

Recommendations from the Executive – 13 July 2023

**Executive
Minute
reference
17**

Medium Term Financial Strategy 2024/24 to 2028/29

Councillor Lewanski, the Deputy Leader and Executive Member for Finance, Governance and Organisation, introduced the item stating that this latest Medium Term Financial Plan (MTPF) confirmed that local government continued to face a challenging financial situation with continued uncertainty about the local government funding regime.

The one resource that the Council had was time if it was used productively. There has been an early start with the budget preparations for next year and there has been continued work on the Financial Sustainability Programme to deliver cost reduction and income generation initiatives over the coming years.

The MTFP report sets out a detailed initial assessment of the key information that would be used for budget setting in 2024/25 onwards.

It included a five-year forecast for the budget gap that the Council was facing if action was not taken to reduce costs or increase income.

Work was now underway with officers to develop the detailed budget proposals for consideration by Executive in November and to be reviewed by the Overview and Scrutiny Panel.

An all-Member briefing has been arranged for 27 July to help explain the basis for the MTFP assumptions and forecasts. Members were encouraged to attend.

Members of Overview and Scrutiny Committee made no formal observations to the Executive on the Medium-Term Financial Plan, although there were several comments and questions, and these were published in an Addendum to the agenda.

The Chair of the Overview and Scrutiny Committee observed that the cumulative gap over the next five years was £5million and this would be challenging. A member of the Overview and Scrutiny Committee had requested an analysis of budget growth over recent years to help set the context for future forecasts and it had been agreed that this would be provided as a background paper for the Budget Scrutiny Panel. This would enable consideration of the

significant changes in duties and costs over the period as well as income changes, including changes to grants from Government.

It was also acknowledged that proposed fees & charges increases would need to be considered as part of the budget setting process. Only including inflation where there is a specific pressure was a wise approach.

The Overview and Scrutiny Committee also considered the potential budget risks, including around staff recruitment and retention.

It was requested that future risk assessments included an estimate of the potential range for the financial impacts of risks, to support the narrative description.

The Committee was thanked for their comments.

The following responses were given to questions by visiting members:

- In terms of the addressing the forecast budget gap, it was confirmed that work was underway to consider the available options. The Executive and Heads for Services were currently reviewing opportunities for cost savings and income generation, therefore it was not yet possible to predict what the budget gap would be by November. The Chief Finance Officer explained that the purpose of this MTFP forecast was to set the scene before setting a balanced budget by next February.
- Regarding business rates, the Council currently kept around 5% of the money it collected, with the majority going to the Government and a small allocation to Surrey County Council. The amount the Council was able to retain fluctuated year on year depending on the parameters set by the Government. As billing authority, the Council did receive some funding for administrative costs.
- The Council was waiting for a Government announcement regarding the New Homes Bonus grant; as usual this was likely to happen in late autumn. The Council had no direct control over this and this made forecasting the budget quite challenging as this was a substantial sum. The Finance team continued to monitor communications from Government about the potential for reform, with

some changes having been introduced over recent years and this was set out in the report.

It was noted that current forecasts in the MTFP were cautious.

In respect of business rates, it was acknowledged that due to Covid-19, the Government had in effect been paying the rates for many businesses and the Council was reimbursed via a grant. This support had now fallen away. The business rates that go back to Government were used to support other authorities as part of the general funding levelling-up.

RESOLVED that the Executive

(i) Recommend to Council that the Medium-Term Financial Plan be adopted as the framework for the budget elements of service and financial planning for 2024/25 onwards.

Capital Investment Strategy

Councillor Lewanski, the Deputy Leader and Executive Member for Finance, Governance and Organisation explained that the report presented the latest version of the Council's Capital Investment Strategy.

None of the information in this report was new, but it did bring all aspects together to demonstrate that there was a plan to ensure that capital spending decisions took account of the authority's stewardship, value for money, prudence, sustainability, and affordability responsibilities.

This was particularly important in the current financial climate, especially in light of those authorities that were now finding themselves in financial difficulties due in part to not having sufficient control over their capital spending and borrowing commitments.

The report also included information about the significant assets that were in Council ownership, how they were used and how they were performing, as well as information about the new capital assets that the Council was investing in and how they were being funded.

These activities were supported by the work of the Partner, Shareholder and Trustee Sub-Committee and officer boards.

The next step would be to continue the work that was now in progress to confirm future capital investment plans as part of the service and financial planning process.

Members of Overview and Scrutiny Committee made no formal observations to the Executive on the Capital Investment Strategy, although there were several comments and questions, and these were published in an Addendum to the agenda.

The Chair of the Overview and Scrutiny Committee made the following comments:

- The report on Commercial Property Performance in 2022/23 that was submitted to the Partner, Shareholder and Trustee Executive Sub-Committee held prior to this meeting had helped to answer some of the detailed questions on property investment returns that the Overview and Scrutiny Committee had raised regarding Tables 1,2 and 3 in this report.
- The Committee had considered the current position regarding plans for Beech House and again this had been discussed at the Partner, Shareholder and Trustee Executive Sub-Committee.

- The Capital Programme did not yet include any significant investment in electric vehicles despite options being considered. There had also been discussion around the requirement for investment in refurbishing buildings to improve energy efficiency to support delivery of the approved Environment Sustainability Strategy, however allocations had not been made in the Capital Programme.

In response to the comments, it was explained that various options were being considered relating to vehicle replacement, including electric and hydrogen power. The Chair of the Overview and Scrutiny Committee was thanked for the Committee's comments.

A visiting member stated that Surrey County Council's (SCC) capital programme for refurbishing buildings to improve energy efficiency was funded through a combination of grants, loans and invest to save projects as well as using some of their own resources, and that there was a Green Finance Strategy had been adopted for this. It was questioned whether the Council could develop further the Capital Strategy for these environmental elements as it represented a gap in the Capital Investment Strategy currently.

In response the Leader explained that SCC may be further advanced than this Council currently. In respect of vehicles the Council was not going to scrap its current fleet as this had an environmental impact too; a replacement programme needed to be developed to ensure the Council was working towards the most suitable power solution.

The following responses were given to questions from members:

- The Council was not currently considering selling any assets.
- All Council vehicles were maintained and repaired by the Council itself, therefore training staff to maintain electric or hydrogen vehicles would be necessary. Charging points would have to be installed at the Depot. Domestic use of vehicles was not comparable to commercial use.
- The Council was exploring funding options for investment in environmental enhancements for Council-owned buildings, however the sum has not yet been confirmed.

RESOLVED – that the Executive:

- (i) **Recommend to Council that the Capital Investment Strategy be adopted as the framework for the Capital Programme elements of service and financial planning for 2024/25 onwards.**