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Corporate Management Committee

Thursday, 14 December 2023 at 7.30 pm

Council Chamber - Civic Centre

Supplementary Agenda

Report title	Medium-Term Financial Strategy 2023/24 – 2026/27
Report author	Amanda Fahey - Assistant Chief Executive (s151 Officer)
Department	-
Exempt?	No

Purpose of report:

To recommend to Full Council
To resolve

Synopsis of report:

To present a Medium-Term Financial Strategy (MTFS) for the period 2023/24 – 2026/27, providing a framework to deliver a sustainable financial position to enable the Council to achieve its strategic objectives and to support preparation of the 2024/25 Budget.

The report sets out a Medium-Term Financial Forecast (MTFF), which is produced for indicative planning purposes only, as detailed budget proposals, including Council Tax level, will be considered by this Committee in January, for recommendation to Full Council in February 2024.

The report also includes provisions for future growth and seeks approval from Members for several critical and non-critical growth items starting in 2024/25

Recommendations:

(i) To recommend the Medium-Term Financial Strategy to Council for approval;

(ii) To approve the growth items as set out in Appendix 4 for approval and inclusion in the budget for 2024/25 to be presented to the January Corporate Management Committee; and

(iii) To authorise the Head of Paid Service (Chief Executive) to enter into pay negotiations with staff and Union representatives within the total provision set out in this report

1. **Context and background of report**

1.1 The production of a Medium-Term Financial Strategy is an integral part of the financial planning cycle of the Council, building the framework in which financial decision-making is taken and setting out the context for detailed budget preparation.

1.2 The figures contained in this document are indicative at this stage. They are designed to highlight areas for consideration in the preparation of future forecasts and detailed budget setting and to set out the financial risks facing the Council. The assumptions contained in this report will not necessarily be the final ones used in the preparation of the 2024/25 budget, due in part to continued uncertainty caused by the current economic climate and the yet to be released provisional local government finance settlement.

1.3 This report includes sections covering:

- Economic context including the impact on the Council of announcements in the Chancellor's Autumn Statement
- Key areas of financial risk or uncertainty
- High level forecasts of revenue and capital spending, and associated reserves and funding

culminating in a recommended Financial Strategy.

1.4 It is inevitable in the current economic climate, and in light of the risk factors set out in the report, that there will be significant pressure on the Council's resources, as it seeks to find a balance between service delivery in support of its residents, businesses and local communities, and managing the pressures on its own budgets.

1.5 The report demonstrates the possibility that the Council's reserves will be severely depleted in the medium term if mitigating actions are not taken. The Strategy therefore sets out an approach to mitigate this risk, reducing the Council's reliance on reserves to balance its budget, and returning to a more sustainable financial model over time. This work is on-going and iterative in nature, responding to the ever-increasing pressures on local authority resources. It builds on the previously approved Strategy, and on the Approach to Financial Sustainability approved by Full Council in October 2023, expanding on the actions required to address the financial challenge.

2 Economic context

2.1 Local government has proved itself time and again as having the ability to adapt to its environment and face the challenges thrown at it by external circumstances.

2.2 Like many others, Runnymede responded to years of austerity and cutbacks in funding, by seeking new ways of raising income and reducing its reliance on central government funding, developing a more commercial outlook for its services and working in partnership with others to continue to deliver high quality services for its residents. This approach brings with it a balance of risk and reward that requires robust governance.

2.3 Throughout the Covid-19 pandemic and subsequent cost of living crisis, the Council has continued to be adaptable, supporting the local community and delivering direct support to residents and businesses, taking on additional responsibilities with the minimum of financial support.

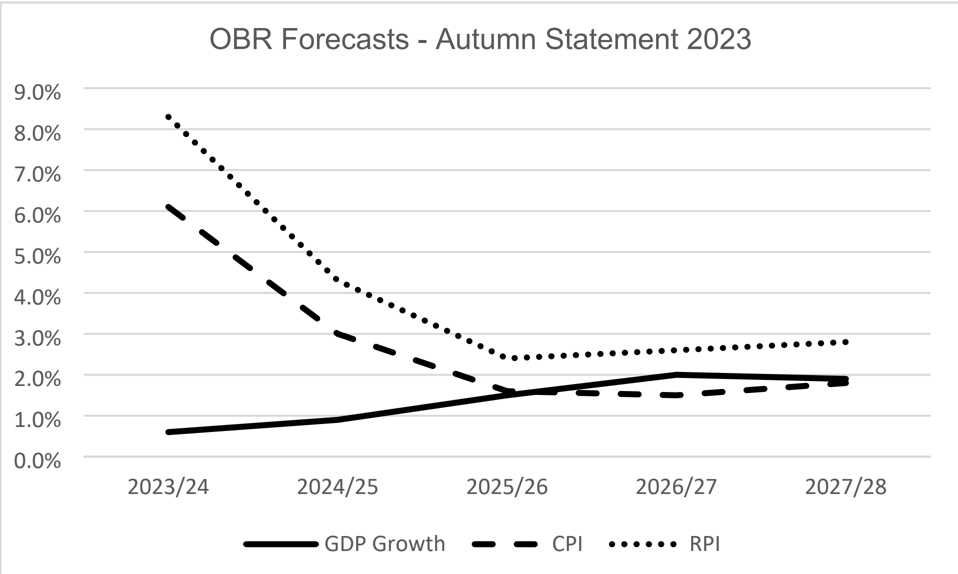
2.4 During these challenges, the Council has acted prudently, ensuring that it has sufficient reserves set aside to respond to external stimuli and future shocks to the system. One such item is the ongoing effects of inflation which affects the Council just as much as the residents and businesses it supports.

3 Government Response – Autumn Statement

3.1 The Chancellor of the Exchequer presented his 2023 Autumn Statement to Parliament on 22 November 2023, following which the Office for Budget Responsibility (OBR) published updated forecasts for the UK's economic and fiscal outlook. After a period of weak economic growth since early 2022, high inflation and rising interest rates have constricted household budgets and both consumer and business spending. The OBR forecast that the economy would grow more slowly than anticipated in its previous forecasts and that inflation would be more persistent and driven domestically. This inflation would improve the outlook for the UK's finances, boosting tax revenues by more than the expected increases in public spending. The OBR forecasts for growth and inflation (CPI and RPI) are shown in the following table:

Autumn Statement 2023

Forecast	2023/24	2024/25	2025/26	2026/27	2027/28
GDP Growth	0.6%	0.9%	1.5%	2.0%	1.9%
CPI	6.1%	3.0%	1.6%	1.5%	1.8%
RPI	8.3%	4.3%	2.4%	2.6%	2.8%



3.2 The Chancellor stated that the OBR's forecast showed that economic priorities (to halve inflation, grow the economy and reduce debt), were being met.

3.3 Measures in the Statement included cutting the rate of Class 1 National Insurance Contributions paid by employees from 12% - 10%, and the main rate of Class 4 NICs paid by the self-employed from 9% - 8%, from 6 January 2024. Temporary changes to capital allowances, which allow companies to deduct spending on new machinery and equipment from profits, were made permanent. The current 75% business rates relief for eligible retail, hospitality and leisure properties was extended for a further year, and the small business rates multiplier was frozen for a fourth consecutive year at 49.9p, while the standard multiplier will be uprated by September CPI to 54.6p. Tax relief for Freeports and the programme of Investment Zones were extended, and a package of welfare reforms was introduced designed to increase employment

3.4 Local Housing Allowance (LHA) rates, which are used to calculate housing benefit for tenants renting from private landlords, will be increased; accelerated planning decision dates of major developments in England will be guaranteed for a fee; and the National Living Wage (NLW) is to be increased from £10.42 per hour to £11.44 from Aprill 2024, applying to those aged 21 or over (previously 23).

