

Council Report

Wards affected: All

Report of Chief Finance Officer

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Service and Financial Planning – General Fund Budget 2018-19

Executive Summary

This report outlines the proposed budget for 2018-19, which includes a Council Tax requirement of £9,525,280 and a Council Tax increase of £5 per year (3.09%), resulting in a Band D charge of £166.82. As set out in paragraph 6.4, the Council expects to achieve a balanced budget for 2018-19.

We received the provisional Local Government Finance Settlement (LGFS) for 2018-19 on 19 December 2017. The figures included in the outline budget presented to the Executive on 28 November 2017 were on the 4-year local government finance settlement issued by Government in February 2017. The Settlement Funding Assessment (SFA) set out in the provisional LGFS was the same as the assumptions included in the outline budget. Within the settlement, the government has assumed that we will increase our Council Tax by £5 per annum.

The provisional award of New Homes Bonus (NHB) for 2018-19, also notified to us on 19 December, is lower than anticipated. The reduction should be considered in the context of an overall reduction in NHB funding nationally of £306 million (24.4%) between 2017-18 and 2018-19.

The budget includes previously reported¹ additional investment in our services of £1.3 million to meet our corporate plan priorities, which is offset by savings totalling £768,500 arising from a programme of efficiency and transformation, combined with the continuing development of income generation strategies. The principal areas of additional investment in services included in the budget are:

1. Feasibility study into decking of Millbrook Car Park (£80,000)
2. Development of a plan and programme of implementation for the replacement of Spectrum Leisure Centre (£120,000)

¹ Joint Executive Advisory Board 23 November 2017 and Executive 28 November 2017

3. Irrecoverable VAT implication arising from the crematorium redevelopment (£153,000)
4. A platform capacity study to inform improvements and a development brief for Guildford Railway Station (£150,000)
5. Develop through to planning application stage plans for the installation of a bridge or tunnel over/under the railway line on the A323 Guildford Road, Ash (£80,000)
6. Commission work to produce a supplementary planning document relating to a Strategic Design Overview Framework for the Local Plan (£200,000)
7. Feasibility study to investigate a new public bike share scheme for the town (£70,000)
8. Develop a proposal for a new passenger railway station on the North Downs Line to the west of Guildford main line station (£100,000)
9. Develop a regeneration brief for Guildford Railway Station (£150,000)

The Chief Finance Officer's (CFO) 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.

The CFO report outlines that, since 2013-14, the Council has achieved a total of £4 million efficiency savings and £5.6 million in additional income. The budget for 2018-19 includes additional income proposals totalling £927,000 and the medium term financial plan assumes a further £184,000 savings and £6.1 million additional income can be achieved between 2019-20 to 2021-22, which were identified from the business planning process undertaken in 2017-18 and 2018-19. However, our medium term financial position presents the Council with a significant challenge resulting from reductions or removal of government grant, increasing demand for our services, unavoidable operating cost increases and an increasing capital programme.

The projected outturn for 2017-18 based on eight months' actual expenditure and income is £1.26 million less than the original budget for 2017-18 as detailed in section 9. The major reasons for this are lower than expected debt charges, an increase in interest income receivable and a reduction in interest payable.

The Chief Finance Officer, in consultation with the Lead Councillor for Finance and Asset Management and the Leader of the Council will decide the treatment of the final balance in June 2018. Any ongoing variances between actual expenditure and budget identified in 2017-18 have been taken into account when preparing the budget for 2018-19.

Appendix 5 details a list of fees and charges for approval as part of the budget. The target increase given to service managers was 3%, subject to market constraints.

At its meeting held on 23 January 2018, the Executive considered this report and resolved as follows:

- (1) That the transfer to reserves of the sums included in the proposed budget set out in Appendix 3 to the report, plus any additional transfers to or from reserves set out in section 10 of the report, be approved.
- (2) That the museum accreditation growth bid, as detailed in Bid 267 set out in the Supplementary Information sheet circulated at the meeting (see Appendix 7), be included in the 2018-19 estimates, and funded from the invest to save reserve.

