

<b>SIGNED OFF BY</b>	Chief Finance Officer
<b>AUTHOR</b>	Pat Main Chief Finance Officer  David Brown Finance Manager  Tom Borer Policy Officer  Simon Rosser Head of Revenues, Benefits & Fraud
<b>TELEPHONE</b>	Tel: 01737 276840 / 276063 / 276717 / 276478
<b>EMAIL</b>	<a href="mailto:pat.main@reigate-banstead.gov.uk">pat.main@reigate-banstead.gov.uk</a> <a href="mailto:david.brown@reigate-banstead.gov.uk">david.brown@reigate-banstead.gov.uk</a> <a href="mailto:tom.borer@reigate-banstead.gov.uk">tom.borer@reigate-banstead.gov.uk</a> <a href="mailto:simon.rosser@reigate-banstead.gov.uk">simon.rosser@reigate-banstead.gov.uk</a>
<b>TO</b>	Executive
<b>DATE</b>	Thursday, 17 November 2022
<b>EXECUTIVE MEMBER</b>	Deputy Leader and Portfolio Holder for Finance

<b>KEY DECISION REQUIRED:</b>	YES
<b>WARD (S) AFFECTED:</b>	ALL

<b>SUBJECT:</b>	<b>SERVICE &amp; FINANCIAL PLANNING 2023/24</b>
<b>RECOMMENDATIONS TO EXECUTIVE:</b>	
<p>(i) That the national and local policy context (Annex 1) and significant financial uncertainties at this stage in the budget-setting process be noted.</p> <p>(ii) That the service proposals set out in this report which seek to respond to this context and deliver our corporate priorities, be endorsed.</p> <p>(iii) That the draft service business plans for 2023/24 to 2025/26 be approved, and that Heads of Service be authorised to finalise the plans for their service areas in consultation with the relevant Portfolio Holders.</p> <p>(iv) That the following be approved for consultation under the Council's budget and policy framework:</p>	

- a) **Medium Term Financial Plan Forecasts and proposed actions to address the forecast Revenue Budget gap (Annex 2);**
  - b) **Service Revenue Budget growth proposals totalling £0.442 million, savings of (£0.828) million and additional income of (£1.186) million (Annex 3);**
  - c) **Central Revenue Budget Savings proposals totalling (£0.897) million (Annex 3);**
  - d) **Revenue Issues, Risks and Opportunities totalling £2.407 million, to be funded from earmarked Reserves as necessary;**
  - e) **Revenue Reserve Balances at 1 April 2022 of £45.596 million (Annex 6.1);**
  - f) **A forecast balanced Revenue budget for 2023/24, subject to final confirmation of the outstanding items; and**
  - g) **Capital Programme Growth proposals totalling £7.683 million (Annex 4).**
- (v) **That the Fees & Charges Policy (Annex 5) be approved.**
- (vi) **That the Reserves Policy (Annex 6.2) be approved.**
- (vii) **That the Local Council Tax Support Scheme be reviewed during 2023/24 and the outcome reported as part of Service & Financial Planning for 2024/25.**

#### **REASONS FOR RECOMMENDATIONS:**

Recommendations (i) to (vii):

- To ensure that the Council continues to plan and manage its resources well, deliver high standards of service and meet the aims and objectives of its Corporate Plan for 2020-2025 and supporting Strategies.

#### **EXECUTIVE SUMMARY:**

This report sets out draft Revenue Budget proposals for 2023/24 and Capital Programme proposals for 2023/24 to 2027/28.

The primary objectives of the service & financial planning process are to ensure that the Council continues to be financially sustainable, and that we are able to effectively deliver our services and corporate priorities.

Reigate & Banstead Borough Council is recognised as being a forward-looking local authority that delivers high quality services.

Our five year Corporate Plan looks to build on and further develop the work we have been doing, as well as expanding our efforts to support environmental sustainability, affordable housing and the wellbeing of our residents.

As always, we are seeking to ensure that the borough remains a great place to live and work, and to maintain and improve the quality of our services, all whilst securing savings and investment to remain financially sustainable.

The Council's Medium Term Financial Plan (MTFP) was updated and reported to Executive in July 2022. It covered:

- 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;
- 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;
- Information about the service & financial planning process and budget-setting timetables; and
- A summary of budget risks and sensitivities and how they will be managed.

Updated MTFP forecasts are presented in this report (Annex 2). They reflect the fact that the Council no longer receives Revenue Support Grant from Government and faces the prospect of a reduction in retained business rates, resulting in significant financial pressures over the medium term. It also explains the emerging financial risks, issues and opportunities identified during service & financial planning over recent months.

The supporting Reserves and Fees & Charges policies are presented once again for approval.

The 2021/22 budget outturn position at year-end was more positive than initially feared, mainly due to the injection of additional Government funding to fund unplanned pandemic expenditure and income losses during the year.

The Revenue Budget for 2022/23 that was approved in February 2022, was agreed as the financial impacts of the COVID-19 pandemic were drawing to a conclusion. It therefore took into consideration the residual financial impacts on service income and expenditure budgets and on Collection Fund income forecasts for council tax and business rates.

At the time of preparing this report the budget impacts of the pandemic have, in the main, been mitigated with the exception of parking income which has not yet returned to pre-pandemic levels but has continued to recover during the year to date.

The Council now faces the prospect of further financial challenges as a consequence of the current economic crisis. Price inflation is a concern, in particular with regard to energy costs and potential pay demands.

Overall, the Council remains in a relatively strong position to respond to financial challenges. We have established ring-fenced revenue Reserves to manage financial risks and also continue to work towards generating new sources of income and reducing costs.

The budget proposals detailed in this report are based on analysis of a range of data and evidence, and the result of extensive discussions over recent months between the Executive and Management Team. This report provides a condensed version of those discussions, describing the national and local context and the service and budget proposals which have been put forward in response.

The draft budget proposals set out within this report include revenue budget savings, additional income-generation proposals, unavoidable budget growth and plans for mitigating significant risks if they arise.

While much of the detail is included in this report, as usual, work on some aspects of Central Budgets and confirming the sources of funding will continue and the outcome will be presented in the final budget proposals in January 2023 following the Government's Provisional Local Government Settlement Announcement which is expected in December. Work also continues on the potential budget risks and opportunities identified during service & financial planning.

At the time of preparing this report the Council is potentially able to balance the 2023/24 revenue budget after implementing the actions as described in this report. The extent to which any residual forecast budget shortfall will have to be funded from drawing on Reserves will be confirmed in the final budget report in January.

Over the medium term action will be required through the Financial Sustainability Programme to continue to pursue projects that generate new sources of income while continually seeking ways to use existing resources more efficiently. Reliance on one-off measures such as the use of Reserves is not without risks and is not sustainable over the long-term. Going forward, solutions that reduce costs or increase income on a permanent basis will have to be identified for 2024/25 onwards.

The Financial Sustainability Programme is focusses on four key areas:

- Income Generation;
- Use of Assets;
- Prioritisation of Resources; and
- Achieving Value for Money.

This report also confirms there are no significant new Capital Programme for proposals for consideration for 2023/24 to 2027/28; the focus remains on delivery of previously-approved capital projects and continuation of existing rolling programmes for asset refurbishment and replacement. The final Capital Programme will be confirmed in the January budget report; no further significant growth proposals are anticipated at the time of preparing this report.

In addition, this report seeks approval to the review the Local Council Tax Support Scheme during 2023/24.

If the Executive accepts the budget recommendations in this report, further work will be undertaken over the coming weeks to test and refine the proposals, including consultation with the Overview & Scrutiny Committee's Budget Scrutiny Panel and other stakeholder groups. This will help ensure that the Council adopts a balanced budget for 2023/24 and is in the best position to prepare for anticipated budget challenges in 2024/25 onwards.

In summary the Revenue Budget proposals are based on:

- |                 |   |
|-----------------|---|
| Service Budgets | <ul style="list-style-type: none"><li>• Savings proposals of (£0.828) million</li><li>• Additional income of (£1.186) million from reviewing current income budgets and from updating charges in line with the Fees &amp; Charges Policy;</li><li>• Growth of £0.442 million due to unavoidable budget pressures and obligations.</li></ul> |
|-----------------|---|

Service Budget Issues, Risks & Opportunities	<ul style="list-style-type: none"> <li>• Potential growth due to Government funding cuts (housing benefit subsidy and grants) of up to £0.564 million;</li> <li>• Potential growth of up to £0.650 million for property management costs;</li> <li>• Potential growth of up to £0.700 million for forecast energy cost increases;</li> <li>• Growth of £0.224 million (one-off costs) and £0.269 million (ongoing expenditure) for planned investment in the IT Strategy that was approved in 2022.</li> </ul>
Call on Reserves for Service Issues, Risks & Opportunities	<p>Forecast use of earmarked Reserves to fund Service Issues, Risks and Opportunities, if other mitigating actions are not sufficient:</p> <ul style="list-style-type: none"> <li>• Up to (£0.564) million from the Government Funding Risks Reserve to mitigate forecast housing benefit funding cuts;</li> <li>• Up to (£1.350) million from the Commercial Risks Reserve to fund forecast property management costs, voids and energy cost pressures; and</li> <li>• Planned use of (£0.493) million from the IT Strategy Reserve.</li> </ul>
Central Budgets	<ul style="list-style-type: none"> <li>• Provision of £1.500 million for pay growth (contractual increases and negotiated annual pay award);</li> <li>• Reduction of (£0.761) million in forecast Treasury Management net borrowing costs and investment income;</li> <li>• Other central budget net savings totalling (£0.136 million).</li> </ul>
Council Tax	<ul style="list-style-type: none"> <li>• £5 increase for Band D properties and a forecast 1.18% increase in the taxbase which will generate (£0.368) million additional income.</li> </ul>
NNDR	<ul style="list-style-type: none"> <li>• Forecast increase of (£0.590) million in this council's share of business rates.</li> </ul>
Government Grants	<ul style="list-style-type: none"> <li>• No change to the Lower Tier Services Grant, Services Grant and New Homes Bonus.</li> </ul>
One -off use of Reserves and Grants in Previous Years	<ul style="list-style-type: none"> <li>• Reversal of use of Reserves and one-off grants in 2022/23 £1.927 million</li> </ul>
Resulting in a net Revenue Budget change, compared to the 2022/23 budget, of nil.	

**Executive has authority to approve recommendations (i) to (vii).**

## STATUTORY POWERS

1. The Local Government Act 1972 requires the Council to set the associated annual budget as part of proper financial management. This report is part of that process.

2. The Local Government Act 1992 requires councils to set a balanced budget and announce the Council Tax level by 11 March each year. Section 65 of the Act 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. The Chief Finance Officer has a key role to play in fulfilling the requirements of the statutory duty under the Local Government Act 2003 to keep the authority's finances under review during the year and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.
4. Council Tax Reduction Scheme: Section 13A(2) of the Local Government Finance Act 1992 (as amended) requires billing authorities to make a reduction scheme for persons in financial need or classes of persons that the authority considers – in general – to be in financial need. Section 13A(1)(c) of this Act gives billing authorities the power to reduce a liability to an extent that is seen fit.
5. Local Council Tax Support Scheme allowances and premiums will be increased on 1 April in line with other national increases contained within the Housing Benefit Regulations 2006 and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.