3.5 While the Statement provides for some growth and tax cuts, the increased cost of servicing the Government's debt puts pressure on public finances and the availability of funding for local government. Planned departmental resource spending for the years beyond the current Spending Review period (2025/26 to 2028/29) will continue to grow at 1% a year on average in real terms, excluding the funding provided to local authorities in 2024-25 as part of the one-year Retail, Hospitality, and Leisure relief scheme. Departmental capital spending will follow the cash profile agreed in the Spring Budget 2023, with new commitments funded in addition to this, including further support for levelling up programmes and business access to finance.

3.6 There will be further support for the Local Authority Housing Fund, to provide units to house Afghan refugees and ease wider housing and homelessness pressures, an extension of "Thank you" payments for those who have opened their homes up to those fleeing the war in Ukraine, and additional homelessness prevention funding.

3.7 The preceding paragraphs provide a snapshot of measures contained in the Autumn Statement. The Council's employees will benefit from the changes to National Insurance contributions and the uplift in the NLW. Local businesses and the local economy may benefit from the changes to business rates, with the Council itself being fully compensated for the lost income those changes will drive. Changes to the LHA rate, and other housing measures including the additional funding for homelessness prevention, should provide some much welcome support to those struggling with housing costs and relieve some of the financial burden on Councils. Nevertheless, the financial picture for local authorities remains challenging, due to rising costs and demand for services and in the absence of any longer-term certainty over funding, which the sector has been calling for over a number of years.

4 Government Response – Capital Financing Risk and the Levelling Up and Regeneration Act 2023

4.1 The framework for capital financing has shifted considerably over past decades, moving from a system prior to 2004, where local authority borrowing for capital expenditure had been tightly controlled, with the Government annually issuing each authority with a basic credit approval and setting a rigid upper limit to an authority's use of borrowing and other long-term credit, to the current system, known as the Prudential Framework (the Framework), whereby local authorities were given wide freedoms to borrow and invest without the need to seek prior approval from the Government.

4.2 The Framework is based on principles rather than being a prescriptive rules-based system. It places a degree of reliance on local authorities to comply with the intent and spirit of the Framework and the principles of prudence, affordability, proportionality and sustainability. The Framework comprises underlying legislation (s1 & 12 Local Government Act 2003), which local authorities must **adhere to**, and four statutory codes (Prudential Code, Treasury Management Code, Guidance on Local Authority Investments, Guidance on Minimum Revenue Provision) which they must have **regard to.**

4.3 The Codes referred to have undergone tightening over recent years following concerns that some authorities had taken on excessive debt in pursuit of commercial income and had pursued investment strategies that placed taxpayers' money at undue risk. Disproportionate levels of debts, lack of skills and experience and the increasing complexity of capital transactions were all identified as risks and potential contributory factors in cases of local authority failure, as were issues around governance and risk management.

4.4 In November 2020, the Government made changes to the operation of the Public Works Loan Board (PWLB), which prevented local authorities from accessing PWLB borrowing if they were planning on undertaking investments primarily for yield and in July 2021 the government published a policy paper setting out its planned approach to the strengthening the capital finance system. The latest part of this plan, came in the form of the Capital Risk Management section included in the Levelling Up and Regeneration Act 2023, which came onto force at the end of October 2023.

4.5 The Capital Risk Management section expands the Government's statutory powers to directly tackle perceived excessive risk-taking within the local government capital system. This seeks to safeguard the Prudential Framework and its principle of local decision making and accountability, by providing the means to address directly instances of problematic practices rather than using systemic reform that affects all authorities. A local authority comes into scope of the new powers where a 'trigger point' is breached with respect to risk metrics, set out as in the Act.

4.6 The specific methods of calculation of these metrics will be set out in regulations, to ensure that the metrics can be amended in a timely way to respond to changes in local government risk, incorporate new/more appropriate data or otherwise be adapted as needed to remain optimally effective. The four metrics in the Act are:

- The total of a local authority's debt (including credit arrangements) as compared to the financial resources at the disposal of the authority
- The proportion of the total of a local authority's capital assets which is investments made, or held, wholly or mainly in order to generate financial return
- The proportion of the total of a local authority's debt (including credit arrangements) in relation to which the counterparty is not central government or a local authority
- The amount of minimum revenue provision charged by a local authority to a revenue account for a financial year

While the exact method of determining these triggers and thresholds is yet to be confirmed, it is certain that the Council will meet one or more of them and therefore be subject to some consideration by Government.

4.7 The Council is confident that it has robust financial risk measures in place and strong governance arrangements. Nevertheless, it must consider what effect this new legislation and the new metrics may have and build this into its future financial plans. Significant work has already taken place in this area, with an action plan for governance improvements having been set out, in consultation with Cipfa, which are now included in the updated Strategy actions in Appendix 5. As noted, the Council has a robust system of governance and risk management in place and constantly strives to adopt best practice in the management of its financial affairs. While debt levels are high, the Council provides for servicing of this debt and its repayment and maintains robust management of its commercial property portfolio. Income from these investments has supported local regeneration and allowed the Council to maintain services to the public, due to the net contribution these assets make to the Council's budget. However, it is incumbent on the Council to consider the value of its asset base on an on-going basis, as set out in its Asset Management Strategy and to consider divestment of assets when appropriate.

4.8 In light of the measures contained within the Act, and the existing pressures on the Council's revenue budget due to rising costs and levels of demand, the MTFF does not include borrowing costs for any major new borrowing for capital purposes. The unaffordability, given the projected budget gap, of further borrowing, severely constrains the Capital Programme moving forward, particularly in light of the scarcity of other capital resources and the limited ability for the Council to generate capital receipts through the sale of assets. This is discussed in more detail in section 7.

5 Medium-Term Financial Strategy Review – key risks

5.1 This section of the report sets out the key areas that have been considered when reviewing the financial strategy.

Inflation

5.2 Every year the Council makes allowances in its budget calculations for inflation and while additional inflationary effects were built into the base budget in 2023/24, the record-high levels of inflation, and in particular, spiralling energy costs, has meant that further, above average, uplifts are required. The tables below show the indicative percentages used in the forecasting and the resultant cost pressure on the Council's budget.

	----------- Inflation -----------				
	2024/25	2025/26	2026/27	2027/28	2028/29
Pay - Inflation	2.75%	2.25%	2.00%	2.00%	2.00%
Pay - Incremental progression	1.50%	1.00%	0.75%	0.50%	0.50%
Prices - General	5.00%	2.00%	2.00%	2.00%	2.00%
Prices - Taxation	6.70%	2.00%	2.00%	2.00%	2.00%
Prices - Energy	10.00%	5.00%	3.00%	3.00%	3.00%
Prices - Fuel	10.00%	5.00%	3.00%	3.00%	3.00%

	----------- Inflation -----------				
	2024/25	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000	£000
Pay - Inflation	463	543	484	480	488
Pay - Incremental progression	352	238	180	121	122
Premises	317	122	125	127	130
Energy	77	43	27	28	28
Transport & Fuel	87	42	34	35	36
Supplies & Services	310	130	133	135	138
Other	99	42	42	43	44
	1,705	1,160	1,025	969	986
Income inflation	(331)	(139)	(142)	(145)	(148)
Net inflation	1,374	1,021	883	824	838
Cumulative effect	1,374	2,395	3,278	4,102	4,940

5.3 The tables above include assumptions about pay inflation. Since moving to locally based pay settlements, Runnymede has endeavoured to provide its staff with a package of rewards that support the recruitment and retention of talented staff, in accordance with its Organisational Development Strategy, which forms part of the Corporate Business Plan. The annual pay award is just one part of the way the Council supports its staff and aims to take account of both the general cost of living and its impact on individuals, but also the affordability of the pay award in the context of the Council's overall financial position.

