



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 14 July 2022 Thursday, 21 July 2022
EXECUTIVE MEMBER	Councillor Tony Schofield, Portfolioholder for Finance & Governance

KEY DECISION REQUIRED	Yes
WARDS AFFECTED	(All Wards);

SUBJECT	Medium-Term Financial Plan 2023/24 to 2027/28
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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 2023/24 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 2023/24.
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 2023/24 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 14 July 2022 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. As part of budget-setting for 2022/23 the Executive adopted a Financial Sustainability Plan for addressing the forecast budget gap over the medium term.
5. The budget-setting 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 early 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 2022/23 to Executive in January and the Budget and Council Tax recommendations to Full Council in February.
8. It covers the following:
 - Objectives and priorities for the 2023/24 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 2023/24;
- Key budget information, including the 2021/22 budget outturn position, current year budgets and forecast new budget pressures and saving opportunities;
- Updates on the capital programme and treasury management;
- Updated outcomes for the financial implications of the COVID-19 pandemic in 2021/22;
- 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.
- Information about the Financial Sustainability Programme and supporting activities (Annex 2).

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 1: MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2023/34	Forecast Budget 2026/27	Forecast Budget 2027/28
	£m	£m	£m	£m	£m	£m
FORECAST GAP	Balanced	2.116	2.709	3.809	4.829	5.446
Annual Increase in Gap	Balanced	2.116	0.593	1.100	1.020	0.617
Gap as % of 2022/23 budget requirement	n/a	10.6%	13.6%	19.1%	24.2%	27.3%

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

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|---------------------|---|
| 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. • Delivery of Financial Sustainability Programme initiatives. • While an estimate for the 2023/24 pay award has been included in the MTFP 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 35.8% of gross direct expenditure in the 2022/23 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 next three years net borrowing costs are forecast to increase from 3.8% of the net Revenue Budget to 4.4%. |
| Council Tax | <ul style="list-style-type: none"> • Council tax setting assumptions are based on a £5 increase and forecast movements in the taxbase. |

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- Removal of Negative RSG Grant and the Business Rates reset are now forecast to take place in 2025/26; they have the effect of negating the benefit of forecast business rates growth over the MTFP period.

Use of Reserves & Grants

- Funding for the 2022/23 budget includes drawing £0.212m from the General Fund Reserve. If equivalent savings, efficiencies or new sources of income are not identified for 2023/24 this requirement to call on Reserves will continue to increase and further reduce available balances.
- The 2022/23 budget also depends on drawing £0.115m from the Government Funding Risks Reserve (Housing Benefit subsidy reduction), £0.350m from the Pension Reserve (for additional charges from Surrey Pension Fund) and up to £1.1m from the COVID Risks Reserve depending on the rate of recovery of car parking income. The ongoing requirement for this funding will have to be assessed as part of service & financial planning over coming months.
- Government grant funding that is being used to help fund the net budget requirement in 2022/23 include: Lower Tier Services Grant (£0.107m), Services Grant (£0.164m) and New Homes Bonus (£1.000m).

11. Key changes since the January 2022 budget report include:
- Updated forecast for pay cost inflation to reflect the estimated salary budget for 2023/24;
 - Updated forecasts for council tax and business rates income;
 - Updated forecast for borrowing costs to reflect the Capital Programme outturn in 2021/22;
 - Forecasts for new income streams and pension costs; and
 - Assumptions on continuation of the Government grants awarded in the 2022/23 settlement.
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.
13. Reflecting this, in agreeing the budget for 2022/23, the Executive also agreed to commence a Programme of work to ensure the future financial sustainability of the authority. More information about the approach that is being taken to this Financial Sustainability Programme is included at Annex 2; the outcomes of initial work on this programme will be reflected as part of the 2023/24 budget setting process, with the programme continuing into future years to inform ongoing financial planning.

OPTIONS

14. 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 2023/24 budgets.

LEGAL IMPLICATIONS

15. It is a legal requirement that the Council set a balanced budget which it can deliver.

FINANCIAL IMPLICATIONS
16. These are addressed throughout the report and Annex.
EQUALITIES IMPLICATIONS
17. 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
18. There are no communications implications arising directly from this report. The budget proposals will be communicated with key stakeholders as they are developed.
ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS
19. There are no environmental sustainability implications arising directly from this report. The budget proposals will include consideration of the requirement to invest in measures that support delivery of the corporate Environmental Sustainability Strategy.
RISK MANAGEMENT CONSIDERATIONS
20. These are addressed throughout the report and in Annex 1.
HUMAN RESOURCES IMPLICATIONS
21. 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.
CONSULTATION
22. As part of the budget setting process, public consultation will be undertaken and budget proposals will also be circulated to the business community via the monthly Business e-bulletin (which has in excess of 1,500 recipients). Comments received will be reported to the Executive and taken into account in agreeing the final budget for 2023/24
23. Savings and growth proposals will be considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee in November 2022. The conclusions and recommendations of the Panel and the Committee are reported to the Executive.
POLICY FRAMEWORK
24. 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).
25. The budget reflects the priorities in the Council's Corporate Plan and puts in place

resources to deliver these priorities.

26. 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.

ANNEXES

1. Medium Term Financial Strategy 2023/24 to 2027/28
2. Financial Sustainability Programme Overview

BACKGROUND PAPERS

- *Budget 2022/23 & Capital Programme 2022/23 to 2026/27, report to Executive, 27 January 2022*
- *Treasury Management Strategy 2022/23, report to Council, 7 April 2022*
- *Capital Investment Strategy 2023/24, Report to Executive, 21 July 2022*