## **SERVICE & FINANCIAL PLANNING**

### Service Context

1. It is important that our service plans respond to the context in which they will be implemented, in order to provide effective services that meet the needs of residents, communities and businesses. The local, national and regional context that has informed our service plans is summarised below.

### Reigate & Banstead 2025 - Our five-year Corporate Plan

2. The Corporate Plan for 2020-25 sets out the organisation's vision, priorities, aims and objectives, and informs Council decisions at every level. The vision set out in 'Reigate & Banstead 2025' is to be recognised by our residents, businesses and partners as a leading Council. This means:
  - Delivering quality services and support;
  - Providing value for money;
  - Making the borough a great place to live, work and visit;
  - Being proactive about tackling climate change and reducing our environmental impact;
  - Being flexible and sustainable, responding to the needs and demands of our borough, residents, businesses; and
  - Operating as an increasingly commercial organisation.
3. The Corporate Plan seeks to deliver against the vision, with priorities grouped around the three themes of People, Place and Organisation. These priorities have been taken into account in developing the 2023/24 service & financial planning proposals.

### Service Plans

4. Each Council service has reviewed its future direction in light of the wider context in which it operates, and its role in delivering our updated Corporate Plan priorities. These plans set out the direction of Council services, including key changes and priorities.

5. A particular focus of the service & financial planning process this year has been to review service budgets and the staff establishment to ensure that revenue funding is being appropriately spent, and that budgets and the staff establishment are 'rightsized' to the work undertaken in each service area.
6. This has resulted in the deletion of a number of vacant posts and other budget rightsizing savings being identified across a number of service areas (more detail on which is provided in Annex 3). In a small number of instances, a need for growth has been identified to rightsize budgets or move key posts into base budget. This includes in relation to key statutory responsibilities of data protection and emergency planning.
7. Reviews have also been undertaken resulting in non-pay efficiency savings, including in relation to the Council's print and postage budgets, and where alternative sources of funding can be used to fund existing activities. Following work looking at how the Council supports voluntary and community sector organisations, it is proposed to reduce the grants provided to some of the nine organisations the Council currently supports, with an overall reduction of 13% compared to the current year.
8. Opportunities have also been taken to identify increased income targets for some of the more commercial elements of Council activity, most notably the Harlequin Theatre.
9. In some instances, unavoidable growth pressures have been identified, including in ICT, (resulting from both cost inflation and increase in software user numbers), in Property and in Revenues, Benefits and Fraud as a result of Government subsidies.
10. Other elements outside our direct control provide the opportunity for budget savings, including Surrey County Council taking the current highways verge maintenance contract back in house, and the Southern Building Control partnership no longer requiring subsidy.
11. Finally, in addition to the above, a range of changes are proposed to the Council's non-statutory Fees & Charges, to ensure that they continue to cover the cost of providing the relevant service. More information about the approach taken to reviewing Fees & Charges is provided below.

#### National and Regional Context

12. Legislation, policies from national government, and decisions made by partner organisations (eg. Surrey County Council), will continue to have a significant effect on our residents, and therefore on the support and services that the Council provides. Annex 1 provides a summary of the international, national and sub-national context within which this Council will need to operate in 2023/24.
13. It should be noted that with recent changes at the highest tiers of Government (new Prime Minister and Cabinet) there is considerable uncertainty about the direction of various elements of national policy that impact on local government and the work that we do. However, the overarching context remains one where there is increasing demand for Council services, whilst simultaneously experiencing a reduction in funding and resources. The context of Brexit, COVID and global geo-politics mean that new challenges also continue to be faced, for example supply chain issues and an increasing cost of living for residents. The Council is continuing to work to respond to these challenges by increasing efficiencies and generating income, but this context continues to present an increasing pressure of work to meet the needs of our residents.

#### **FINANCIAL CONTEXT**

14. The Council continues to manage its finances well and has continued to deliver significant service improvements and priority projects despite increasing pressures on resources.

### Chancellor's Autumn Budget and Spending Review

15. As explained at Annex 2, there is considerable uncertainty when the provisional local government funding settlement will be announced but it is assumed to be by the end of December.
- This is expected to be a 'rollover' settlement and there is little sector confidence that forecast inflationary pressures on council budgets will be funded;
  - The last Spending Review in October 2021 was based on 3.3% real terms growth for local government in 202/23 and 2023/24 (based on inflation predictions at that time) whereas CPI is now running at 10.1%;
  - The timing of the Fair Funding review is once again unknown; and
  - The planned NNDR revaluation is expected to go ahead in April 2022 but there is no indication yet whether NNDR will increase in line with CPI.
16. Other points of note include:
- |                          |   |
|--------------------------|---|
| Local Government Funding | <ul style="list-style-type: none"><li>• There is no confirmation yet about how the previously-awarded funding for the short-lived reduction in employer's National Insurance Contributions will be withdrawn;</li><li>• There have been very mixed statements from Government Ministers over recent months about local government funding reforms (Fair Funding Review and business rates changes) – it is assumed they have now been pushed back to at least 2024/25;</li><li>• Similar uncertainty surrounds whether local government will receive a multi-year funding settlement;</li><li>• There has been no indication whether New Homes Bonus will cease in 2023/24 or 2024/25, or whether it will continue in some form for the rest of the spending review period; and</li><li>• Continuation of the Lower Tier Services Grant and Services Grant (introduced in 2020/21 and 2022/23) are yet to be confirmed.</li></ul> |
| Council Tax              | <ul style="list-style-type: none"><li>• Council tax referendum limits are expected to remain at similar levels to recent years – assumed to be 1.99% or £5 per band D property for this Council (to be confirmed in the Settlement Announcement in December); and</li><li>• The adult social care precept levied by Surrey County Council will remain (also to be confirmed in December);</li></ul>   |
| Business Rates           | <ul style="list-style-type: none"><li>• No announcements have been made regarding continuation of the additional reliefs introduced during the pandemic or about the planned baseline reset or any of the other business rates reforms;</li><li>• No progress has been made regarding the intended consultation on an Online Sales Tax; and</li><li>• No progress regarding other previously-announced reforms to business rates including: three yearly revaluations (from 2023) and investment reliefs to</li></ul>   |



encourage green investment and premises improvements (any increase in rates payable will be delayed for 12 months).

Housing and Homelessness

- The Rough Sleeping Initiative and Homelessness Prevention Grant will continue.

#### Government Funding Assumptions 2023/24 Onwards

- The Council still expects to see a significant decline in Government funding support over the medium term as our retained business rates receipts are cut, a net reduction of up to £0.310 million, after loss of 'Negative RSG Grant'.
- The table below summarises how Government funding is expected to change for this Council in coming years.

<b>Table 1: BUSINESS RATES FORECAST</b>	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Forecast Business Rates Resources	1.710	2.300	2.600	2.600	2.600	2.600
Forecast impact of removal of 'Negative RSG Grant'				(0.700)	(0.900)	(1.200)
<b>Net Forecast</b>	<b>1.710</b>	<b>2.300</b>	<b>2.600</b>	<b>1.900</b>	<b>1.700</b>	<b>1.400</b>
Annual Increase / (Reduction)		0.590	0.300	(0.700)	(0.200)	(0.300)
Cumulative Increase / (Reduction)		0.590	0.890	0.190	(0.010)	(0.310)

- These forecasts will be updated when the Provisional Local Government Settlement is announced in December.

#### Specific Grants

- There is still an expectation that these will be rolled into the funding system when 75% business rates retention is introduced (still expected as part of the longer-term Spending Review).

#### New Homes Bonus

- At the time of preparing this report it remained unclear whether 2022/23 was the final year of New Homes Bonus allocations.

#### Council Tax Reform

- No significant changes are expected following the autumn 2022 political changes and announcements. However council tax policy remains a mechanism that the Government may opt to use to assist households with the cost of living crisis.

#### Partner Funding

- Like the majority of authorities, Surrey County Council continues to face financial constraints. The County implemented £20.0 million of budget efficiencies in 2022/23 with a further £32.0 million identified for delivery through to 2026/27.
- County service reductions are likely to impact on residents in this borough, and make it more difficult for us to deliver on our own corporate priorities within the context of our already challenging financial position. Financial constraints at the county level mean that this Council needs to continue to work closely with the County Council and other partners to ensure that residents continue to receive the services they need, delivered in an efficient and cost-effective way.

#### COVID-19 Pandemic

25. During 2021/22 the pandemic had continued impacts on:
- Expenditure budgets – unbudgeted costs continued to be incurred during the early part of the year to deliver the Council’s emergency response to the pandemic. They were funded through the pandemic grants received from the Government;
  - Income budgets – there were continued shortfalls in income receipts, primarily in the parking service. This was addressed during budget-setting for 2022/23;
  - Collection fund recovery performance – council tax and business rates income receipts continued to be distorted by short-term relief measures introduced by Government; and
  - Financial responsibilities – local authorities were asked to take on further responsibilities at short notice to support Government in distributing new reliefs, grants and benefits. These included the Household Support Fund, Energy Rebates and the Homes for Ukraine payments which have continued into 2022/23.
26. The 2021/22 budget outturn position at year-end was more positive than initially feared, in part due to the ability to carry forward unspent Government funding to continue to fund pandemic expenditure and income losses during the year.
27. At the time of preparing this report the budget impacts of the pandemic have been mitigated with the exception of parking income which has not yet returned to pre-pandemic levels.
28. Looking forward to 2023/24 the Council is now facing new challenges arising from the national economic crisis and inflationary pressures. Several budgets are proving increasingly challenging to forecast accurately in the current economic situation. Therefore the budget-setting process has included consideration of how the risks will be funded if they crystalise, primarily by ensuring that adequate funding is held in Reserves to cover them. Examples include property rents, recycle prices, Housing Benefit costs and funding, and energy costs.
29. Nevertheless, overall, the Council remains in a relatively strong position to respond to financial challenges. We have established ring-fenced revenue Reserves to manage financial risks; however, use of Reserves represents a short term tactic. We also continue to work towards generating new sources of income to secure our long-term financial stability.

#### Medium Term Financial Planning

30. The Council has been planning for the loss of Government funding, with the objective to become financially self-sufficient going forward. In order to achieve self-sufficiency the Council needs to continue to find budget efficiencies whilst also generating new sustainable sources of additional income.
31. The Council’s MTFP, summarised and updated at Annex 2, was last approved in July 2022 and sets out the financial direction of the Council over the medium term to ensure that the Council plans and manages its resources effectively. It sets out the priorities that will be taken into account when preparing the draft budget for 2023/24.

#### Medium Term Financial Plan Forecasts

32. At the time of preparing this report, MTFP forecasts indicate that it will be possible to balance the 2023/24 budget through expected Government funding and planned use of earmarked Reserves with no further call on the General Fund Balance.