5.4 In 2023/24, the Council increased its pay award from 2% to 3%, whilst also providing a one-off lump sum to support staff during the peak of cost of living and in particular, energy price, increases. Those at the bottom end of the pay scale were also brought in line with the above inflation increase to the NLW implemented in April 2023.

5.5 As part of its pay award deliberations for 2024/25, the Council is again planning for the impact of the increase to the NLW, which is set to rise from £10.42 p/hr to £11.44 p/hr from April 2024 (for over 21s). The Council provides this same minimum to all its directly employed staff and will be looking at remodelling its pay scale to ensure no-one falls below this level. The cost of this remodelling is estimated to be some £63,000 and this is expected to be met from the overall provision included in the MTFF.

5.6 Once the NLW adjustment has been made, the balance of the provision, set at 2.75% in 2024/25 and 2.25% in 2025/26 before dropping back to its historical level of 2% a year, is intended to cover the pay award to be made in July, following the usual consultation process with Unison. It should not be taken as a set percentage to be awarded, simply as an indicative envelope for the cost of the pay award once agreed. Options are being worked up for consideration and authority is sought for the Chief Executive to commence discussions with Unison within the financial provision set out in the report.

Government Funding

5.7 On 5 December 2023, the Secretary of State for Levelling Up, Housing and Communities, Rt Hon Michael Gove MP, issued a written ministerial statement outlining the Government's intended proposals for the Local Government Finance Settlement for 2024/25. The statement sets out that councils will see, on average, an above inflation increase in their core spending power. A funding guarantee will be provided, on the same terms as last year, meaning that every council will see at least a 3% increase in core spending power before accounting for any local decisions on council tax levels. Core spending power tables normally build in assumptions of council tax increases, towards the maximum permissible levels before triggering a referendum, in addition to assumptions about tax base growth, the latter is assumed to still be baked into the calculation before the funding guarantee is calculated and may not reflect the actual tax base growth experienced.

5.8 While the longer-term future of New Homes Bonus remains uncertain, the statement also confirms a further year of the scheme for 2024/25, maintaining the 2023/24 approach but with potential changes to the distribution methodology, alongside a reduction of the Services Grant introduced in 2022/23 and an increase to Revenue Support Grant by CPI. However, these elements are all expected to feed into the calculation for the minimum funding guarantee, so increases or decreases in these individual funding streams are then negated.

5.9 Consultation on the proposals will commence from issue of the provisional Local Government Finance Settlement expected week commencing 18th December and any changes to the estimates included in this report will be updated for the final budget report in January/February 2024.

5.10 The statement confirmed that this final year of the current spending review period is a time for stability and continuity for local government, and so the Government would not be pursuing any fundamental reforms to the system. This means that the Fair

Funding Review, or “review of relative needs and resources,” which is intended to address wider issues of the fair distribution of funding between local authorities, will not proceed in the near future. Nevertheless, the Council should be aware of the risk that funding redistribution may bring and should plan for reduced resources in the future. Councils need confirmation on these reforms, and how resources will be allocated between Councils in the future, in order to support longer-term sustainable financial planning.

Council Tax

5.11 The ministerial statement confirmed the proposed Council Tax referendum limits as 3% or £5, whichever is higher, for Shire Districts such as Runnymede, in line with 2023/24 principles. The MTFF assumes that the Council will increase its proportion of the Council Tax by the maximum permissible within the anticipated Referendum levels i.e., 2.99% and this has been applied throughout the life of the forecast.

5.12 Applying the maximum uplift to Runnymede’s existing Band D amount of £184.92, would see an increase of £5.53, taking the charge to £190.45. Using the existing tax base of 34,864.6, this would provide additional income to the Council in 2024/25 of £192,801.

5.13 An increase of £5.53 per annum equates to approximately 10p per week for a Band D taxpayer but is only a proportion of the total tax paid once the County Council and Police precepts are added. Referendum principles for the County Council will be 3% for core precept and 2% for adult social care, with a maximum of £13 being proposed for police authorities.

5.14 Those needing help with their Council Tax bills are supported by the Localised Council Tax Support Scheme for 2024/25, which was considered at a meeting of the Full Council earlier in December.

5.15 During difficult economic times, Councils may consider supporting their residents by not increasing the level of Council Tax by the maximum permissible or by freezing it at previous levels. While this may support taxpayers in the short term it has a cumulative effect on resources for the Council, limiting its ability to fund services in the future. It should be noted that Runnymede Borough Council’s Council Tax level remains the lowest of all Districts and Boroughs in Surrey.

5.16 The Council is also required to set its Council Tax base for the year ahead by 31st January, taking account of any growth in numbers of chargeable dwellings, the level of discounts and exemptions and the effect of the Council Tax Support Scheme. A separate report to the Committee on its December agenda, sets out the detail of this calculation and proposes a revised tax base of 35,495.8. At current year tax levels, this would provide additional income of £116,722. As noted elsewhere in this report, assumptions about tax base growth are included in the Government’s core spending power calculations.

5.17 By 15th January each year, the Council must also estimate any surplus or deficit on the Council Tax Collection Fund and pay out that surplus to precepting bodies (Surrey County Council, Surrey Police & Crime Commissioner, Runnymede Borough Council) or recoup any deficit owed. As reported separately to this Committee, the current projection is a forecast surplus of £415,400, with Runnymede’s share being £35,390.

Business Rates

5.18 The Business Rates Retention Scheme is both complex to administer and to account for. Income for any one year takes more than a year to flow through into the Council's general fund, commencing with estimates made in January for the year ahead, alongside the receipt in advance of government grants to cover various mandatory reliefs, followed by an estimate of the outturn for that year in the following January and finally, an outturn statement in May. Much like Council Tax, the Council collects all of the Business Rates on behalf of the Government, the County Council and itself, and distributes shares to and from the Collection Fund as appropriate.

5.19 The Council only keeps a proportion of the business rates it collects (40%) which is then reduced further by payment of a tariff to Government, which is redistributed across the sector in line with baseline needs. The Council may keep 50% of any growth it generates in the income it collects, above a pre-set baseline and has chosen to take advantage of pooling arrangements with other local authorities to increase this proportion in 2024/25.

5.20 There are significant risks facing the Council in respect of its business rates income over the medium term from both the economic climate and from potential changes to the Scheme itself. The Government have announced further rates support packages for some business in 2024/25 but there remains a risk of increasing bad debt. The Council will be compensated for under-indexation of the business rates multiplier and for the application of the extended reliefs for businesses in 2024/25.

5.21 The key risk moving forward is the reset of the baselines for measuring growth. Once these are reset to a new baseline, all historic levels of growth are erased, and the Council will only be able to keep any growth above a new, higher baseline. This also negates any advantage from the business rates pooling system in a reset year as growth above the new baseline is likely to be minimal. The current forecast assumes this reset will take place in 2025/26 but this could easily slip back in the forecast. While further delays may improve the forecast in the short-term and allow the Council additional time to prepare for this funding change, this likely funding reduction should not be overlooked.

Commercial income

5.22 The Council has an investment property portfolio of some £539.5m (valuation as at 31 March 2023), which is generating gross income of around £27.4m and net income of £7.9m in the current year.