Recommendation to Council:

That the budget and council tax resolution for 2018-19, as set out in **Appendix 8²** to this report, be adopted (as amended to include the council tax band D information for Surrey County Council and the Police and Crime Commissioner for Surrey).

Reason for Recommendation:

To enable the Council to set the Council Tax requirement and council tax for the 2018-19 financial year.

1. Purpose of report

- 1.1 This is the final report in the 2018-19 budget process and the Council is asked to approve a budget and set the Council Tax for 2018-19.
- 1.2 This report takes into account the implications of the General Fund capital programme, the Treasury Management Annual Strategy, and the Housing Revenue Account budget. The financial implications of proposals contained in the Parking Business Plan report, to be considered as part of this agenda are included in this report.
- 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 achieving pilot status).

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 28 November 2017, the Executive received a report on the outline budget that indicated a projected gap between net expenditure and estimated resources of approximately £1,476,000 after growth, savings and additional income were included.
- 3.2 The report indicated that contained in the working assumptions were still some areas of uncertainty, where the figures could change significantly before the budget was finalised, and how we believe a balanced budget can be achieved.
- 3.3 The November report assumed a £5 increase in Council Tax and this remains the working assumption. The report included the comments of the Joint Executive Advisory Board Budget Task Group (JEABBTG), which considered the outline budget at its meeting on 10 November 2017. The comments of the Joint Executive Advisory Board, which considered the outline budget at its meeting on

² We will not receive the council tax band D information from Surrey County Council or the Police and Crime Commissioner for Surrey until after the dispatch of this agenda. A revised Appendix 8 will be set out in the Order Paper at the Council meeting.

23 November 2017, were presented to the Executive at the 28 November meeting.

3.4 This report will cover the changes since officers presented the outline budget to the Executive and suggest a way in which a balanced budget can be approved by Council. Specifically it will cover the following areas:

- Chief Finance Officer's statutory report – attached as **Appendix 1**
- the parameters within which the outline budget has been prepared
- Business Rates Retention Scheme (BRRS) and 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
- proposed budget for 2018-19
- proposed fees and charges 2018-19 – attached as **Appendix 5**

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%
- 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% (3.1% October 2017) and is expected to remain so for some time, this does therefore present a risk to the Council's budget.

5. Business Rates Retention Scheme (BRRS)³ and Revenue Support Grant (RSG)

5.1 We received the provisional Local Government Finance Settlement (LGFS) for 2018-19 on 19 December. The provisional LGFS for 2018-19 included the amounts stated within the Multi-year settlement for RSG and BRRS (accepted by the Chief Finance Officer in October 2016 on behalf of the Council) and these amounts are included within the budget.

5.2 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. The budget shown in Appendix 3 includes

³ Within the BRRS, all authorities are either top-up or tariff. Where the authority's 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.

provisional figures from the draft NNDR1 claim but these could be subject to change once the NNDR1 return is finalised.

- 5.3 As part of the provisional LGFS, the Government confirmed the award of Business Rates Pilot status for Surrey. The Pilot will involve a business rates pool of all 11 Surrey District and Borough Councils and Surrey County Council. As part of the pilot, we are projecting a levy payment to the Surrey Pilot Pool 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).

6. Council Tax, tax base and collection fund⁴

Council Tax

- 6.1 The proposed budget assumes that council tax will increase by £5 per annum. This means that the Band D tax will go up from £161.82 to £166.82; an increase of 3.09% or 9.6 pence a week. The increase will generate approximately £283,000 based on the 2017-18 tax base. 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 Provisional LGFS issued in December 2017, for shire district councils this was changed to allow increases of less than 3% or up to and including £5 per Band D property, whichever is higher.