33. However there remains a forecast budget gap over the medium term: £1.374 million for 2024/25 rising to £3.222 million by 2027/28, the primary causes being anticipated Government funding reductions and ongoing service cost pressures.
34. The final position and MTFP forecasts for 2023/24 will be set out in the January budget report.

#### Financial Sustainability Programme

35. Reliance on one-off measures such as the use of Reserves is not without risks and will not be sustainable over the long-term. Going forward, solutions that reduce costs or increase income on a permanent basis will have to be identified for 2024/25 onwards.
36. A Financial Sustainability Programme has been implemented, focussing on four key areas:

Income Generation

- Pursuing opportunities to generate new income streams;
- Optimising Fees & Charges; and
- Implementation of the Commercial Strategy.

Use of Assets

- Making effective use of existing assets, including the repurposing and sale of surplus properties.

Prioritisation of Resources

- Reviewing in-year budget monitoring forecasts to identify new opportunities for savings and efficiencies;
- Reviewing the level of service provided and focussing resources on priority services; and
- Managing pay costs and making effective use of staff resources.

Achieving Value for Money

- Actively pursuing options to share with other councils to realise efficiency savings; and
- Identification of invest to save opportunities – including investment in technology and assets to reduce operational costs.

37. The Corporate Governance Group (comprising statutory officers and Directors) oversees progress in the identification and delivery of initiatives in the Plan while delivery of individual projects is managed through officer management Boards.
38. Progress is reported to Executive, Overview & Scrutiny and individual Portfolioholders as part of quarterly performance reporting.
39. More information on the Programme is provided at Annex 2.

#### Commercial Strategy

40. While service efficiencies and council tax increases are important, their contribution to addressing the financial challenges faced by the Council is limited. It is therefore important that the Council also becomes an increasingly commercial organisation. This means maximising existing net income streams and generating new ones to support service delivery. This requires investment – and will have an element of commercial risk – but it will also enable the Council to develop and grow into a self-sustaining organisation. To guide its work in this area, the Council agreed its Commercial Strategy Part 2 in December 2021.

41. The Commercial Ventures Executive Sub-Committee, supported by other Executive Members, has been working to develop and implement the Council's commercial agenda. This has included (and will continue to include) consideration of the scale and appropriate type of investments and income generation opportunities, , including opportunities for partnership working – all in the context of the wider economic and policy framework within which the Council needs to operate.
42. The current MTFP financial model includes indicative forecasts for income from newly-constructed commercial units at the Cromwell Road and Marketfield Way (The Rise) developments. These are based on an early assessment of the level of rental income net of landlord overheads and handover expenses; they will be updated in future MTFS reports as these developments are handed over and tenancies are signed. Forecasts for other commercial projects will be included when individual business cases have been approved and delivery timescales are confirmed. An annual report on progress against the Council's Commercial Strategy will be provided in December 2022.

## REVENUE BUDGET

43. The Revenue Budget comprises five 'building blocks' as follows:
  - **Net Cost of Services:** These are the direct costs incurred in delivering services, net of specific income generated by them;
  - **Central Budgets:** These are costs incurred and income received that are not service-specific, eg. Pension Fund deficit contributions and treasury management costs and income;
  - **Sources of Funding:** These income budgets are general, non-service specific income sources. They include other grant funding from Central Government and our share of Non-Domestic Rate income;

For 2023/24 it includes the continued impact (benefit) of the one-off elimination of 'Negative Revenue Support Grant'. Over the medium term this is expected to cease resulting in a significant budget pressure;

- **Council Tax:** After the budget requirement has been established for the other blocks then the amount required by this Council from council tax can be calculated; known as the 'Demand on the Collection Fund'; and
- **Contributions (to)/from Reserves:** This relates to use of Earmarked Revenue Reserves, which have been allocated to fund specific purposes. The impact of the use of Reserves is a reduction in the total income demand on council taxpayers. It also refers to the use of funds from the General Fund Balance to support the annual revenue budget.

### Revenue Budget Outturn 2021/22

44. The 2021/22 Original Revenue Budget approved by Council in February 2021 was £17.395 million.
45. At 31 March 2022 the full year provisional outturn for Services and Central Budgets was £18.030 million against a management budget of £18.523 million, resulting in an overall net underspend of (£0.493 million) (2.7%).

<b>Table 2: REVENUE BUDGET MONITORING AT 31 March</b>	Original Budget £m	In-Year Adjustments £m	Management Budget £m	Year-end Outturn £m	Year End Variance £m
Service Budgets	16.240	1.127	17.368	16.485	(0.883)
Central Budgets	1.155	-	1.155	1.545	0.390
<b>Sub-Total</b>	<b>17.395</b>	<b>1.127</b>	<b>18.523</b>	<b>18.030</b>	<b>(0.493)</b>
COVID-19 Income Losses	-	-	-	1.388	1.388
COVID-19 Sales, Fees & Charges Grant	-	-	-	(0.354)	(0.354)
<b>Sub-Total</b>	<b>17.395</b>	<b>1.127</b>	<b>18.523</b>	<b>19.064</b>	<b>0.541</b>
COVID-19 Pandemic – unplanned expenditure					1.249
COVID-19 Pandemic – Government funding					(1.249)
<b>Total Revenue Budget Outturn 2021/22 inclusive of COVID-19 Pandemic Expenditure and Funding</b>					<b>0.541</b>
<b>Transfers from Reserves:</b>					
Contribution from COVID-19 Pandemic Reserve					(0.541)
<b>Net Outturn Position:</b>					<b>-</b>

46. The net effect of COVID income losses was £1.034 million; including this in the outturn results in an overall net overspend of £0.541 million (2.9%) which was funded by calling on the Reserve that was set aside for COVID-19 income losses during the year. All other COVID-19 expenditure during the year was funded through Government grant.

#### Service Budgets

47. The 2021/22 Original Budget for Services approved by Council in February 2021 was £16.240 million. At 31 March 2022 the full year outturn was £16.485 million against a management budget of £17.368 million resulting in an underspend of £0.883 million (5.1%).

48. The key variances leading to the underspend were:

#### Organisation:

- £0.240m underspend in Electoral Services driven by lower election costs and associated temporary staff and promotional expenditure.
- £0.212m underspend in Land Charges driven to higher revenue due increased transaction volumes during the stamp duty holiday.

#### Place:

- £0.326m underspend in Planning Policy driven by vacancies in the team.
- £0.265m underspend in Refuse & Recycling driven by higher garden waste income.
- £0.142m underspend in Fleet driven by lower fuel consumption compared to budget.

- £0.287m overspend in Development Services driven by higher consultancy costs.

People:

- £0.417m overspend in Revenues, Benefits & Fraud, mainly driven by cuts to DWP subsidy grant.

Senior Management Team

- £0.324m underspend pending the team restructure.

49. The service & financial planning process for 2023/24 has included an assessment of whether any Service budgets require realignment to reflect historic outturn trends.

COVID-19 Expenditure and Funding

50. The additional expenditure of £1.249 million that was incurred during 2021/22 in delivery of ongoing activity relating to the pandemic was funded in full through calling on the Government grants that had been allocated to support the response.
51. In addition £0.497 million of unspent grants were carried forward for use in 2022/23.
52. Service Income was £1.388 million lower than the approved budget during the year as a result of COVID-19, primarily due to £1.030 million lower Car Parking revenue. These losses were partially funded by a one-off £0.354 million Sales, Fees & Charges grant from Government.

Central Budgets

53. The 2021/22 Original Budget for Central Budgets approved by Council in January 2021 was £1.155 million.
54. At 31 March 2022 the outturn was £1.545 million against a management budget of £1.155 million resulting in an overspend of £0.390 million (33.7%).
55. This overspend was mainly as a consequence of £0.344 million of employer pension contributions paid to Surrey Pension Fund at the close of the year. These had not been notified when the Original Budget was approved in February 2021.

2022/23 Revenue Budget

56. The Revenue Budget for 2022/23 was approved in February 2022. In summary it comprises:

<b>Table 3: BUDGET SUMMARY 2022/23</b>		Budget 2022/23 £m
1. Net Cost of Services <sup>1</sup>		17.898
2. Central Budgets <sup>1</sup>		2.082
<b>NET EXPENDITURE 2022/23</b>		<b>19.980</b>
3. Council Tax		15.222
4. National Non-Domestic Rates (NNDR)		1.710
5. Other Un-ringfenced Grants		1.271
6. Grants Transferred to Reserves:		
• Homelessness Prevention		0.668
• Transfer to Reserves		(0.668)

<b>Table 3: BUDGET SUMMARY 2022/23</b>	Budget 2022/23 £m
7. Call on Earmarked Reserves in 2022/23	1.565
8. Use of funds from the General Fund Balance to support the 2022/23 Revenue Budget <sup>2</sup>	0.212
<b>NET SOURCES OF INCOME 2022/23</b>	<b>19.980</b>

NOTES

1. After reallocation of the sum held in Central budgets for the 2022/23 pay award plus in-year budget transfers.
2. The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2022/23. Over recent years the budget outturn has been an underspend position with no requirement to call on Reserves.

### Service Budgets

57. Service budgets are summarised in the table below:

<b>Table 4: SERVICE BUDGETS 2022/23</b>	Budget 2022/23 £m
<b>ORGANISATION</b>	
Communications / Customer Service	1.151
Finance	1.244
ICT	1.810
Legal & Governance	2.281
Organisational Development & HR	0.816
Corporate Policy, Projects & Performance (including Environmental Sustainability)	0.449
Property & Commercial	(1.203)
<b>PLACE</b>	
Economic Prosperity	0.282
Neighbourhood Operations	5.324
Place Delivery	0.371
Planning	0.718
<b>PEOPLE</b>	
Community Partnerships	1.312
Housing	1.026
Revenues, Benefits & Fraud	0.806
Leisure & Intervention	0.538
<b>SENIOR MANAGEMENT TEAM</b>	<b>0.973</b>
<b>TOTAL</b>	<b>17.898</b>

58. In 2023/24 onwards the cost of housing benefit payments and associated government funding will be reported in budget monitoring as Central Budget item instead of within Service budgets (Revenues, Benefits & Fraud) on the basis that these are costs that are generally outside Council's direct control.

#### Grant-Funded Posts

59. An area for future consideration as part of budget-setting relates to posts that are currently funded through calling on the Homelessness Prevention grant that is held in an Earmarked Reserve. They comprise:

- Housing 6.9 FTE £0.247m
- Revenues, Benefits & Fraud 1.0 FTE £0.033m

60. The 2022/23 Homelessness Prevention grant allocation of £0.668 million was confirmed in December 2021 along with £0.011 million of new burdens funding. This has been transferred to an earmarked Reserve until called upon to fund related expenditure. While there is currently sufficient grant funding available for these posts to continue in 2023/24 there remains a risk that the grant may cease and a decision will be required whether to continue to fund these posts through the Revenue budget as part of next years' service & financial planning process.