	2022/23 Actual £'000	**2023/24 Probable £'000**	**2024/25 Estimate £'000**	**2025/26 Estimate £'000**
Gross Income	28,408	27,442	27,437	27,611
Less: Provision for bad debts	(2,296)	(1,372)	(1,372)	(1,381)
Less: Direct expenditure	(2,200)	(3,160)	(2,972)	(2,800)
Less: Interest borrowing costs	(11,274)	(11,138)	(11,487)	(11,872)
Less: Minimum Revenue Provision (MRP)	(3,752)	(3,882)	(4,084)	(4,293)
Net Contribution to the Council	**8,886**	**7,889**	**7,522**	**7,265**

5.23 Reserves are set aside to support the continuation of this major income stream, to maintain its commercial properties in a lettable condition and to make provision for known lease events such as break clauses, or the offering of rent-free periods to attract new tenants. Budget estimates for commercial income are also reduced by making allowance for doubtful debts in order to mitigate the risk of over-reliance of this key income stream.

Treasury Management

5.24 The Council will bring forward an updated Treasury Management Strategy for consideration in January before recommendation to full Council in February, alongside its Capital & Investment Strategy. These strategies will go into more detail on the planned Capital Expenditure and borrowing and investment strategies. The medium-term financial forecast shows that the Council is benefitting from additional income due to higher levels of return on its cash investments in the current climate, but it should be noted that this potentially temporary increase, while supporting current budgetary pressures, does not address the underlying budget deficit.

5.25 At the end of November 2023, the Council had outstanding debt of £627.9m, split £527.9m in the General Fund and £100m in the HRA.

5.26 The cost of carrying debt incudes both the annual interest payments and the requirement to set aside a provision each year to build up funds to repay the debt when due (MRP). The Council's existing borrowing has all been at fixed interest rates, so it is protected from the current hikes in rates. The Council's average borrowing rate is 2.36% for General Fund borrowing, (2.52% when including the Housing Revenue Account), including both short- and longer-term maturities, up to 50 years. For comparison, current rates from the Public Works Loan Board as at 24th November 2023 were:

35 years	5.66%
40 years	5.61%
50 years	5.48%

5.27 The Council needs to ensure that it can continue to meet the cost of existing borrowing and that any new borrowing is appropriate, prudent and affordable. This will be particularly important when assessing the future Capital Programme, as the opportunity for capital receipts is limited and the Council must not overextend its borrowing position without the confidence that it can support the expected interest and repayment costs.

Regulatory Change

5.28 The Council adapts to meet the changing regulatory regime such as the tightening of investment guidance and the Prudential Framework for Capital Finance, as mentioned under section 4 of this report. The Levelling-Up and Regeneration Act 2023 touches on a number of areas such as Planning, Infrastructure Levy, compulsory purchase of land and more, in addition to the section on Capital Risk Management already referred to, each having an impact on the use of resources available to the Council.

5.29 Other forthcoming changes are expected around waste collection practices, although the implementation of fees payable to local authorities for Extended Producer Responsibility, (legislation that will replace the current Packaging Waste Regulations with a requirement for producers to pay the full costs of dealing with the waste they produce), has been delayed.

6 Medium-Term Financial Forecast – Revenue

6.1 The Medium-Term Financial Forecast set out at Appendix 1 takes the last reported forecast and updates it for known variances that have occurred, including;

- planned underspends, where expenditure expected to be incurred during 2022/23 has been carried forward to the current year.
- variations to budgets following supplementary estimates approved by Committee or through the use of the urgency process under Standing Order 42
- the anticipated effect of inflation, interest rates and government funding
- unavoidable variations such as the loss of income resulting from the government-mandated centralisation of an element of fee producing Local Land Charges work.

6.2 The forecast shows an anticipated £1.672m draw on working balances in the current year; a £2.258m reduction from the position originally estimated. This is due to;

- variations to service budgets as noted in paragraph 6.1 which include a variety of pressures and savings including a notable projected underspend against salary budgets.
- increased income from treasury management activity due to rising interest rates
- the decision to delay taking out new loans to replace loans maturing in the year and instead using internal cashflows as a temporary measure in the expectation that borrowing rates fall in the near future.

6.3 It should be noted that given the complexity of the Business Rates Retention Scheme and the high value of related cash flows, final outturn figures for business rates can be subject to significant change. The estimated outturn figures for 2023/24, which unwind in 2024/25, and the budget position for 2024/25 business rates income, will be subject to completion of the NNDR1 return, due by the end of January. The Council previously set up a Business Rates Equalisation Reserve to smooth fluctuations in business rates income to the Council, providing some risk mitigation through the ability to draw down funding to manage the large swings in income that can occur through the operation of this Scheme.

6.4 Government funding has been updated to reflect the ministerial statement of 5 December with a gradual falling away of core funding over the lifetime of the forecast.

6.5 The overall forecast shows a balanced position for 2024/25, due to increases in anticipated Business Rates income (subject to the completion of the NNDR1), additional Council Tax income, and the introduction of savings that broadly offset the anticipated net inflation costs in the year. The £1.36m of savings and efficiencies reflected in the forecast stem from two sources. The first has been a budget challenge exercise to budget managers to reduce non-contractual, non-staffing budgets, while the other reflects the on-going underspend that occurs against the Council's salary estimates.

6.6 As agreed in the previous Strategy, a review of long-term vacant posts and a realignment of budgets to a refreshed establishment list is being undertaken to deliver this reduction in budget provision and better reflect the actual staffing position in the authority. It is not intended to reflect any reduction in staffing resource.

6.7 These two areas of reduction are the only savings embedded into the forecast at this time. The MTFS sets out the process, building on that which has been agreed to date, for identifying and realising further savings to reduce the anticipated budget gap, which builds beyond 24/25 with the inclusion of inflation and other cost pressures. This is a deliberate strategy to ensure that speculative savings targets are not included in the forecast but are only counted once benefits are more certain to be realised.

6.8 A combination of inflation, changes to expected business rate income due to the national baseline reset, future reductions in interest rates leading to lower interest received on investments and increasing provision for repayment of debt (based on current planned activity) add significant pressures to the following year's budget, partly offset by an increase to anticipated commercial property income. These changes see the underlying budget deficit move up to £4.3m by 2025/26. Similarly, additional inflation, funding changes, reduction in interest receipts and rising capital costs drive an increase in the budget gap to £7m in 2026/27. This is the comparable period (current year plus 3) that has been used in previous forecasts.

6.9 Without additional savings being realised, this would see £13m being drawn down from working balances to support service provision over this period, resulting in a balance of £7.2m by the end of 2026/27. This balance is comfortably £2.2m above the increased £5m minimum target for the working balance set in the last Strategy (increased from £3m to £5m for 2023/24) and accords with the Government's request (set out in the ministerial statement of 5 December) for authorities to consider how they can use their resources to maintain services over this and the next financial year to meet immediate pressures in the system.

6.10 This year, the forecast shown at Appendix 1 has been extended to include a further two years, taking the forecast out to 2028/29. While estimates become more difficult to establish for these future years, extending the forecast period provides additional context for decision-making by demonstrating the longer-term impact of existing and upcoming pressures and risks and emphasises the need to deliver savings in the nearer term. It is clearly unsustainable to continue to rely on balances to support on-going service delivery as this would see those balances entirely depleted during 2027/28 without corrective action being taken.

6.11 In a further change to previous practice, the forecast now includes not only the projections of growth being put forward as part of the current budget process but also shows a provision for future years' budgetary growth and in-year supplementary estimates. Again, this is to demonstrate the effect of these potential increases and should not be taken as an assumption that this growth will be forthcoming or is approved. This growth is assumed to be on-going in nature hence the cumulative effect of the figures in the summary. The issue of future growth is considered further in the scenarios contained Appendix 2 and again in the Strategy actions set out in Appendix 5.