Tax base

- 6.2 The Head of Financial Services, in consultation with the Lead Councillor for Finance and Asset Management, has agreed the council tax base for 2018-19 at 57,099. This is 0.82% higher than the 2017-18 figure and has increased the available resources by approximately £77,500.

Collection Fund - Council Tax element

- 6.3 Any surplus or deficit on the Collection Fund in the current financial year (2017-18) feeds into the 2018-19 budget. Whilst the collection rate for Council Tax remains high (99%), we are projecting a deficit of £350,090 on the collection fund, of which the Council's share is £38,032. The deficit results from changes in the timings of student exemptions, and how this has interacted with the taxbase return.

Collection Fund – Business Rates

- 6.4 We are projecting a surplus of £1,567,605 on the business rates element of the Collection Fund. The Council's share of the surplus is £627,042. This is mainly because of a significant decrease in the appeals provision. Officers propose that

⁴ 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

the surplus is transferred to the Business Rates Equalisation Reserve to offset deficit which were funded from reserve in previous years and to provide a provision for future deficits. The Collection Fund position regarding Business Rates is difficult to determine prior to final 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, either the Council needs to borrow from 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 £93.8 million and the MRP for 2018-19 will be £1.2 million. This figure is included in the proposed budget.
- 7.3 There is a separate report on this agenda relating to the General Fund capital programme⁵. As it relates to schemes to start from 1 April 2018, it will not affect the 31 March 2018 CFR or MRP for 2018-19 but will affect MRP from 2019-20.

8. Use of Reserves and interest earnings

- 8.1 In the current year's budget, we anticipated net interest earnings to be approximately £38,156. The estimate for net interest payable included in the outline budget for 2018-19 is £126,794. Interest payable to the Housing Revenue Account (HRA) is estimated at £804,490 reflecting higher balances, and investment returns. The Bank of England raised the base rate to 0.50% in November 2017, and this is not expected to rise further until 2020. 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

- 8.2 In 2017-18, the Council approved the use of £958,000 of the Business Rates levy (i.e., 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

⁵ See item 9. Capital and investment strategy (2018-19 to 2021-22)

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.

- 8.3 We continue to assume that any additional income from the business rates levy over and above the amount in paragraph 8.2 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 affecting council taxpayers. 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 volatility on the Council's collection fund account as mentioned in paragraph 6.4. If the Council sets aside, a share of the business rates levy and its share of the collection fund surplus relating to business rates 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.
- 8.4 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, the ability of the Council to generate additional income will cease. In addition, should business rate income fall below the Council's baseline need, a levy will not be achievable.
- 8.5 On 27 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. We heard on 19 December 2017 that the bid had been successful. As part of the bid, we proposed that the following projects, for which officers have submitted growth bids (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
 - Any further additional income from the Business Rates Pilot will be set aside to be used to pump prime or partially fund the delivery of infrastructure or regeneration projects in partnership with Surrey County Council, Enterprise M3 LEP and / or Network Rail.

The uncommitted balance on the business rates retention reserve as at 31 March 2018 is projected to be £3.4 million.

The Budget Pressures Reserve

- 8.6 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 have proposed a one-off transfer of £130,000 from the reserve to balance the budget for 2018-19.

New Homes Bonus Reserve

- 8.7 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

- 8.8 The projected uncommitted balance on the New Homes bonus reserve at 31 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
- 8.9 Currently Burpham is the only ward in the Borough where a community group has an adopted neighbourhood plan in place. Guildford Borough Council adopted the Burpham neighbourhood plan in April 2016. However, no sites have been allocated for new housing in the neighbourhood plan.

Invest to Save Reserve

- 8.10 The invest to save reserve exists to pump prime the upfront 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 2018-19 to 2021-22. 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.
- 8.11 Officers recommend that the museum accreditation bid, see **Appendix 7**, is funded from the reserve on the basis that accreditation will place the Council in a much better position to lever in external grants and funding to support the museum capital project.