61. Other posts that are funded fully or in part from fixed term resources include:

- Community Partnerships 1.0 FTE £0.044m East Surrey Heartlands NHS
- Community Partnerships 0.4 FTE £0.018m Surrey County Council
- Economic Prosperity 1.0 FTE £0.034m DWP
- Leisure & Intervention 4.3 FTE £0.157m Refugee Support Grant
- Leisure & Intervention 3.0 FTE £0.131m East Surrey Partnership
- Place Delivery 1.0 FTE £0.071m Section 106 funding
- Planning & Development 2.0 FTE £0.087m CIL

#### 2022/23 Service Budget Monitoring Forecasts

62. The full year forecast at the end of Quarter 1 (30 June) for Service budgets was £0.007 million lower than the management budget. The reasons for this forecast included:

- Treasury Management: £498k underspend. Higher than budgeted interest income due both to favourable rates and more funds on deposit;
- Property & Facilities: £617k overspend is mostly attributable to lower rental income due to lease expiry and increased utility (gas) costs;
- Planning Policy & Development Services: £99k underspend driven by vacancies across the team partially offset by lower Planning Fee income;
- Building Control: £101k underspend: service is now forecast to provide a net surplus rather than the small loss budgeted;
- Car Parking: £309k underspend driven by higher than expected revenue in Pay & Display parking and lower staff costs; and

Refuse & Recycling: £372k underspend primarily due to a higher volume of Garden Waste Subscriptions.



### Central Budgets

63. Central budgets are set out in the table below. They comprise those budget items that are corporate in nature and are not associated with delivery of specific services.

<b>Table 5: CENTRAL BUDGETS 2022/23</b>	Budget 2022/23 £m
Insurance	0.465
Treasury Management	0.813
Employer Pension Costs <sup>1</sup>	0.350
External Audit Fees	0.053
Budget for Pay Increases <sup>2</sup>	-
Preceptor Grants – Horley Double Taxation	0.038
Apprenticeship Levy <sup>3</sup>	0.078
Central Recruitment & Visa Expenses	0.045
Central Training Budget	0.082
Internal Audit Fees	0.059
Central Pay Cost Provision	0.099
<b>TOTAL</b>	<b>2.082</b>

NOTES:

1. Compensated Added Years Pension Contributions
2. Transferred from Central to Service budgets in April 2022 to reflect allocation of the pay increase across services
3. To be confirmed when final pay costs are known.

64. As reported above, in 2023/24 onwards the cost of housing benefit payments and associated government funding will also be reported in budget monitoring as Central Budget item.

### 2022/23 Central Budget Monitoring Forecasts

65. The full year forecast at the end of Quarter 1 (30 June) for Central budgets £0.497 million lower than budget, mainly a result of higher net interest receivable on treasury investments than originally expected.

### Revenue Budget Funding

66. The sources of funding for the revenue budget in 2022/23 are set out in the table below.

<b>Table 6: REVENUE BUDGET FUNDING 2022/23</b>	Budget 2022/23 £m
1. Council Tax	15.222
2. National Non-Domestic Rates (NNDR)	1.710
3. Other Un-ringfenced Grants	
• Lower Tier Services Grant	0.107
• Services Grant	0.164
• New Homes Bonus Grant	1.000
4. Call on Earmarked Reserves in 2022/23:	

<b>Table 6: REVENUE BUDGET FUNDING 2022/23</b>	<b>Budget 2022/23 £m</b>
<ul style="list-style-type: none"> <li>• Government Funding Risks Reserve (<i>Housing Benefit subsidy reduction</i>)</li> </ul>	0.115
<ul style="list-style-type: none"> <li>• Pension Reserve</li> </ul>	0.350
<ul style="list-style-type: none"> <li>• COVID-19 Risks Reserve</li> </ul>	1.100
5. Use of funds from the General Fund Balance to support the 2022/23 Revenue Budget <sup>1</sup>	0.212
<b>NET SOURCES OF INCOME 2022/23</b>	<b>19.980</b>

NOTE 1: The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2022/23.

### Revenue Budget-Setting Assumptions 2023/24

67. The following assumptions will be used during service & financial planning over coming months when preparing the draft Budget estimates:

Council Tax	<ul style="list-style-type: none"> <li>• To increase by the referendum limit – assumed to be £1.99% or £5 per Band D property (subject to confirmation by Government);</li> <li>• Plus an increase due to growth in the taxbase of 1.18% per cent; this will be confirmed when preparing final council tax forecasts for the January budget report;</li> <li>• The impacts of local discounts, exemptions and the local council tax support scheme will be taken into account when preparing income forecasts. Also the ongoing impacts of the COVID-19 pandemic on collection performance and take up of the Local Council Tax Support Scheme;</li> </ul>
Government Funding	<ul style="list-style-type: none"> <li>• The Fair Funding Review and loss of Negative RSG Grant will not impact in 2023/24;</li> </ul>
Retained Business Rates Income	<ul style="list-style-type: none"> <li>• Reset of Business Rates will not impact in 2023/24;</li> <li>• The Business Revaluation in April 2023 will be 'cost neutral';</li> </ul>
Fees & Charges	<ul style="list-style-type: none"> <li>• The Fees &amp; Charges Policy is attached at Annex 5. For budgeting purposes it is assumed that Fees &amp; Charges will increase in line with the Policy and that all Fees &amp; Charges will be reviewed to ensure they comply;</li> <li>• The Policy wording has been updated to reflect points of clarification identified when carrying out this year's review of charges;</li> </ul>
Investment Income and Borrowing	<ul style="list-style-type: none"> <li>• Investments and borrowing will be forecast in line with forecast balances and interest rates and Capital Programme investment plans;</li> </ul>
Pay Inflation	<ul style="list-style-type: none"> <li>• An allowance for a pay award has been included in the draft Budget, in addition to forecast contractual pay increases;</li> <li>• This provides the option for pay rises but the specific rate of increase will be subject to established consultation processes;</li> </ul>

- Adjustment to reflect the Government’s decision to remove the 1.25% increase in Employer’s NI contribution to fund the new Health & Social Care levy that was introduced in April 2022;
- Employer Pension Costs
- The three yearly Pension Fund Revaluation took place during 2022/23 and the outcome will be implemented in April 2023. Current assumptions are:
    - To maintain the primary employer contribution rate at 15% of salaries. This has been factored into the 2023/24 base budget; and
    - As for the 2020 revaluation, there will be an option to pay the secondary employer contribution as a discounted advance lump sum in April 2023.
- Employer National Insurance Contribution
- Pay forecasts have been prepared on the understanding that the increase of 1.25 basis points in April 2022 that was subsequently reversed in November 2022 will remain at the pre-April 2022 rate.
- Price Inflation & Supplier Risks
- The general principle over recent years has been that services should first seek to cover price inflation from their existing budgets, unless tied contractually to significant cost increases that warrant additional funding;
  - In view of the current economic situation, this policy is now under review on a case by case basis;
  - Volatility in the energy supply market is an example.

### 2023/24 Service Budget Proposals

68. Service budget income, savings and growth proposals are detailed at Annex 3 and summarised below, along with the potential impacts of service budget issues, risks and opportunities:

<b>Table 7: SERVICE BUDGET PROPOSALS 2023/24</b>	Approved Budget 2022/23 £m	Proposed Budget 2023/24 £m	Net Service Budget Increase / Decrease £m
<b>ORGANISATION</b>			
Communications / Customer Service	1.151	1.104	(0.047)
Finance	1.244	1.219	(0.025)
ICT	1.810	1.850	0.040
ICT - Reserve-funded growth for Strategy implementation	-	0.493	0.493
Legal & Governance	2.281	2.393	0.112
Organisational Development & HR	0.816	0.716	(0.100)
Corporate Policy, Projects & Performance (including Environmental Sustainability)	0.449	0.429	(0.020)
Property & Commercial	(1.203)	(1.222)	(0.019)
Property & Commercial – growth for Reserve-funded issues & risks	-	1.350	1.350
<b>PLACE</b>			

<b>Table 7: SERVICE BUDGET PROPOSALS 2023/24</b>	Approved Budget 2022/23 £m	Proposed Budget 2023/24 £m	Net Service Budget Increase / Decrease £m
Economic Prosperity	0.282	0.277	(0.005)
Neighbourhood Operations	5.324	4.421	(0.903)
Place Delivery	0.371	0.326	(0.045)
Planning	0.718	0.593	(0.125)
<b>PEOPLE</b>			
Community Partnerships	1.312	1.184	(0.128)
Housing	1.026	0.926	(0.100)
Revenues, Benefits & Fraud	0.806	1.320	0.514
Revenues, Benefits & Fraud – growth for Reserve-funded government funding risks	-	0.564	0.564
Leisure & Intervention	0.538	0.335	(0.203)
SENIOR MANAGEMENT TEAM	0.973	1.018	0.045
<b>TOTAL</b>	<b>17.898</b>	<b>18.733</b>	<b>0.835</b>
Potential call on Reserves to Fund Budget Issues & Risks	-	(2.407)	(2.407)
<b>REVISED TOTAL</b>	<b>17.898</b>	<b>16.326</b>	<b>(1.573)</b>

### Service Budget Issues, Risks and Opportunities – 2023/24 Onwards

69. In addition to the service budget growth proposals in this report there are other potential service budget pressures and opportunities that will have to be addressed in 2023/24 onwards:

#### Issues:

##### (i) Energy Prices

- Electricity and gas costs are currently forecast to be up to £0.700 million higher in 2023/24 compared to 2022/23 budgets;
- The current 12 month contracts are due to be renewed again in March 2023 (gas) and October 2023 (electricity) and it is challenging to forecast what prices will be at that time due to the volatility of the supply market;
- There is also uncertainty regarding the extent to which the Government's planned financial support mechanism for businesses and the public sector will reduce these pressures;
- It is therefore proposed to include budget growth for these costs in 2023/24 and to fund them through calling on Revenue Reserves if the costs cannot be covered by compensating savings in other budgets. Action will also be taken to reduce consumption wherever possible.

#### Risks

Budget risks are detailed at Annex 2 – the most significant include:

(i) Housing Benefit subsidy and funding

- £0.564 million budget growth is required to fund the reduction in housing benefit subsidy and grants from Government (DWP). There are several reasons why this funding is forecast to reduce including the continued transition of claims to Universal Credit, increased costs of supported housing claims, increased cost of discretionary housing payments.
- This will be funded in 2023/24 by calling on the Government Funding Reserve that has been established to help manage this type of risk.

(ii) Property Rental Income

- Excellent progress has been made over the past year to fill several of the Council's longstanding void commercial properties. This has the dual benefit of maintaining rental income levels and also avoiding having to fund the costs of managing empty buildings (energy, rates, insurance, etc). However there will always be periods of time when some units are vacant.
- It is now necessary to realign property budgets to ensure that there is sufficient funding to cover the costs of premises that are forecast to be void in 2023/24.
- It is proposed to include £0.650 million budget growth for these costs in 2023/24 and to fund them through calling on the Commercial Risks Reserve that has been established for this purpose if the costs and income shortfall cannot be covered by compensating savings in other budgets.