Growth bids

6.12 The forecast includes a line for growth bids to be approved in January 2024 which includes the following items:

		Revenue				
Business-Critical Revenue growth		**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
Service Area	**Business case Title**	**£**	**£**	**£**	**£**	**£**
Digital Services	SIEM upgrade to SaaS	15,000	15,000	15,000	15,000	15,000
Digital Services	WAN replacement of Unicorn lines	4,000	-1,000	-1,000	-1,000	-1,000
Digital Services	VOIP for remote sites	5,000	-	-	-	-
Digital Services	UCS replacement	5,000	5,000	5,000	5,000	5,000
Digital Services	SAN replacement	3,000	3,000	3,000	3,000	3,000
Digital Services	Gazetteer software replacement	6,000	6,000	6,000	6,000	6,000
		38,000	**28,000**	**28,000**	**28,000**	**28,000**

Other Revenue growth		Revenue 24/25	25/26	26/27	27/28	27/28
Service Area	**Business Case Title**	**£**	**£**	**£**	**£**	**£**
Climate change	Climate change pump prime fund	100,000	100,000	100,000		
Assets & Regeneration	Asset Management software	32,000	28,000	28,000	33,000	33,000
Environmental Services	Additional budget for tree works	45,000	45,000	-	-	-
		177,000	**173,000**	**128,000**	**33,000**	**33,000**

Revenue costs of Business-Critical Capital Projects		Revenue 24/25	25/26	26/27	27/28	27/28
Service Area	**Business Case Title**	**£**	**£**	**£**	**£**	**£**
Digital Services/ Finance	Replacement Finance system	56,000	56,000	56,000	56,000	56,000
Digital Services	Telephony development	-	-	-	-	-
		56,000	**56,000**	**56,000**	**56,000**	**56,000**

TOTAL REVENUE GROWTH	271,000	257,000	212,000	117,000	117,000

6.13 A rigorous challenge process was applied to all growth bids for 2024/25 to ensure only essential or priority growth bids were included in the process. Officers were challenged on costs, timing and the criticality of the bid to service delivery alongside contribution to the achievement of Council objectives.

6.14 The first 6 items all relate to the provision of Digital Services with increasing revenue costs to the changing model of provision moving to cloud based and operating as Software as a Service (SaaS). None of these items have any related capital budget pressures as they either have no related capital costs or any capital spend is contained within existing provisions in the capital programme. All 6 items are designated as business critical as essential to the running of services, business continuity and cyber security.

6.15 The next 3 items of growth proposed for inclusion in the 2024/25 budget are not deemed business critical but nevertheless contribute significantly to service delivery or corporate aims. The first of these items is £100,000 per annum over the next three years to provide revenue funding for climate change initiatives. While there is a limited pot of capital funding in the current capital programme, there has not previously been any funds set aside in the revenue budget to kickstart projects to support the Council's climate change activity. The second item is for budget to cover anticipated increase in software costs for the Council's asset management system, which is critical to the smooth running of both commercial and operational buildings and their repair and management. The final item in this section is related to additional spend to manage reactive tree maintenance such as oak processionary moth and ash die back and other conditions, to maintain the Council's trees and ensure Health and Safety works are identified.

6.16 The final item is in regard to business-critical growth related to a capital provision i.e., the provision of a new finance system. It is anticipated that implementation of a new system will have revenue consequences for hosting, licencing, support and maintenance.

6.17 Additional detail on all of the proposed growth bids for 2024/25 are set out at Appendix 4, where further commentary was felt appropriate to aid consideration.

6.18 Two further growth items will come forward in 2024/25 for inclusion in the future work programme for the following reasons :

Web streaming of Council meetings: to align with the refresh of Council Chamber audio/visual equipment in 2025/26 to ensure efficiencies in procurement and approach to works.

Review of Parking arrangements around schools: to review budget implications once additional data is available via ANPR and new parking machines to enable an informed decision on the way forward to be taken. This fulfils the recommendation from the September meeting of the Environment and Sustainability Committee for this matter to be considered as part of the budget-setting exercise and consideration of budget growth and aligns with the financial strategy actions set out in Appendix 5, to ensure decisions are based on accurate cost data.

6.19 In the past, officers have requested a decision in principle at this stage, with the budget only to be released on production for a more detailed report to the relevant committee at a future date. In order to streamline the process, officers are recommending that these growth items are approved as part of this MTFS report and incorporated into the budget report to be presented to the Corporate Management Committee in January and subsequently Full Council in February. Business cases for these growth items have been shared with Members as background documents and only if the figures or schemes change substantially from those set out in the business cases will they then require further approval beyond the budget report.

Alternative scenarios

6.20 The forecast is of course an estimate at a point in time and will inevitably flex and change over time as risks and opportunities materialise, savings are realised, and better data becomes available. It may well include assumptions that are proven to be too pessimistic or too optimistic, for example in respect of future income streams and changes to the national funding system. It will also change as actions set out in the Strategy are applied.

6.21 Appendix 2 therefore sets out 2 alternative scenarios (scenarios 2 and 3), building on the base forecast data detailed above (scenario 1).

6.22 **Scenario 2** takes the bottom line of the initial forecast and provides a more optimistic assumption around funding by reducing the level of anticipated reduction in core government funding and moving the business rates reset back to 2026/27.

6.23 In addition, it removes the in-year and future budgetary growth provisions from the forecast. As part of the savings and efficiencies programme it is proposed that a moratorium on in-year growth is imposed, so that growth is only considered for approval where;

- it is unavoidable e.g. through contractual costs, following a procurement exercise, or for health and safety reasons, and
- is to be met, wherever possible, through corresponding savings elsewhere (i.e. through a budget virement rather than a supplementary estimate).

6.24 Amending these factors in the forecast would reduce the budget deficit to less than £5.8m by 2026/27 with revenue balances standing at £10.9m, significantly above the recommended minimum threshold. Without corrective action, balances would fall below the minimum threshold in 2026/27 and fall away completely during 2028/29. However, this is without factoring in the savings and efficiencies to be found under the Service Review programme or other savings, efficiencies and income generation measures.

6.25 **Scenario 3** takes a more pessimistic view by building in;

- provision for the cost of additional borrowing
- an additional 0.5% inflation for 2024/25 & 2025/26 (excluding energy, fuel and taxation)
- an assumption that funding reductions will be steeper
- that income assumptions may be overstated due to the economic climate

6.26 As stated elsewhere in the report, there has been no assumptions anywhere in the forecast that new borrowing will be undertaken for new capital projects. However, there is a risk that the Council will need to fund existing schemes that were expected to be supported from capital receipts if these receipts fail to materialise. Additional capital schemes may also emerge, particularly following the condition surveys that have been commissioned for the Council's operational assets or to support decarbonisation plan for example. The Council's ability to borrow may in any case be constrained by actions stemming from the new Capital Risk metrics set out in section 4 but these forecasts demonstrate the practical constraint of affordability. The figures in Scenario 2 are based on additional borrowing of £5m in 2024/25, long-term (50 years at 5.5% fixed, with straight line repayment. This means that each £5m borrowed would have to generate an additional £350k of income, or achieve £350k in annual savings, to cover its costs.

