



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

SIGNED OFF BY	Interim Head of Finance
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TO	Overview & Scrutiny Executive
DATE	Thursday 15 July 2021 Thursday, 22 September 2021
EXECUTIVE MEMBER	Councillor Tony Schofield, Portfolioholder for Finance & Governance

KEY DECISION REQUIRED	Yes
WARDS AFFECTED	(All Wards);

SUBJECT	Medium-Term Financial Plan 2022/23 to 2026/27
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RECOMMENDATIONS
Overview & Scrutiny (i) To note the report and raise any comments for consideration by Executive.
Executive (i) That the Medium-Term Financial Plan be adopted as the framework for the budget elements of service and financial planning for 2022/23 onwards.
REASONS FOR RECOMMENDATIONS
The Council is required to set a budget by 11 March each year. This report and the associated documents will support this obligation for 2022/23.
EXECUTIVE SUMMARY

The purpose of this report is to set out the background and context for the budget elements of service and financial planning for 2022/23 onwards. It provides an early opportunity for Executive to consider the factors that will be taken into account when preparing draft budget estimates that are scheduled to be reported in November.

The report will be considered at the meeting of the Overview & Scrutiny Committee on 15 July 2021 and their feedback and questions will be taken into consideration when preparing draft budget proposals.

Executive has authority to approve the above recommendations.

STATUTORY POWERS

1. The Local Government Act 1992 places a requirement on Councils to set the following year's Council Tax by 11 March each year. The Local Government Act 1972, as part of proper financial management, requires a Council to set the associated annual budget requirement. This report is part of that process.
2. Section 65 of the Local Government Finance Act 1992 requires the Council to consult representatives of those subject to non-domestic rates in the Borough about its proposals for expenditure for each financial year
3. Regulations on levying council tax on empty properties are set out in the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.

BACKGROUND

4. The Council has a well-established service and financial planning process that details the approach and timescales for development of budget proposals for the following financial year.
5. The process is subject to regular review to ensure that it continues to meet requirements.
6. The attached Medium-Term Financial Plan (MTFP) document has been prepared in response to Members' requests for sight of key budget information earlier in the budget-setting process.

KEY INFORMATION

MTFP Overview

7. The MTFP provides an update on the Council's budget position. It follows on from the Budget Report 2021/22 to Executive in January and the Council Tax recommendations to Full Council in February.
8. It covers the following:
 - Objectives and priorities for the 2022/23 budget;

- Context to budget-setting, including updates on the national economic forecast, local government funding, Corporate Plan priorities and specific factors to be taken into account when developing budget proposals for 2022/23;
- Key budget information, including the 2019/20 budget outturn position, current year budgets and forecast new budget pressures and saving opportunities;
- Updates on the capital programme and treasury management;
- Updated forecasts for the financial implications of the COVID-19 pandemic;
- Reserves and Fees & Charges policies;
- A summary of budget risks and sensitivities and how they will be managed; and
- Information about the service and financial process and budget-setting timetables.

Forecast Budget Gap

9. The forecast budget gap over the next five years is set out below. Further details are provided at Annex 1.

Table 18: MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2021/22	Forecast Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2023/34	Forecast Budget 2025/26	Forecast Budget 2026/27
	£m	£m	£m	£m	£m	£m
FORECAST GAP	-	1.863	2.367	2.855	4.014	4.514
Annual Increase in Gap	-	1.863	0.504	0.488	1.159	0.500
Gap as % of 2021/22 budget requirement	-	10.7%	13.6%	16.4%	23.1%	25.9%

10. The key factors that influence the forecast gap include:

- | | |
|---------------------|---|
| Service Expenditure | <ul style="list-style-type: none"> • No significant budget pressures have been identified to date but this will be subject to further review as part of the service & financial planning process. • Legacy impacts of the COVID-19 pandemic, in particular on service income budgets, will become clearer when the first quarter's budget monitoring position is reported to Executive in September. • While an estimate for the 2022/23 pay award has been included in modelling this is subject to negotiation and has to be considered in the context of the significant financial challenges faced over the medium term. Employee costs comprise 34.6% of gross direct expenditure in the 2021/22 budget |
| Central Budgets | <ul style="list-style-type: none"> • Treasury Management costs will rise over the MTFP period as a consequence of the borrowing requirement to fund the approved Capital programme. They also take into account forecast repayments from loans to the council's companies. Over the MTFP period net borrowing costs are forecast to increase from 10% of the net Revenue Budget to 14.5%. |
| Council Tax | <ul style="list-style-type: none"> • Council tax setting assumptions are based on a £5 increase and forecast movements in the taxbase. • Legacy impacts the COVID-19 pandemic on recovery performance and council tax support demand have not yet been forecast; they will be considered when the taxbase for 2022/23 is prepared in the autumn. |