(i) Government Waste & Resources Strategy

- Proposals set out in the Waste & Resources Strategy, are still anticipated to be introduced via secondary legislation following enactment of the Environment Bill. The strategy sets out how the Government intends for the country to preserve material resources by minimising waste, promoting resource efficiency, and moving towards a circular economy.
- Three key measures from the strategy are proposed:
  - Invoke the 'polluter pays' principle and extend producer responsibility (EPR) for packaging;
  - Introduce a deposit return scheme (DRS) for drinks containers, to reward people for bringing back bottles and encourage them not to litter their empties; and
  - Improve recycling rates by ensuring consistency in household and business recycling.
- These measures will have a considerable impact on local authorities, particularly consistency in recycling, which will affect how kerbside recycling services are delivered in the near future.
- Timescales are subject to confirmation when the outcome of consultation is known.
- Recycling budgets are also currently experiencing significant volatility due to rapid pricing changes. There are times when the Council generates an income from recyclates while at others it has to pay to dispose of the same waste. This makes future budget planning challenging.

- There are no specific proposals at this time to adjust Service budgets for these risks in 2023/24 however the position will have to be kept under review.

### Opportunities

#### (i) IT Strategy Implementation

- Following approval of the IT Strategy in March 2022, service budgets have been increased by £0.224 million (one-off costs) and £0.269 million (ongoing expenditure) for planned investment in disaster recovery, cyber defences and replacement telephony infrastructure.
- The costs will be funded in 2023/24 from the earmarked revenue Reserve that was established as part of budget-setting in 2022/23 for this purpose.

70. Service savings, additional income and growth proposals result in the following net budget movements:

TABLE 8.1: SERVICE BUDGET PROPOSALS FOR 2023/24		2023/24	
		FTE	£m
<b>Budget Movements:</b>			
Annex			
3.1	Services – Pay	(3.6)	(0.297)
3.2	Services – Non-Pay	-	(1.276)
<b>NET BUDGET GROWTH / (SAVINGS)</b>		<b>(3.6)</b>	<b>(1.573)</b>

TABLE 8.2: FORECAST SERVICE BUDGET ISSUES, RISKS & OPPORTUNITIES IN 2023/24		2023/24	
		FTE	£m
Annex			
3.3	Budget Risks – Government Funding Reductions	-	0.564
3.4	Budget Risks – Property & Commercial	-	1.350
3.5	Budget Opportunities – IT Strategy Implementation	-	0.493
<b>BUDGET GROWTH FOR FORECAST ISSUES, RISKS &amp; OPPORTUNITIES - FUNDED FROM RESERVES<sup>1</sup></b>		<b>-</b>	<b>2.407</b>

NOTE 1: Actual values to be confirmed through in-year budget monitoring

### Service Fees & Charges

71. Income from Fees & Charges in 2022/23 contributes £16.2 million to support service delivery.

72. A review of Fees & Charges has been carried out during 2022/23 to support delivery of Medium Term Financial Plan and Commercial Strategy targets for increasing sustainable income streams to support the budget. Actions that have been taken include:

- Improving the Council's strategic approach to Fees & Charges;
- Ensuring that income budgets reflect forecast levels of demand;
- Charging for new services and for those not currently charged for; and
- Investing in expanding existing charges for services that have scope for growth.

73. The review was undertaken in accordance with the Council's Fees & Charges policy, and has included consideration of service delivery costs, benchmarking and published inflation rates. The table below provides headline information about the proposed changes. A full breakdown of changes to individual Fees & Charges is provided for members within the Modern.Gov portal. For the avoidance of doubt, the table below does not include statutory charges set outwith the Council's control.

<b>Table 9: FEES &amp; CHARGES</b>			
Service Area	Activity	Change %	Forecast Additional Income £m
Community Partnerships	Community Centre room hire	11%	0.024
Neighbourhood Operations	Environmental Health - licensed mobile home sites – fee alignment	14%	(0.001)
	Greenspaces - allotments	3%	0.016
	Greenspaces - banner advertising	5%	
	Greenspaces - cemeteries	5%	
	Greenspaces - licensed activities	5%	
	Greenspaces - outdoor events	5%	
	Greenspaces - sports pitches	6%	
	Licensing - taxi and private hire licences, includes some new optional charges	9%	0.017
	Parking - charges increase and introduction of weekday parking charges at the Town Hall site	10%	0.181 <sup>1</sup>
	Waste & Recycling - bins and containers	5%	£0.151
	Waste & Recycling - bulky waste	23%	
	Waste & Recycling - garden waste	4%	
Waste & Recycling - trade waste	7%		
Planning	Pre-application fees	35%	To be confirmed
	Street naming/numbering applications	new charge	
Revenues & Benefits	Court summons and liability orders	9%	£0.029

NOTE

1. Town Hall weekday parking income TBC

74. It should be noted that amending some Fees & Charges requires statutory notification and consultation. Further information about the approach that is being taken to meet these statutory requirements is included in the Consultation section later in this report.
75. The Policy on Fees & Charges is attached at Annex 5; this has been updated slightly from previous years to reflect the experience of undertaking the strategic review described above.

Commercial Income

76. The Medium Term Financial Plan includes the objective of:

- To consider and take advantage of **commercial opportunities** as they arise to deliver new income streams.

77. Delivery of this objective is supported by the allocation of funds in the Capital Programme to purchase or develop assets that will generate new income streams as well as supporting delivery of corporate objectives. These purchases will be financed through prudential borrowing therefore provision will have to be made in the revenue budget for the costs of repaying that debt. It will also be necessary to ensure that borrowing for this purpose complies with Government and CIPFA guidance, specifically 'borrowing in advance of need' and enhanced restrictions on PWLB borrowing.
78. Following the refusal of planning permission for the Crematorium in 2021 (which was intended to deliver a new income stream to help fund services as well as being a valuable community facility), the main new sources of additional income that are being progressed are the commercial units at the new Cromwell Road development (Wheatley Court); and at the Marketfield Way (The Rise) development. This is in addition to the work that is already in progress to ensure maximum occupancy of existing property assets. Initial estimates for the income to be delivered have been included in MTFP forecasts; they are however subject to confirmation as tenancies are signed.
79. Other asst management priorities include maintaining high levels of occupancy in all other commercial properties and maximising their commercial attractiveness and therefore income receipts. Also to review underutilised assets on a regular basis to inform future plans for their use.

#### Central Budget Proposals 2023/24

80. Proposed changes to Central budgets are summarised in the table below.

<b>Table 10: CENTRAL BUDGETS</b>	Approved Budget 2022/23 £m	Proposed Budget 2023/24 £m	Net Central Budget Increase / Decrease £m
Insurance	0.465	0.467	<b>0.002</b>
Treasury Management	0.813	(0.052)	<b>(0.761)</b>
Employer Pension Costs <sup>1</sup>	0.350	0.350	-
External Audit Fees	0.053	0.150	<b>0.097</b>
Budget for Pay Increases <sup>2</sup>	-	1.500	<b>1.500</b>
Preceptor Grants – Horley Double Taxation	0.038	0.044	<b>0.006</b>
Apprenticeship Levy	0.078	0.080	<b>0.002</b>
Central Recruitment & Visa Expenses	0.045	0.045	-
Central Training Budget	0.082	0.082	-
Internal Audit Fees	0.059	0.065	<b>0.006</b>
Central Pay Cost Provision	0.099	-	<b>(0.099)</b>



<b>Table 10: CENTRAL BUDGETS</b>	Approved Budget 2022/23 £m	Proposed Budget 2023/24 £m	Net Central Budget Increase / Decrease £m
Central Vacancy Turnover Provision	-	(0.150)	<b>(0.150)</b>
<b>TOTAL</b>	<b>2.082</b>	<b>2.685</b>	<b>0.603</b>

NOTES:

1. Compensated Added Years Payments
2. The 2022/23 budget for pay increases has been allocated across service budgets.

81. The significant increases and reductions are as follows:

- Reduction in forecast treasury management costs following a review of future borrowing requirements and investment balances – (£0.761) million; and
- Inclusion of a budget for 2023/24 pay increases - £1.500 million;
- Establishment of a central vacancy turnover provision in recognition that (based on previous experience) there is likely to be a number of vacant posts during the year – (£0.150) million along with deletion of a historic central pay cost provision of £0.099 million that is no longer required;
- Forecast increase in external audit fees following the recent award of the new contracts by Public Sector Audit Appointments (PSAA) - £0.097 million.

Other central budgets have been increased in line with agreed contract terms (insurance; preceptor grant; internal audit fees) or forecast costs (apprenticeship levy).

82. Central budgets include £0.038 million funding for a preceptor grant to Horley Town Council. This is the latest instalment under a 10-year agreement (2014/15 to 2023/24) to eliminate 'double taxation' whereby Horley residents pay direct to the Town Council for the local services that it provides. A decision will be required during budget setting for 2024/25 whether to continue this arrangement.

83. In 2023/24 onwards the cost of housing benefit payments and associated government funding will be reported in budget monitoring as Central Budget item instead within Service budgets on the basis that these are costs that are generally outside Council's direct control.

84. While the majority of Central Budgets have been reviewed while preparing this report, as highlighted in the table above, further work is in progress in order to confirm the remainder for inclusion in the final budget proposals in January 2022.

Revenue Budget Funding 2023/24

85. The sources of funding for the revenue budget are set out in the table below.

<b>Table 11: REVENUE BUDGET FUNDING 2023/24</b>	Approved Budget 2022/23 £m	Draft Budget 2023/24 £m	Net Increase / Decrease £m
Council Tax	15.222	15.590	0.368
National Non-Domestic Rates (NNDR)	1.710	2.300	0.590

Use of Reserves

86. Based on the outcome of service & financial planning work to date, as explained above, it is necessary to call on earmarked Reserves to fund potential budget risks but there is no call on the General Fund Balance to balance the budget.

87. The latest MTFP at Annex 2 is based on initial assumptions regarding use of Reserves. These figures will be updated in the final budget report in January when the outstanding budget items (as explained in this report) are confirmed.
88. Work is also still in progress to update the funding forecasts for inclusion in the final budget proposals. Factors to be taken into account will include:

Council Tax

- The final recommendation on the council tax increase will be included in the January budget report following confirmation of the referendum limit by Government;
- Council tax income forecasts for 2023/24 will be dependent on the outcome of work that is currently in progress to forecast the council tax base for 2023/24.

National Non-Domestic Rates

- Includes retained Business Rates, Negative RSG Grant, Fees & Charges and Other Grants;
- These are expected to be confirmed in the Provisional Settlement announcement in December;
- The timing for removal of 'Negative RSG Grant' remains unclear but it will not be implemented in 2023/24.

Contributions To/From Reserves

- The call on Reserves will be finalised for inclusion in the January budget report;

Forecast Budget Gap at November 2022

89. The current forecast budget gap over the next five years is set out below. Further details are provided in the MTFP at Annex 2 (Appendix 2).