6.27 Under this scenario, the budget deficit is increased to £8.6m by the close of 2026/27 with revenue balances standing at £3.7m, some £1.3m below the recommended minimum threshold. Without corrective action, balances would fall away completely early in 2027/28. Again, this is without factoring in any savings and efficiencies to be found under the Service Review programme or other savings, efficiencies and income generation measures

6.28 While the forecast will be refined throughout the budget setting process, it is clear that the Council needs to take action to improve resilience and significantly reduce its reliance on reserves to cover the shortfall in the General Fund. This message is no different to that given in last year's Strategy or in all recent financial monitoring reports. The Council has made good in-roads into identifying and delivering savings over the past year, which have been built into the adjusted base budget or within the Efficiencies and Revenue reduction line on the General Fund Summary. This has meant that the inflation pressures expected in 2024/25 have been almost entirely offset. Nevertheless, other pressures continue to grow and therefore it is essential to continue on the path to overall budget reductions, in a measured approach, first identifying the areas for consideration, then ensuring appropriate governance and assurance over the realisation of savings and income generation can be provided, before reducing the budgets. In this way, the savings should prove realistic and sustainable.

Threshold for Working Balance

6.29 Last year, the minimum threshold for the level of working balance to hold over the medium term was reviewed and increased from £3m to £5m, taking account of the following risks:

	£'000
Provision for shortfall in major income budgets	1,200
Provision for uninsured risks	200
Emergencies:	
Cost of major incident	100
Business contingencies (disaster recovery)	250
Planning appeals and enquiries	150
Potential additional service expenditure:	
Pressure on Homelessness budget	200
Additional cost-of-living support measures	200
Corporate property - holding costs of void properties	1,200
Support for Leisure Provision in the face of rising costs	500
Other supplementary estimates in year	500
Additional 2% cost inflation	500
	5,000

6.30 Broadly these risks are still pertinent but will be reviewed again as part of the final budget report, to ensure any new, emerging risks are adequately covered. For example, the changes in the Levelling Up and Regeneration Act 2023 in respect of the timescales for review of Local Plans, may see pressures on budgets required to deliver this extensive piece of work potentially over a shorter time period.

7 Medium-Term Financial Forecast - Capital

7.1 The Council's Capital Programme will be set out alongside its Capital & Investment Strategy, for consideration by this Committee in January. It will need to take account of any regulatory change, as set out in section 4 of this report, and the affordability of schemes. As noted previously, the Revenue account is under pressure and the viability of capital spending will be constrained by the amount of costs falling to the revenue account, whether from directly attributable costs such as licences, software or staffing requirements, or through the need to support additional borrowing.

7.2 Capital spending can be funded through a variety of sources including external contributions, e.g. grants, contributions from Developers, Community Infrastructure levy, contributions from its revenue account and capital receipts. Any shortfall is known as the capital financing requirement and can be supported by borrowing.

7.3 As borrowing is subject to an ever-tightening regulatory regime, it is imperative that the Council maximises the opportunities for other sources of funding.

7.4 Appendix 3 shows the reprofiled capital programme, and current funding method along with the proposed capital receipts already included to support the existing programme. The financing of the Capital Programme remains heavily reliant on income from the sale of development properties. Should sales activity not be forthcoming over the next year, it will be necessary to further delay some capital schemes or find alternative methods of funding them to avoid receipts falling below the £2m minimum balance approved by Full Council in February 2023.

7.5 These tables demonstrate the dwindling level of resources available to support the capital programme, despite annual contributions to both of the repair and renewal reserves. With potential restrictions on borrowing, and the unaffordability of additional borrowing in the general fund, the generation of new capital receipts becomes an essential part of future capital planning.

7.6 The following variations to capital schemes have been included in the programme following submission of growth bids for 2024/25.

		Capital				
Business Critical Capital Projects		**24/25**	**25/26**	**26/27**	**27/28**	**Impact on Capital Budget**
Service Area	**Business Case Title**	**£**	**£**	**£**	**£**	
Digital Services/ Finance	Replacement Finance system	375,000	275,000	20,000	20,000	190,000
Digital Services	Telephony development	20,000				-180,000
		395,000	**275,000**	**20,000**	**20,000**	

7.7 Both of these projects were previously within the programme but have been adjusted as per the table above. Updated market intelligence regarding a replacement finance system has led to an increase in the expected capital costs which now include sums for project management resource in years 1 and 2 given the high importance of this system to ensuring good management of the Council's finances. Also now included is a modest sum for annual upgrades and additional modules.

7.8 Previously a provision had been included in the capital programme for £200,000 for telephony and call centre contract replacement. Work has been done to revisit this proposal and significantly reduce the expected costs in 2024/25 by providing a lower budget for existing hardware upgrades only and deferring any non-essential enhancements.

8 Strategic Response

8.1 In October 2022, the Council approved its Corporate Business Plan, setting out its priorities and the way it will work over the period to 2026. This is supported by a detailed action plan spanning the life of the Plan, annual Service Area Plans and through the work of Committees, Member Working Parties and the newly formed Property and Assets Task Force.

8.2 This work is supported by a range of cross-service officer working groups, bringing together the right people from across the organisation, to drive a consistent and collaborative approach to delivery of the strategic aims of the organisation.

8.3 In order to do this, the Council must have regard to its overall financial sustainability, reducing its reliance on reserves to close its revenue budget gap and creating capacity for capital funding. The Council must respond to the external stimuli such as the current economic climate and the perception of risk within the Local Government Sector and the response of regulatory bodies to that perceived risk.

8.4 Thinking differently about how it delivers its strategic aims, including future regeneration and housing plans, will be a key part of its response, in addition to improved governance of its assets, through the Asset Management Strategy and the Property and Assets Task Force, to ensure that its property portfolio is well-managed, and delivering good outcomes for the Council.

8.5 In order to close the budget gap in future years officers have embarked on a series of measures to implement or investigate which include:

- Service Reviews
- Establishment control / agency spend
- Savings, efficiencies and income generation
- Focus on knowing our unit costs of delivery / ensuring full cost recharge where appropriate / benchmarking
- 5% reduction in non-salary, non-contractual budgets
- Analysis of consultancy spend
- Fleet strategy
- Analysis of voluntary sector and third-party support
- ICT procurement / Digital Strategy
- Acceptable service standards - Gold/silver/bronze
- Property holdings – operational / commercial
- Maximising return on assets
- Procurement

8.6 As noted previously, the MTFF currently includes savings in the sum of £1.3m resulting from a senior management review of non-salary, non-contractual budgets and estimated savings in the cost of salaries based on the last two years actual outturn expenditure compared to budgets.

8.7 Throughout the past year, work has been undertaken to ensure that a thorough review of the Council's finances can be undertaken. Much preparatory work has been progressed in setting up an officer Service Transformation Group; commencing reporting via the Service Review, Communications and Transformation Member Working Party, and obtaining approval for the process for the delivery, monitoring and reporting of savings and efficiencies from Full Council. This process includes the monitoring of the realisation of benefits, whether cashable or non-cashable, through the work of the Overview and Scrutiny Committee, to provide a robust level of challenge to the Council's approach to achieving financial sustainability.

8.8 In additional, £1m was set aside as part of the budget outturn for 2022/23, to be drawn on to pump prime invest-to-save schemes or to meet one-off costs of efficiency measures.

8.9 A series of "spark" sessions were held with senior staff to collate ideas for net budget reductions and the ensuing months will see these schemes come forward to Members for consideration. Two of these are included on the December Corporate Management Committee agenda; Financial Inclusion and Council Tax Discounts. Both proposals have at their heart wider public benefits such as supporting those struggling to pay for local services and encouraging property owners to bring empty properties back in to use, while also having a financial benefit to the Council.

8.10 Other ideas being progressed are around maximising the use of existing funding, such as the Better Care Fund to use effectively to support residents for example through the switch-over of telecare services to digital operation.

8.11 As noted previously, these initiatives will come forward through the appropriate channels as business cases are developed, rather than high level outlines being provided in this strategy report, which would limit Members' ability to fully interrogate the individual proposals. Likewise, outcomes of Service Reviews, as set out in previous papers, will come through the Service Review, Communications and Transformation Member Working Group and the relevant Service Committee before consideration by the Corporate Management Committee.