The Car Parks Maintenance Reserve

- 8.12 The balance on the car parks maintenance reserve at 31 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 8 monitoring)

- 9.1 At total directorate level, once account is taken of offsetting contributions to reserves, the projected outturn is £399,210 higher than the original estimate.

- 9.2 Net external interest receivable is £969,694 higher than the original 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 £654,732 lower than the original estimate.
- 9.4 The overall projected position for net expenditure is £1.26 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 18 January 2018. The significant variations 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 | | |
| Gypsy Traveller Sites - repair and maintenance and SCC funding | 52 | |
| Corporate Services | | |
| Council & Committee Support - cluster funding/staff attendance | | (53) |
| Committee Services/Democratic Representation – staff vacancies | | (52) |
| Electoral Registration – reduction in costs of individual registration | | (66) |
| Legal Services – external legal advice/consultant costs | 156 | |
| Public Relations and Marketing - temporary posts | 57 | |
| Development Directorate | | |
| Industrial Estates - rent reviews | | (59) |
| Investment/Other Property - asset development recharge, rent | 101 | |
| Major Projects - consultant costs net of salary costs | | (419) |
| Planning Policy - savings arising from vacancies | | (124) |
| Town Centre Management - profit share WiFi | 47 | |
| Asset Development - vacant posts net of recharges | | (29) |
| Environment Directorate | | |
| Electric Theatre - implications arising from change of operator | 102 | |
| Guildford House - repair and maintenance | | (46) |
| Cemeteries and Closed Churchyards – R&M and casual staffing | 39 | |
| Guildhall - repair and maintenance | | (50) |
| Off street Parking - rescheduling of decoration works/season tickets | | (397) |
| Parks and Countryside - traveller costs/contract arrangements | 131 | |
| Park and Ride – removal of operating subsidy | | (183) |
| Guildford Museum – R&M | 34 | |
| Management Directorate | | |
| Internal Audit - savings arising from vacancies | | (109) |
| Business Improvement - savings held elsewhere re: transformation | 333 | |

| | Higher net cost (£000) | Lower net cost (£000) |
|---|------------------------|-----------------------|
| programme | | |
| Resources Directorate | | |
| ICT Business Services Team – savings arising from vacancies | | (110) |
| Climate Change – savings arising from vacancies | | (85) |
| ICT Customer Technical Support – consultancy/licence costs | 43 | |
| Miscellaneous Items – variation in external grant/corporate inflation | | (207) |
| Office Services – rental income and fire risk assessments | 149 | |

10. 2018-19 proposed budget

- 10.1 At the time officers presented the outline budget to Executive on 28 November 2017 there was a gap between net expenditure and estimated resources of approximately £1.9 million.
- 10.2 Once the proposed growth, savings and income approved for inclusion by the Executive on 28 November were taken into account, the position on the outline budget was as follows:

| | £'000 |
|--|--------------|
| Net position on the general fund before growth, savings and income bids | 1,924 |
| Growth Bids | 1,343 |
| 20% non-achievement allowance for growth bids | (49) |
| Savings Bids | (798) |
| Net one-off use of reserves | (944) |
| Net position on the general fund after growth, savings and income bids | 1,476 |

- 10.3 Since then several changes have occurred, which are summarised in the table below.

| | £'000 |
|---|--------------|
| Budget Gap following the inclusion of growth, savings and income bids (28 Nov Executive) | 1,476 |
| Salary changes | (267) |
| Car Parks (contract parking charges) | (37) |
| Car Parks (meter income - charge/current run rate) | (389) |
| Car Parks (season ticket income/current run rate) | (129) |
| Investment property income (reassessment of voids) | (216) |
| Revised MRP charge | (463) |
| Net external interest assumption | (1,150) |
| Corporate inflation allowance | 314 |
| Movement in transfers to/from reserve | 882 |
| Movement in external grant support (Housing Benefit) | (36) |
| Miscellaneous changes | 15 |
| Remaining budget gap | 0 |