<b>Table 12: MEDIUM TERM REVENUE BUDGET FORECAST</b>	Approved Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26	Forecast Budget 2026/27	Forecast Budget 2027/28
	£m	£m	£m	£m	£m	£m
<b>FORECAST GAP</b>	<b>Balanced</b>	<b>nil</b>	<b>1.374</b>	<b>3.032</b>	<b>3.082</b>	<b>3.222</b>
Annual Increase in Gap	-	nil	1.374	1.658	0.050	0.140
Gap as % of 2022/23 budget requirement	-	0.0%	6.9%	15.2%	15.4%	16.1%

90. The above forecasts confirm that there is potentially no budget gap to be addressed for 2023/24 however that will be subject to confirmation in the January budget report.
91. Over the medium term, the Financial Sustainability Programme will continue to be targeted to address the forecast budget gap and will be subject to regular monitoring and review, focussing on the four key areas:
- Income Generation;
  - Use of Assets;
  - Prioritisation of Resources; and
  - Achieving Value for Money.

Further details are provided in this report.

## USE OF RESERVES

92. The Council holds Reserves to provide protection against financial risks. Our current level of Reserves provides a relatively secure financial base compared to many authorities; it is important to ensure an appropriate balance between securing the financial position of the Council and investing in delivery of services.
93. Reserves can be held for four reasons:
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
  - A contingency to cushion the impact of unexpected events or emergencies;
  - A means of building up funds to meet known or predicted liabilities; and
  - A means of setting aside sums for future identified uses and / or investments.
94. There is an opportunity cost of holding Reserves in terms of restricting capacity to invest in current service delivery but this is offset by the additional flexibility that Reserves provide when manage budget risks and adverse variations.
95. The Council's Reserves Policy is attached at Annex 6.2
96. Current Revenue Reserves are summarised below and detailed at Annex 6.1

<b>Table 13: RESERVES SUMMARY</b>	Balance at 1 April 2022 <sup>1</sup> £m
General Fund Balance	3.000
Other Earmarked Reserves	42.596
<b>TOTAL</b>	<b>45.596</b>

NOTE:

1: Balances after decisions made during budget setting for 2022/23 to redistribute funds between Reserves.

97. The legal requirement for the Council to agree a balanced budget means that Council may be required to draw on its Reserves to address any shortfall between forecast expenditure and forecast income.
98. The Council has set a minimum level for unallocated General Fund Reserves of 15% of the net revenue budget, which equates to £3.000 million (for 2022/23). The unallocated balance on the General Fund at 1 April 2022 is compliant with this limit.

## NEW HOMES BONUS

99. The New Homes Bonus was introduced in 2011/12. Authorities are rewarded with a financial bonus, equal to the national average council tax on each additional property built which is paid for a number of years as a non-ring-fenced Government grant. 80% of the Bonus is paid to the district council and 20% to the county council. There is an enhanced payment for new affordable homes.
100. New Homes Bonus was revised for the 2017/18 financial year with the length of time it is paid reducing from six to five years (for the 2017/18 award) and to four years from 2022/23 onwards. A new 'baseline' of +0.4% growth was also introduced before any Bonus is paid. The retained funds were used by the Government to support authorities with adult social care responsibilities.

101. The Government originally set out its intention to end New Homes Bonus as part of the Fair Funding Review. The objective is to replace this mechanism with a different means of incentivising and rewarding housing growth. The detail and timing remain unclear due to the delay in the Fair Funding review.
102. In previous years this funding was set aside in an Earmarked Reserve for general use. During budget-setting 2020/21 a sum equivalent to the historic accumulated funds was transferred to an Earmarked Reserve to support implementation of the Housing Delivery Strategy. Details at Annex 6.2.
103. New Homes Bonus allocations for 2021/22 onwards have been transferred to general Reserves.
104. The allocation for 2023/24 is subject to confirmation in the Provisional Settlement Announcement in December.
105. Forecast New Homes Bonus allocations are set out in the table below:

<b>Table 14: NEW HOMES BONUS</b>	2023/24 £m	2024/25 £m
New Homes Bonus – ‘legacy’ payment for previous year’s allocations	0.325	nil
New Homes Bonus – 2023/24 allocation	TBC In December 2022	TBC In December 2022

## COUNCIL TAX

### 106. Council Tax Precepts 2022/23

<b>Table 15.1: ANALYSIS OF COUNCIL TAX BY PRECEPTOR</b>		
Authority	£000	% share
Surrey County Council	94,767.78	73.60
Surrey Police & Crime Commissioner	18,406.53	14.29
Reigate & Banstead Borough Council	15,099.12	11.72
Horley Town Council	464.79	0.36
Salfords & Sidlow Parish Council	42.62	0.03
	<b>128,780.84</b>	<b>100.00%</b>

<b>Table 15.2: ANALYSIS OF COUNCIL TAX BY PRECEPTOR</b>				
Authority	2022/23	2021/22	Increase	
			£	%
Surrey County Council	1,595.42	1,549.10	46.32	2.99%
Surrey Police & Crime Commissioner	295.57	285.57	10.00	3.50%
Reigate & Banstead Borough Council	242.46	237.46	5.00	2.11%
Horley Town Council	42.42	41.51	0.91	2.20%
Salfords & Sidlow Parish Council	30.37	29.72	0.65	2.20%

<b>Table 15.2: ANALYSIS OF COUNCIL TAX BY PRECEPTOR</b>				
<b>Authority</b>	<b>2022/23</b>	<b>2021/22</b>	<b>Increase</b>	
			<b>£</b>	<b>%</b>
	<b>2,206.25</b>	<b>2,143.36</b>	<b>62.89</b>	<b>2.93%</b>

107. The referendum cap is expected to be confirmed with the Provisional Local Government Funding Settlement Announcement in December. It is anticipated to be the higher of 1.99% or £5 per Band D property for district councils.

108. Final recommendations will be included in the January Budget and Council Tax reports when the referendum cap has been confirmed by the Government.

Local Council Tax Support Scheme

109. Under the Local Council Tax Support Scheme this Council, as the billing authority, awards council tax reductions to eligible working-age claimants. The cost of lost council tax income falls on the Collection Fund as a consequence of these claims resulting in a reduction in the Council Tax base which is calculated as part of budget-setting.

110. The precepting authorities collectively fund the cost of Local Council Tax Support Scheme claims as the costs fall on the Collection Fund and are distributed between authorities in line with their share of the council tax bill.

111. In addition, the full administration costs of processing awards, and of any discretionary awards, are met directly by this Council as the billing authority. Caution therefore has to be exercised when amending the Scheme to ensure that the cost to this Council of administering changes does not exceed any reduction in the cost of the Scheme overall.

112. There are several factors that make the annual cost of funding Council Tax Support very difficult to predict:

- Council tax increases by precepting authorities will increase overall Scheme costs;
- There was an increased number of claims during the COVID-19 pandemic. The number of claims has been steadily decreasing since then, and has reduced by 6% since April 2022, and is now at pre-pandemic levels;
- The scheme presently has 3,495 claims. Of these 54% are classed as vulnerable, through receiving related disability benefits and premiums. This group can receive support covering up to 100% of their Council Tax liability; 46% are either from employed households or those receiving other benefits. These groups can only receive support covering up to 90% of their Council Tax liability.

113. During 2022/23 the Scheme has been subject to an initial review to ensure that it reflects the current economic environment and to ensure that the design and operation of the Scheme remains fit for purpose:

- it should not be a barrier to work; it should help make work pay; and
- it should be easy to understand and at minimal cost to administer.

114. There have been no major changes to the Scheme since its introduction in 2013, other than to increase support in line with other national benefits. After seeking Member and Officer views during 2022/23 on potential scheme designs, the law requires extensive consultation with taxpayers and preceptors as well as advice groups and other stakeholder before any final decisions are made on changes.

Options for change would be to:

- Reduce the level of support to households, which would have negative impacts on household finances;
- Increase the level of support, by allowing all households receiving support to qualify for up to 100% of their Council Tax liability to be covered; or
- Maintain the existing scheme, and carry out a further review in 2023/24, with a view to changing the scheme (if appropriate) for 2024/25.

115. After considering the options the planned approach is to maintain the existing scheme for another year and to carry out a more detailed review during 2023/24, in order to confirm the scope for changing the scheme in 2024/25 onwards. This will allow time to consider the impacts of the current cost of living crisis on low income households in more detail and to assess the merits of ending the ending the 28 day disregard for Empty and unfurnished properties (details below) whereby the additional income generated might be used to offset the cost of changes to the Scheme.

#### Council Tax Collection Performance 2021/22

116. This Council's collection performance for council tax in 2021/22 was 98.17% (98.06% in 2020/21); 42nd highest performance compared to all English local authorities.

#### Council Tax Options 2023/24

117. Each 1% increase in Council Tax generates £0.153 million additional income for this borough. A £5 increase in 2023/24 would yield £0.493 million additional income.

118. For MTFP modelling purposes, based on a £5 increase and a 1.18% increase in the taxbase, the Council Tax income forecast at November 2021 is set out below:

#### Council Tax Forecasts

<b>Table 16: COUNCIL TAX FORECAST</b>	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Forecast Resources	15.222	15.590	16.070	16.550	17.050	17.560
Annual Increase in Income		0.368	0.480	0.480	0.500	0.510
Cumulative Increase in Income		0.368	0.848	1.328	1.828	2.338
Band D	£242.46	£247.46	£252.46	£257.46	£262.58	£267.81
Band D Increase	-	£5.00	£5.00	£5.00	£5.12	£5.23
Taxbase Increase	1.62%	1.18%	1.0%	1.0%	1.0%	1.0%
Annual Band D % Increase		2.11%	2.11%	2.06%	2.02%	1.99%

NOTE:

1. Subject to confirmation in the January Budget report when forecasts for the number of new homes and Local Council Tax Support claims are updated. Also subject to confirmation of the referendum limit by Government in December.

119. Although council tax is a significant source of funding for local government, it remains subject to restrictions by Government. The Localism Act included a requirement to hold a local referendum if any council tax increase is deemed 'excessive'; a limit for increases is set each year by the Government.

120. The forecast amount of council tax to be collected takes into account local decisions on discounts, exemptions and reliefs and Local Council Tax Support scheme claim numbers.

### Council Tax Policy

121. Changes to council tax charges on empty homes were approved during 2019/20 and further updated in 2020/21:
- Homes that have been empty and substantially unfurnished for more than two years and less than five years are charged a Council Tax long term empty premium equivalent to 100% of the Council Tax in addition to their current Council Tax;
  - Homes that have been empty and substantially unfurnished for more than five years and less than ten years are charged a Council Tax long term empty premium equivalent to 200% of the Council Tax; and
  - Homes that have been empty and substantially unfurnished for ten years and more are charged a Council Tax long term empty premium equivalent to 300% of the Council Tax.
122. As these changes help deliver a county-wide initiative to reduce the number of empty properties throughout Surrey, the County Council has agreed to reallocate its share of the increased funding that results from changes in Empty Homes policies. Under this commitment the Boroughs and Districts receive reallocated funding where agreed conditions are met.
123. The County Council has distributed the funds during 2022/23: £0.070 million was distributed to this Council in 2021/22 and £0.085 million in 2022/23; proposals for use of these funds were included in the January 2021 budget report.
124. No new changes to council tax policy were introduced in 2022/23.
125. As part of budget-setting for 2023/24 onwards consideration has been given to new opportunities to levy additional council tax premiums to encourage owners to bring properties back into use:
- Empty and unfurnished properties - removal of the 28-day council tax discount. This will mainly affect landlords and housing providers, in relation to the turnaround time between tenants;
  - Empty and furnished second homes – charge 200% council after the first 12 months - this is part of the Levelling-up and Regeneration Bill therefore the changes are not likely to be enacted until at least 2024/25; and
  - Long-term empty properties – commence charging the 100% premium after 12 months - instead of the current 24 months - this is also part of the Levelling-up and Regeneration Bill therefore the changes are not likely to be enacted until at least 2024/25.
126. In view of the current economic uncertainty no changes are proposed for 2023/24 but the options set out above will be revisited for 2024/25.

