n/a
137	Guildford Bike Share	Supportive of bid	n/a
142	Ash Road Bridge	Supportive of bid	n/a
151	Guildford West Station	Supportive of bid	n/a
177	Millbrook Car Park Decking Feasibility	Could the scope of the feasibility be widened to include consideration of alternative options for the site in addition to, or in lieu of, the envisaged car park decking?	Widening the project scope will inevitably impact on consultancy costs The site lies within a conversation area as well as being an area of high flood risk. Consequently it will be challenging, in both planning and feasibility terms to introduce an alternative use

12.2 The JEABTG were supportive of all the bids and savings/income proposals, but highlighted the need for clarification around bids 130 and 208.

12.3 The Society EAB will meet on 21 November, after this agenda is published. Its comments will be circulated as an addendum to this report.

13. Consultations

13.1 Joint EAB Budget Task Group has been consulted about the proposed growth bids and proposals for savings and additional income. Its comments are included in section 12.

14 Equality and diversity implications

- 14.1 There are no equality or diversity implications as a result of 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.

15. Financial implications

- 15.1 The financial implications are considered throughout the report.

16. Legal implications

- 16.1 The Council is required by legislation to set a balanced budget

17. Human Resources implications

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

18 Summary of options

- 18.1 The committee is able to offer comments in support of, or against, any of the proposed growth bids and proposals for savings or income.

19. Conclusion

- 19.1 At this early stage in the process there is, inevitably, a gap between the projected net expenditure for 2018-19 (including growth bids) and our estimated resources. We will not know if there are any revisions to the local government finance settlement until late December, along with the impact, if any of the business rates revaluation on our income. However, officers are confident that we can deliver a balanced budget for 2018-19.
- 19.2 The medium term financial plan position remains challenging and we estimate that we will need to find savings of approximately £7 million over the period to 2021/22.

20. Background Papers

None

21. Appendices

Appendix 1 – Medium Term Financial Strategy

Appendix 2 – General Fund summary

Appendix 3– variances between 2017-18 estimate and 2018-19 outline budget at service level

Appendix 4 –summary of growth bids and proposals for savings and additional income,

Appendix 5 – proposed 2018-19 fees and charges