Major changes from 2018-19 projection included in the 2017-18 budget book

10.4 When the 2017-18 budget book was published, we projected a budget for 2018-19 that required a saving of around £6 million to be within the estimated resources available. The major movements that have contributed to us now being in a better position are:

- reduction in the anticipated directorate budgets - £187,000
- reduction in the net interest payable - £1.4 million
- changes in the proposed use of reserves - £3.46 million

10.5 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 external interest payable listed above. These include:

- North Street development
- Guildford Park car park
- Spectrum Roof
- Bedford Wharf site acquisition
- Crematorium rebuild project
- Guildford Museum
- Westfield Road / Moorfield Road resurfacing
- Acquisition of a burial ground site
- Redevelopment of Midleton industrial estate
- Various transport schemes in the town centre

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

10.7 The long-term projections still indicate that a saving of between £3 million and £5 million (see **Appendix 1**) 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

10.8 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.

10.9 **Appendix 4** is a summary of the growth bids and savings and income proposals. The detailed individual bids to support the Summary were published as part of the agenda papers for the Joint EAB on 23 November 2017 and Executive on 28 November 2017 and so have not been included as part of this report.

10.10 Officers propose the inclusion of a late growth bid relating to a project to safeguard our current government supported museum accreditation. Failure to retain the accreditation, administered by Arts Council England will adversely impact our ability to draw in external sector specific sources of funding from Arts Council England, the Heritage Lottery Fund and the regional Museum Development Service. It is

therefore proposed to fund the cost of £29,300 from the invest to save reserve in 2018-19. The detailed proposal is included as **Appendix 7**.

Fees and Charges

- 10.11 **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.

11. Consultations

- 11.1 Both the JEABBTG and the Joint Executive Advisory Board were consulted in detail about the proposed growth bids and proposals for savings and additional income (see **Appendix 4**) and their comments were reported to the Executive at its meeting on 28 November 2017.
- 11.2 Officers have consulted the Lead Councillor for Finance and Asset Management 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 because 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

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 2018-19 before 11 March 2018. It may not be set before all precepts have been issued or before 1 March 2018 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 require various specific calculations and decisions to be made by the Council:
- First, it must calculate its budget requirement in accordance with section 32 of the Act;
 - 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
 - Third, it must set the overall Council Tax for each band in accordance with section 30
- 14.3 A note of the amount set must be published in at least one newspaper circulating in the Council's area within 21 days of the decision.

Section 25 report

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

Administrative law/consultations

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

advice, for example as to the level of provision required for contingencies, bad debts and future liabilities.

Referendum requirement

- 14.9 The government no longer has power to cap local authority budgets under the Local Government Act 1999. However, the Localism Act 2011 introduced limits each year above which any increase in Council Tax would need to be supported by a referendum. In setting the Council Tax for the next financial and in agreeing the Council's budgetary requirements the Council will need to take into account these limits. Previously this limit has been 2%. Under the current local government financial settlement, this limit has been set at increases of less than 2% or up to and including £5 per Band D property, whichever is the higher. For 2018-19, this threshold has been increased to 3% reflecting the current level of inflation.

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:
- 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
 - 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 the second bullet point 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 Resource 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 £9,525,280 resulting in a Council Tax increase of £5 per annum (3.09%)
- 16.2 The budget includes significant investment in our services together with savings and additional income, which were all reported in detail to the Joint Executive Advisory Board on 23 November and the Executive for approval on 28 November.
- 16.3 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 £7 million over the period to 2021-22.

17. Background Papers

None

18. Appendices

Appendix 1: Chief Finance Officer's statutory report
Appendix 2: Medium Term Financial Strategy
Appendix 3: General Fund summary
Appendix 4: Summary of Revenue Growth, savings and additional income
Appendix 5: Proposed 2018-19 Fees and Charges
Appendix 6: Financial Risk Register
Appendix 7: Growth Bid (Museum Accreditation)
Appendix 8: Draft Budget and Council Tax resolution 2018-19