### **BUSINESS RATES (NATIONAL NON-DOMESTIC RATES)**

127. In 2013, the Government introduced a scheme through which local authorities retain a proportion of any business rates growth above a set 'baseline'. The purpose was to give authorities a financial incentive to encourage and foster economic growth within their area and to work collaboratively with other authorities and business organisations to achieve that growth.

128. While this scheme was broadly welcomed by the sector, there remain concerns over the potential volatility of this income stream due to the level of appeals; even a small variation in the overall revenue generated can result in a significant financial impact.
129. The current expectation for the funding reforms to take effect no sooner than the financial year 2024/25.
130. The Government was previously undertaking a review of how business rates will operate going forward and had stated its intentions to achieve 75% localisation of business rates from 2022. However this is no longer the intention and further updates are awaited.
131. As explained above, in 2025/26 onwards, the Council expects to see further significant decline in Government funding support as retained business rates receipts and Negative RSG Grant' are phased out. It remains unclear how these reductions will be implemented but we are assuming this will be clearer when the outcome of the Fair Funding Review and Business Rates Reset are announced. Current MTFP forecasts are based on the information that is currently available.

#### Business Rates Pooling

132. A small number of Surrey authorities are once again planning to establish a voluntary Business Rates Pool for 2023/24 with Surrey County Council using the same methodology as in previous years. The Pool is not open to Reigate & Banstead due to the relative size of our business rates Tariff.

#### Business Rate Appeals

133. Business rate forecasts include an assessment of the likelihood of successful appeals.

#### Business Rates Collection Performance 2021/22

134. Collection performance for business rates in 2021/22 was 99.8% (99.8% in 2020/21); this was the highest performance in the country of all English local authorities.

<b>Table 17: NNDR FORECAST<sup>1</sup></b>	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Forecast NNDR Resources	1.710	2.300	2.600	2.600	2.600	2.600
Less 'Negative RSG Grant'				(0.700)	(0.900)	(1.200)
<b>Net Forecast<sup>1</sup></b>	1.710	2.300	2.600	1.900	1.700	1.400
Annual Increase / (Reduction)		0.590	0.300	(0.700)	(0.200)	(0.300)
Cumulative Increase / (Reduction)		0.590	0.890	0.190	(0.010)	(0.310)

NOTE:

1. Subject to confirmation in the January Budget report following the Provisional Settlement announcement.

135. These forecasts take into account the impacts of spreading 2020/21 collection fund losses over three years and the removal of pandemic support measures after 2021/22.

### **CAPITAL PROGRAMME 2023/24 ONWARDS**

#### Capital Investment Strategy and Capital Programme

136. The latest Capital Investment Strategy was approved by Executive in July 2022 and sets out how the Council plans to invest in assets to generate income.

#### 2022/23 to 2026/27 Approved Capital Programme



137. The Capital Programme that was approved in January 2022 and the unspent balance on previously-approved schemes is summarised below:

<b>Table 18: CAPITAL PROGRAMME 2021/22 to 2026/27 by SERVICE</b>	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	<b>TOTAL £m</b>
	BFWD £m	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	
<b>ORGANISATION SERVICES:</b>							
Property Services	5.223	1.657	1.373	1.267	0.049	1.594	<b>11.164</b>
IT Services	0.224	0.200	0.260	0.250	0.200	0.200	<b>1.334</b>
Organisational Development	0.452	0.250	0.250	0.250	-	-	<b>1.202</b>
Environmental Strategy	0.250	-	-	-	-	-	<b>0.250</b>
<b>PEOPLE SERVICES:</b>							
Housing	0.519	1.304	1.304	1.304	1.304	1.304	<b>7.039</b>
Leisure & Intervention	0.172	0.100	0.100	0.100	0.100	0.100	<b>0.672</b>
Community Partnerships	0.075	0.030	-	-	-	-	<b>0.105</b>
<b>PLACE SERVICES:</b>							
Neighbourhood Operations	0.659	1.542	0.774	0.891	0.929	0.913	<b>5.708</b>
Place Delivery	9.410	15.100	-	-	-	-	<b>24.510</b>
Economic Prosperity	-	0.100	0.100	0.100	-	-	<b>0.300</b>
<b>TOTAL APPROVED CAPITAL PROGRAMME</b>	<b>16.983</b>	<b>20.283</b>	<b>4.161</b>	<b>4.162</b>	<b>2.581</b>	<b>4.110</b>	<b>52.280</b>

138. In addition to the sums included in the approved Capital Programme the Council has previously committed to invest.

- £64.0 million for investment in Commercial income-generating assets; and
- £30.0 million for investment in Housing projects.

Proposals for use of these funds will be subject to approval of reports by Executive or the Commercial Ventures Executive Sub Committee when the business cases are developed.

#### Capital Programme Growth 2023/24 onwards

139. Capital Programme growth proposals totalling £7.683 million for 2023/24 to 2027/28 are detailed at Annex 4.

<b>Table 19: CAPITAL PROGRAMME GROWTH 2023/24 to 2027/28</b>	2023/24	2024/25	2025/26	2026/27	2027/28	<b>TOTAL £m</b>
	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	
Organisation	0.046	0.040	0.860	0.003	0.589	<b>1.538</b>
People	0.108	0.115	0.115	0.115	1.519	<b>1.972</b>
Place	0.034	0.016	0.259	-	3.864	<b>4.173</b>
<b>TOTAL</b>	<b>0.188</b>	<b>0.171</b>	<b>1.234</b>	<b>0.118</b>	<b>5.972</b>	<b>7.683</b>

140. The primary reason for this growth is the addition of 'rolled-forward' allocations for 2027/28 (also 2025/26 for Property Services) and some small-scale rescheduling of previously-approved allocations to match spending plans. No other significant growth

proposals are anticipated. The final Capital Programme proposals and funding requirement will be presented in January budget report.

141. The Capital Programme for 2023/24, including previously-approved schemes and the recommended growth, will therefore be £59.963 million.

#### Capital Programme Funding

142. Sources of funding for the 2022/23 Capital Programme are summarised below:

<b>Table 20: CAPITAL PROGRAMME FUNDING 2021/22 to 2026/27</b>	2021/22 BFWD £m	2022/23 Projected £M	2023/24 Projected £M	2024/25 Projected £M	2025/26 Projected £M	2026/27 Projected £M	TOTAL
<b>TOTAL CAPITAL EXPENDITURE 2022/23 to 2026/27</b>	<b>6.983</b>	<b>10.283</b>	<b>4.161</b>	<b>4.162</b>	<b>2.581</b>	<b>4.110</b>	<b>52.280</b>
<b>FUNDED BY:</b>							
Capital Reserves	-	-	-	-	-	-	-
Capital Receipts	-	28.938	2.816	2.817	1.236	0.017	<b>35.824</b>
Capital Grants & Contributions	0.327	1.345	1.345	1.345	1.345	1.382	<b>7.089</b>
Prudential Borrowing	6.656	-	-	-	-	2.711	<b>9.367</b>
<b>TOTAL CAPITAL FUNDING 2021/22 to 2026/27</b>	<b>16.983</b>	<b>30.283</b>	<b>4.161</b>	<b>4.162</b>	<b>2.581</b>	<b>4.110</b>	<b>52.280</b>

143. The sources of funding for the Capital Programme are explained below:

<b>Table 21: CAPITAL PROGRAMME FUNDING</b>	
Capital Reserves	<ul style="list-style-type: none"> <li>Previously the Council benefitted from access to significant capital Reserves following the sale of its housing stock. Over recent years these Reserves have been utilised to invest in the capital programme. The remaining balance was nil at March 2022.</li> </ul>
Capital Receipts	<ul style="list-style-type: none"> <li>Sale of capital assets results in a capital receipt that can be used to invest in new capital assets or to repay prudential borrowing.</li> <li>The main source of capital receipts over the duration of this Capital programme relate to delivery of major schemes including the Marketfield Way (The Rise) redevelopment. These capital receipts have been factored into forecast funding requirements.</li> <li>Flexible use of capital receipts – there are no current plans for use of this funding option.</li> </ul>
Capital Grants & Contributions	<ul style="list-style-type: none"> <li>Forecasts of the future grant funding allocation for Disabled Facilities works have been updated to reflect forecast allocations.</li> <li>They also include the Council's share of Section 106 and CIL funding.</li> <li>Revenue funding equivalent to the historic New Homes Bonus grant allocation up to 2020/21 has been allocated to support implementation of the Housing Delivery Strategy.</li> </ul>

<b>Table 21: CAPITAL PROGRAMME FUNDING</b>	
Prudential Borrowing	<ul style="list-style-type: none"> <li>• The primary source of long-term funding for the Capital Programme is now prudential borrowing, primarily from the Public Works Loans Board (PWLB).</li> <li>• Loans are managed through the approved Treasury Management Strategy and policies.</li> <li>• Interest on borrowing is paid to the PWLB and charged to the annual revenue budget along with the Minimum Revenue Provision that is necessary to set aside funds for eventual repayment of the loan principal. These costs have to be taken into account when setting a balanced Revenue Budget.</li> <li>• There are increasing restrictions on the type of capital expenditure that is eligible for prudential borrowing. Borrowing to fund investment solely for commercial gain is no longer permitted.</li> </ul>
Revenue Budget Contributions	<ul style="list-style-type: none"> <li>• There is no expectation that significant capital expenditure will be funded from the revenue budget in 2023/24.</li> </ul>

#### Capital Programme – Revenue Budget Implications

144. As explained above, with the exception of earmarked Section 106 funds and some earmarked Housing capital receipts, the Council no longer has significant capital Reserves, therefore, while a small number of schemes will be continued to be funded from capital grants and other contributions, the majority of the approved Capital Programme must be funded through prudential borrowing. The costs of repaying this borrowing fall on the revenue budget as treasury management costs in Central budgets.
145. Treasury management budgets will be updated to reflect the costs of borrowing for the approved Capital Programme for 2023/24 onwards net of interest on forecast balances. Details will be confirmed in the Treasury Management Strategy for 2023/24 that is reported to Audit Committee, Executive and Full Council for approval in March/April each year.
146. The costs of managing and maintaining new capital assets will have to be taken into account in the revenue budget as new assets come into use. Budgets will also have to be established for any new income streams generated.