<p>NNDR</p>	<ul style="list-style-type: none"> • Removal of Negative RSG Grant and the Business Rates reset are forecast to take place in 2024/25; they have the effect of negating the benefit of all forecast business rates growth over the MTFP period. • Legacy impacts the COVID-19 pandemic on recovery performance have not yet been forecast; they will be considered when the final forecasts for 2022/23 are prepared in the autumn
<p>Use of Reserves</p>	<ul style="list-style-type: none"> • Funding for the 2021/22 budget includes drawing £0.235m from the General Fund Reserve. If equivalent savings, efficiencies or new sources of income are not identified for 2022/23 this requirement to call on Reserves will continue to increase and further reduce available balances. • The 2021/22 budget also depends on drawing £0.104m from the Government Funding Risks Reserve (Housing Benefit subsidy reduction) and £0.138m from the Commercial Risks Reserve (Redhill hotel rent income and Revenues & Benefits trading income reduction). The ongoing requirement for this funding will have to be assessed.
<p>11.</p>	<p>Key changes since the January 2021 budget report include:</p> <ul style="list-style-type: none"> • Updated forecast for pay cost inflation to reflect the salary budget for 2021/22; • Updated forecasts for council tax and business rates income following confirmation of the measures announced by the Government to mitigate COVID-19 impacts on the collection fund; • Updated forecast for borrowing costs to reflect the Capital Programme outturn in 2020/21; and • Updated assumptions on continuation of the additional Government grants awarded in the 2020/21 settlement. <p>12. In summary, as for the majority of councils, this authority is facing a challenging financial future. Over recent years budget efficiencies have been achieved to address the forecast gap, specifically through deletion of central budgets that were not required. These options are no longer available. While Reserves remain buoyant there is an underlying budget gap that must be addressed through the service & financial planning process; through reducing costs or generation of new sustainable sources of income.</p>
<p>OPTIONS</p>	
<p>13.</p>	<p>The Executive can accept, amend or reject any or all of the MTFP information and request that other factors are taken into account when preparing 2022/23 budgets.</p>
<p>LEGAL IMPLICATIONS</p>	
<p>14.</p>	<p>It is a legal requirement that the Council set a balanced budget which it can deliver.</p>
<p>FINANCIAL IMPLICATIONS</p>	
<p>15.</p>	<p>These are addressed throughout the report and Annex.</p>
<p>EQUALITIES IMPLICATIONS</p>	

16. This report provides background and context for the budget elements of service and financial planning activities of the Council. There are no equalities issues arising directly from the MTFP or accompanying policy documents. An Equality Impact Assessment is carried out in support of the proposed budget annually, and where individual changes, projects or policies are developed, equalities impact assessments will be carried out by the responsible officer(s).

COMMUNICATION IMPLICATIONS

17. There are no communications implications arising directly from this report. The budget proposals will be communicated with key stakeholders as they are developed.

HUMAN RESOURCES IMPLICATIONS

18. There are no human resources implications arising directly from this report. Council employees and their representatives will be consulted on budget proposals that have staffing implications.

RISK MANAGEMENT CONSIDERATIONS

19. These are addressed throughout the report and in Annex 1.

OTHER IMPLICATIONS

20. None

CONSULTATION

21. As part of the budget setting process, budget proposals will be circulated to the business community via the monthly Business e-bulletin (which has in excess of 1,500 recipients).

22. Savings and growth proposals will be considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee in December 2021. The conclusions and recommendations of the Panel and the Committee are reported to the Executive.

POLICY FRAMEWORK

23. Approval of the annual Revenue Budget, determination of the Council Tax and approval of the Capital Programme are functions of the full Council under the Council's constitution (Article 4.12).

24. The budget reflects the priorities in the Council's Corporate Plan and puts in place resources to deliver these priorities.

25. The recommendations in this report are a key decision because they form part of the annual service and financial planning process that lead to recommendation of the annual budget and council tax to full Council.

BACKGROUND PAPERS

- *Budget 2021/22 & Capital Programme 2021/22 to 2025/26, report to Executive, 28 January 2021*

- *Treasury Management Strategy 2021/22, report to Council, 8 April 2021*
- *Capital Investment Strategy 2022/23, Report to Executive, 22 July 2021*