8.12 Between March and July 2024, it is proposed to continue with a series of challenge sessions or "Sprints" to ensure progress is made on the delivery of savings initiatives and to interrogate budgets. In some cases, zero-based budgeting exercises will be undertaken, to take the service back to basics and understand the requirements for service delivery. This will complement the rolling programme of Service Reviews. In addition, a number of cross-cutting budget spend items have been identified for early review, most prominently spend on consultancy budgets. This piece of work will tie into the establishment review, with the aim of optimising the mix between permanent staff and consultancy support.

8.13 A further area of staffing review is the current pay and reward structure which has, over time, developed some inconsistencies which need to be regularised to avoid the risk of future challenge such as equal pay review

8.14 Appendix 5 of the report sets out a range of actions to take forward under the Medium-Term Financial Strategy.

9 Policy framework implications

9.1 The Medium-Term Financial Strategy is an important part of the budgetary framework of the Council, highlighting financial risks, and providing a framework to deliver a sustainable financial position to enable the Council to achieve its strategic objectives. The MTFS is a policy framework document that is required to be adopted by Council.

10 Resource implications/Value for Money

10.1 The figures contained in this report are indicative only at this stage but provide sufficient information to demonstrate the financial risks facing the Council. A robust financial strategy is essential for the delivery of the Council's objectives over the medium term, ensuring that decision-making takes due regard of the financial consequences.

11 Legal Implications

11.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs.

12 Equality Implications

12.1 Equality Impact Assessments will be undertaken, where appropriate, for any new schemes considered as part of the detailed budget process, rather than at a strategic level, to enable comprehensive assessments to be undertaken where necessary.

13 Environmental, Sustainability, Bio-diversity implications

13.1 The Council's Corporate Business Plan, which is supported by its financial planning, includes its Climate Change Strategy, and much work has been undertaken in the past year to shape the actions that will be necessary to the achieve the Council's climate change ambitions. In order to support this work, a revenue growth item has been proposed (see section 6.15) to complement the existing provision within the Capital Programme. Specific measures that require funding will be incorporated into the Council's budget plans as they are developed and considered by Members.

14 Risk Implications

14.1 The production of this report has risk mitigation at its very heart, with the Financial Strategy setting out the Council's response to perceived financial risk in the delivery of its aims and priorities. Key areas of risk that have been reviewed as part of the Strategy compilation are included within the report and will be reflected in the Council's refreshed Corporate Risk Register, to be considered by Members later in the current financial year.

14.2 The much-publicised failures at some local authorities, the issuance of (or warnings of) s114 reports, and the tightening regulatory regime, have led to a wider perception of financial risk within the sector. In addition, the increased focus on the use of resources commentary within the annual audit process, may see more Council's subject to statutory recommendations or qualified opinions from their auditors. The production of a robust financial strategy is therefore an important part of the framework which provides assurance to regulators, auditors, stakeholders and the public.

15 Timetable for Implementation

14.1 The MTFS forms the backdrop to the Council's future financial plans. The detailed budgets for 2024/25 will be presented to the Corporate Management Committee in January before referral to Full Council in February 2024 for consideration.

16 Conclusions

16.1 There is no mistaking the financial challenge facing the Council in the years ahead. It has acted prudently in the past by setting aside earmarked reserves to support known risks and to provide against future costs e.g., future repairs and maintenance, variations to commercial property income. It also has a substantial level of unearmarked reserve (working balance) from which to draw, enabling it to take measured action to reduce its underlying budget gap. However, it is imperative that the Council continues on this journey to reduce that underlying shortfall, as without significant progress in the short to medium term, reserves will be eroded to the point where there is no realistic contingency remaining to support unexpected fluctuations in income and expenditure, and the Council will struggle to maintain a balanced budget position.

16.2 The measures set out in Appendix 5 should enable the Council to rebalance its budget over time, continue to deliver services for its residents and local communities, and support its ambitions as set out in the Corporate Business Plan. This will need to be carefully managed and monitored for delivery, under the process already approved in its report "Approach to Financial Sustainability" in October 2023. The Council is making good progress towards financial sustainability as supported by the range of forecasts included in this report, which have yet to have the savings programme incorporated, other than known deliverables. This prudent approach demonstrates transparency and realism by only including net budget reductions in the budget forecasts when they are certain of delivery, and approved by Members, rather than including speculative targets which may then not be realised.

16.3 It is recommended to approve the Medium-Term Financial Strategy 2023/24 – 2026/27 for consideration by Council.

17 Background papers

- Business cases for growth items over £5k

18 Appendices

- Appendix 1 – MTFF: General Fund Summary
- Appendix 2 – MTFF: Alternate scenarios
- Appendix 3 – Capital summary
- Appendix 4 – Proposals for growth
- Appendix 5 – MTFS: Action Plan

Appendix 1

Medium-Term Financial Forecast 2023/24 to 2028/29 - General Fund Summary

	Estimate 2023/24	Probable 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2023/24 Base budget	26,097	26,097	26,097	26,097	26,097	26,097	26,097
Budget adjustments	0	(781)	(1,096)	(1,248)	(1,222)	(1,054)	(1,051)
Planned underspends carried forward from 2022/23	0	301	0	0	0	0	0
Growth bids approved in January 2023	1,572	1,317	204	196	196	196	196
Growth bids to be approved in January 2024	0	0	271	257	212	112	112
Future budgetary growth	0	0	0	250	500	750	1,000
In-year supplementary estimates	0	0	200	400	600	800	1,000
Efficiencies & Revenue reductions	0	0	(1,362)	(1,362)	(1,362)	(1,362)	(1,362)
Inflation	0	0	1,374	2,395	3,278	4,102	4,940
Adjusted base budget A	**27,669**	**26,934**	**25,689**	**26,986**	**28,300**	**29,641**	**30,933**
Accounting adjustments:							
- Reversal of depreciation charges	(2,178)	(2,178)	(2,178)	(2,178)	(2,178)	(2,178)	(2,178)
- Capital charge to HRA	(43)	(43)	(43)	(43)	(43)	(43)	(43)
- RCCO - Revenue Contributions to Capital Outlay	0	157	47	0	0	0	0
Transfers to/(from) reserves:							
- Car parks reserve	(180)	(150)	50	50	50	50	50
- Equipment repairs and renewals reserve	750	1,000	1,000	1,000	1,000	1,000	1,000
- Investment property income equalisation reserve	750	923	677	671	837	956	956
- Planned underspend reserve	0	(819)	0	0	0	0	0
- Property repairs and renewals reserve	750	750	750	750	750	750	750
- Service transformation reserve	0	(20)	(50)	0	0	0	0
- Surrey infrastructure feasibilty fund	0	(160)	0	0	0	0	0
- Tennis court replacement reserve	14	14	14	14	14	14	14
Treasury and Financing							
- Investment property income (net)	(25,487)	(25,494)	(25,564)	(26,854)	(27,020)	(27,139)	(27,139)
- Investment & dividend Income	(3,600)	(4,000)	(3,700)	(2,500)	(1,700)	(1,200)	(700)
- Interest on loans to RBC companies	(2,036)	(2,067)	(2,117)	(2,147)	(2,173)	(2,194)	(2,197)
- Capital financing costs	13,351	12,803	13,203	13,646	13,967	14,413	15,022
- Minimum Revenue Provision (MRP)	4,612	4,463	4,694	4,934	5,237	5,551	5,879
Government Grants (Non-Service Specific)							
- New Homes Bonus	(610)	(610)	(664)	0	0	0	0
- Minimum Funding Guarantee	(506)	(506)	(554)	(900)	(600)	(300)	0
- Services Grant	(72)	(72)	(40)	(40)	(40)	(40)	(40)
- Revenue Support Grant (RSG)	(83)	(83)	(88)	(88)	(88)	(88)	(88)
Budget requirement B	**13,102**	**10,842**	**11,126**	**13,301**	**16,313**	**19,193**	**22,219**
Funded by:							
- Business rates retention scheme	(3,295)	(3,295)	(3,500)	(2,000)	(2,000)	(2,000)	(2,000)
- Share of Business Rates (surplus)/deficit for prior years	980	980	0	0	0	0	0
- Share of Council Tax (surplus)/deficit for prior years	(228)	(226)	(35)	0	0	0	0
- Share of Business Rate Enterprize Zone receipts	170	170	170	0	0	0	0
- Share of Business Rate Pooling Fund gain	(352)	(352)	(934)	0	0	0	0
Sub total of government funding C	(2,725)	(2,723)	(4,299)	(2,000)	(2,000)	(2,000)	(2,000)
Net demand (B less C)	**10,377**	**8,119**	**6,827**	**11,301**	**14,313**	**17,193**	**20,219**
Tax base - Band D equivalent numbers	34,864.6	34,864.6	35,495.8	35,695.8	35,895.8	36,095.8	36,295.8
Band D tax per year	184.92	184.92	190.45	196.14	202.01	208.05	214.27
Council tax income D	**(6,447)**	**(6,447)**	**(6,760)**	**(7,002)**	**(7,251)**	**(7,510)**	**(7,777)**
Use of / (contribution to) Working Balance	**3,930**	**1,672**	**67**	**4,299**	**7,061**	**9,684**	**12,442**