#### Capital Programme – Policy on Capitalisation of Salaries.

147. Costs incurred as a result of staff spending time on capital projects can be capitalised, provided that time can be linked to bringing a specific, separately identifiable asset into working condition, or substantially enhancing the working life of an existing asset.

### **BUDGET SETTING TIMETABLE**

148. The timetable for approval of the 2023/24 budget is summarised below:

<b>Date</b>	<b>Event</b>	<b>Purpose</b>
June/July 2022	Management Team away day	Consider service position and initial forecasts
	Executive away day	Discuss budget setting priorities and 'direction of travel'

Date	Event	Purpose
14 July 2022	Overview & Scrutiny	Medium Term Financial Plan Update & Capital Strategy Update
21 July 2022	Executive	
September 2022	Management Team away day Executive away day	Consider draft Budget proposals
October 2022	Executive away day	Agree draft Budget proposals
17 November 2022	Executive	Agree draft Budget
21 November to 16 January	Consultation on draft budget	To gather feedback
29 November 2022 8 December 2022	Budget Scrutiny Panel Overview and Scrutiny	Review of draft Budget
15 December 2022	Executive	Receive Scrutiny Panel Feedback
26 January 2023	Executive	Final Budget and Council Tax proposals
9 February 2023	Full Council	Approve Budget and Council Tax

## OPTIONS

149. Service & Financial Planning: the following options are available to the Executive:

**OPTION 1** - Approve the proposed budget and financial planning changes set out within the report, for consultation under the terms of the Constitution.

This option is recommended for approval, to ensure that service and financial plans are agreed in good time to adopt a balanced budget for 2023/24.

**OPTION 2** - Only approve some of the proposed budget and financial planning changes set out within the report, for consultation under the terms of the Constitution.

This option is not recommended, as it would undermine the service plans and would present a risk to closure of the forecast budget gap for 2023/24.

**OPTION 3** - Reject the proposed budget and financial planning changes set out within the report, and request that further work be undertaken to develop new proposals for consultation under the terms of the Constitution.

This option is not recommended as it would delay the budget consultation process, undermine service planning and leave the Council and risk of failing to adopt a balanced budget for 2023/24.

## LEGAL IMPLICATIONS

150. Service & financial planning: there are no direct legal implications arising from the recommendations in this report subject to the Council adopting a balanced budget for 2023/24 by 11 March 2022 to meet the requirements of the Local Government Finance Act 1992.

151. Local Council Tax Support scheme: consultation during 2023/24 on any potential changes to the scheme will be conducted in a way that ensures compliance with relevant regulations.

## **FINANCIAL IMPLICATIONS**

152. Service & financial planning: these are addressed throughout the report.

## **EQUALITIES IMPLICATIONS**

153. An Equalities Impact Assessment of the final service & financial planning proposals will be undertaken and will be provided as a background paper to the January budget report.

154. An initial assessment of the proposals presented in this paper has indicated that the following proposals could potentially have an equality impact on one or more of the groups protected under the Equality Act 2010. These proposals include:

- Proposals to increase the Borough Council's element of Council tax by the referendum limit
- Proposals to reduce some funding to some Voluntary and Community Sector Partners
- Proposals to increase some community centre room hire charges
- Proposals to increase car park charges
- Proposals to increase fees for the issuing of summons and obtaining liability orders for Council Tax and Business Rates non-payment

155. Draft equality impact assessments for these proposals have been undertaken. In all instances, consideration has been given to impact mitigation measures and ongoing impact monitoring proposals to reduce or avoid any potential impact. These are provided for members on the modern.gov portal.

156. As part of the budget setting process, consultation on these proposals will be undertaken (see below). The draft equality impact assessments will be published alongside the consultation, and the results of the consultation taken into account before any proposals are finalised. As appropriate, this will include consideration of alternative courses of action and/or actions that could be taken to reduce any potential negative impacts on those with protected characteristics or who are otherwise vulnerable.

157. The Local Council Tax Support Scheme is designed to help low-income council taxpayers, who are largely unemployed, or disabled, or low-income earners or pensioners. There are no changes proposed for the next financial year which would impact on a specific group of taxpayers.

## **ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS**

158. The environmental sustainability implications of individual proposals within the draft budget have been considered. For the majority of proposals no environmental sustainability impact has been identified. Where potential impact has been identified this is as follows:

- Positive impact from proposals to move the emergency planning post into base budget, assisting the Council to respond to the increasing risk and impact of extreme weather events resulting from climate change; and
- Potential positive impact from the proposed increase in parking fees, encouraging car users to consider alternative modes of transport.

159. It is not known whether there will be any sustainability implications from the proposed fee increases in relation to allotments, garden waste and bulky waste. It is not anticipated that the relatively small increases will adversely affect customer numbers but impact on levels of service usage will be kept under review.
160. More generally, the proposed approach for funding the Council's environmental sustainability activity is as follows:
- Base budget funding within the corporate policy team for one sustainability project officer, with non-base budget funding for a second sustainability project officer;
  - Retention of the Environmental Sustainability Reserve to progress corporate sustainability project activity;
  - Service-specific initiative costs funded within the relevant Council departmental budgets (for example, Fleet, Facilities), with the above sustainability budgets serving to provide 'top up' funding in some instances; and service-level capital funding requests progressed on a project-specific basis; and
  - Drawing on external or third party funding opportunities wherever possible, either by the Council working alone or in partnership

## **COMMUNICATION IMPLICATIONS**

161. The Council continues to offer value for money for Council residents – in 2022/23, the average household pays just £4.66 per week to the Borough Council in Council Tax, which pays for the wide range of services that the Council delivers, including household waste and recycling collections, street cleaning, greenspaces maintenance, leisure and community centres, and statutory and regulatory services such as licencing, environmental health and planning.
162. Central to the Council's communications and engagement strategy is not only to promote the good work that the Council does and the great services it provides, but also to make sure that our annual service & financial planning process reflects what our residents and businesses need. Development of the 2020-2025 Corporate Plan was supported by extensive consultation with residents and other partners to ensure that our priorities remain relevant up to 2025.

## **RISK MANAGEMENT CONSIDERATIONS**

163. The Council has strong risk management arrangements in place to ensure that any risks are identified and managed, with regular reports provided to the Audit Committee and the Executive.
164. The risks relating to the long term financial sustainability of the Council remain on the strategic risk register and controls and mitigating actions are regularly reviewed. They are set out in the MTFP at Annex 2.
165. Service & financial planning risks: the service and financial plans contained within this report are aimed at minimising risks and ensuring that the Council continues to deliver great services whilst managing budgets and other resources well.
166. Local Council Tax Support scheme risks: there are ongoing risks associated with not carrying out a review of the Scheme. It needs to current circumstances and the costs of processing claims have to be managed as they all fall on this authority. The window of opportunity for consultation is growing ever smaller and significant changes will require wide consultation to avoid the risks of legal challenge, which again are borne entirely by this authority. This does not however prevent the Council from managing

and controlling other areas of the Council Tax base, such as discounts and exemptions.

## HUMAN RESOURCE IMPLICATIONS

167. The Council will need to maintain workforce capacity and skills to enable the organisation to diversify and deliver again Corporate Plan ambitions.
168. The service & financial planning proposals for 2023/24 set out in this report result in an overall change in FTE numbers as set out in the table below; the final position will be confirmed in the January budget report

<b>Table 22: STAFF ESTABLISHMENT – FORECAST FTE MOVEMENTS 2022/23 TO 2023/24</b>		
<b>STAFF ESTABLISHMENT 2022/23</b> (including fixed term posts)		<b>533.6</b>
<b>Net Permanent Posts to be created / (deleted) as part of 2023/24 Service &amp; Financial Planning Savings and Growth proposals:</b>		
Annex		
3.1	Organisation	(4.6)
3.1	Management Team – Emergency Planning	1.0
<b>FORECAST STAFF ESTABLISHMENT 2023/24</b>		<b>530.0</b>
<b>NET INCREASE / (DECREASE)</b>		<b>(3.6)</b>

169. The final budget proposals and Medium Term Financial Plan forecasts will include provision for an annual cost of living pay award for staff. This award is subject to negotiations with staff representatives and will depend on a variety of factors, including economic conditions, inflation levels and staff recruitment and retention considerations. The budget forecast also includes an allocation for contractual pay increases for some staff (primarily incremental pay rises linked to achieving appraisal targets).

## CONSULTATION

170. Consultation will be carried out in line with the Council’s budget and policy framework. This includes consideration by the Overview & Scrutiny Committee.
171. Budget and policy framework consultation: The Constitution requires a consultation of 8 weeks on the draft budget. The budget consultation will run from 21 November 2022 to 16 January 2023. Publicity will be produced following this meeting explaining how to submit comments in writing or via email. Key partners and stakeholders will also be notified about the budget consultation, and any interested parties will be able to respond to the consultation by way of a survey or written response. A summary of consultation responses received will be provided to the Executive in January 2023 alongside the final proposed budget.
172. As part of the budget and policy framework consultation, the Overview & Scrutiny Committee has established a Budget Scrutiny Panel. The Panel is scheduled to meet on 29 November 2022. It is anticipated that the Panel’s report will be considered by the Overview & Scrutiny Committee on 8 December 2022. Any comments or recommendations will be reported to the Executive meeting on 15 December 2022.
173. Statutory consultation/notification: 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. General

consultation with local businesses on the proposal in this report will be achieved as in past years through activities coordinated by the Economic Prosperity Team, including business networking events and using the Council's business e-newsletter.

174. Section 70 of the Local Government (Miscellaneous Provisions) Act 1976 establishes requirements for the charging of Fees & Charges in respect of vehicle and operator licences and the making of changes to such charges. Consultation and notification of proposals to amend these charges will therefore be carried out in accordance with this legislation.
175. Section 35 of the Road Traffic Regulation Act 1984 (and associated enabling legislation) establishes requirements in relation to charging for off-street parking charges and the making of changes to such charges. Consultation and notification of proposals to amend these charges will therefore be carried out in accordance with this legislation.

## **POLICY FRAMEWORK**

176. The budget proposals within this report form part of the Council's budget and policy framework. The annual budget is developed to ensure that the Council can deliver its Corporate Plan and services to residents and businesses.

### **Background Papers:**

*Medium Term Financial Plan Update*, report to Executive on 21 July 2022

*Capital Investment Strategy 2023/24*, report to Executive on 21 July 2022

*Draft Service Plans, 2023/24 to 2025/26* can be viewed in the Members' Section of the Modern.Gov Library (via the 'Draft Budget November 2022 folder)

*Full list of proposed changes to Fees & Charges* can be viewed in the Members' Section of the Modern.Gov Library (via the 'Draft Budget November 2022 folder)

*Draft Equality Impact Assessment findings* can be viewed in the Members' Section of the Modern.Gov Library (via the 'Draft Budget November 2022 folder)

### **List of Annexes:**

- 1 Policy Context
- 2 Medium Term Financial Plan - Summary
- 3 Revenue Budget – Growth, Income and Savings Proposals
- 4 Capital Programme - Growth Proposals
- 5 Fees & Charges Policy
- 6.1 Revenue Reserves
- 6.2 Reserves Policy