General Fund Working Balance						
Working Balance at start of year	20,291	18,619	18,552	14,253	7,192	(2,492)
Use of working balance	(1,672)	(67)	(4,299)	(7,061)	(9,684)	(12,442)
Working balance at end of year	**18,619**	**18,552**	**14,253**	**7,192**	**(2,492)**	**(14,934)**
Over / (Under) minimum balance level of £5m	**13,619**	**13,552**	**9,253**	**2,192**	**(7,492)**	**(19,934)**

Appendix 2

Medium-Term Financial Forecast 2023/24 to 2028/29 - General Fund Summary

Scenario 2:	**Estimate 2023/24 £'000**	**Probable 2023/24 £'000**	**Forecast 2024/25 £'000**	**Forecast 2025/26 £'000**	**Forecast 2026/27 £'000**	**Forecast 2027/28 £'000**	**Forecast 2028/29 £'000**
Use of / (contribution to) Working Balance	3,930	1,672	67	4,299	7,061	9,684	12,442
Moratorium on in-year supplementary estimates			(200)	(400)	(600)	(800)	(1,000)
Moratorium on annual budget growth from 2025/26				(250)	(500)	(750)	(1,000)
Business Rates reset slips to 2026/27				(1,500)			
Change in funding assumptions (reduce tapering)				(100)	(200)	(300)	(400)
Adj use of / (contribution to) Working B	**3,930**	**1,672**	**(133)**	**2,049**	**5,761**	**7,834**	**10,042**

General Fund Working Balance						
Working Balance at start of year	20,291	18,619	18,752	16,703	10,942	3,108
Use of working balance	(1,672)	133	(2,049)	(5,761)	(7,834)	(10,042)
Working balance at end of year	**18,619**	**18,752**	**16,703**	**10,942**	**3,108**	**(6,934)**
Over / (Under) minimum balance level of £5m	**13,619**	**13,752**	**11,703**	**5,942**	**(1,892)**	**(11,934)**

Scenario 3:	**Estimate 2023/24 £'000**	**Probable 2023/24 £'000**	**Forecast 2024/25 £'000**	**Forecast 2025/26 £'000**	**Forecast 2026/27 £'000**	**Forecast 2027/28 £'000**	**Forecast 2028/29 £'000**
Use of / (contribution to) Working Balance	3,930	1,672	67	4,299	7,061	9,684	12,442
Potential revenue growth related to new borrowing			275	375	375	375	375
Change in inflation asumptions			235	508	544	552	559
Change in funding asumptions (sharper fall)				100	200	300	
Change in income assumptions			150	300	450	500	550
Adj use of / (contribution to) Working B	**3,930**	**1,672**	**727**	**5,583**	**8,631**	**11,410**	**13,926**

General Fund Working Balance						
Working Balance at start of year	20,291	18,619	17,893	12,310	3,679	(7,731)
Use of working balance	(1,672)	(727)	(5,583)	(8,631)	(11,410)	(13,926)
Working balance at end of year	**18,619**	**17,893**	**12,310**	**3,679**	**(7,731)**	**(21,657)**
Over / (Under) minimum balance level of £5m	**13,619**	**12,893**	**7,310**	**(1,321)**	**(12,731)**	**(26,657)**

Appendix 3

General Fund Capital Programme 2023/24 to 2033/34

Capital Expenditure

	Revised 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30	Budget 2030/31	Budget 2031/32	Budget 2032/33	Budget 2033/34
	£	£	£	£	£	£	£	£	£	£	£
Summary											
Housing Services	651,507	651,507	651,507	651,507	651,507	651,507	651,507	651,507	651,507	651,507	651,507
Community Services	943,697	1,468,000	706,200	495,000	272,800	325,600	220,000	220,000	378,400	325,600	473,400
Environment & Sustainability	2,476,045	751,480	2,000,000	2,075,500	1,048,800	3,256,600	0	109,300	555,600	160,600	28,800
Corporate and Business Services	11,470,222	3,432,500	4,190,000	1,490,000	7,210,000	832,500	700,000	600,000	950,000	600,000	600,000
Total	**15,541,471**	**6,303,487**	**7,547,707**	**4,712,007**	**9,183,107**	**5,066,207**	**1,571,507**	**1,580,807**	**2,535,507**	**1,737,707**	**1,753,707**
Financed by											
Direct Revenue Contributions	166,200	152,000									
Earmarked Reserves	1,818,542	3,179,480	3,211,200	1,675,500	2,851,600	4,362,200	900,000	909,300	1,864,000	1,066,200	1,082,200
Other Grants & Contributions:	992,445	1,904,507	776,507	776,507	651,507	535,000	535,000	535,000	535,000	535,000	535,000
Capital Receipts	7,217,350	1,067,500	3,560,000	2,260,000	5,680,000	169,007	136,507	136,507	136,507	136,507	136,507
Borrowing	5,346,934										
Total	**15,541,471**	**6,303,487**	**7,547,707**	**4,712,007**	**9,183,107**	**5,066,207**	**1,571,507**	**1,580,807**	**2,535,507**	**1,737,707**	**1,753,707**

Capital Receipts

	Revised 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30	Budget 2030/31	Budget 2031/32	Budget 2032/33	Budget 2033/34
	£	£	£	£	£	£	£	£	£	£	£
Capital Receipts Forecast											
DIYSO stock sales	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Housing Improvement Loan Repayments	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Virginia Water Scout Loan Repayment	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Addlestone Canoe Club Loan Repayment	10,715	10,715	10,715	10,715	10,715	10,715	10,715	10,715	10,715	10,715	10,715
Addlestone ONE sales	2,208,700	6,486,700									
Magna Square sales	3,000,000	500,000									
Barbara Clark House sale	1,275,000										
Sale of Vehicles	28,000										
Total	**6,831,915**	**7,306,915**	**320,215**	**320,215**	**320,215**	**320,215**	**320,215**	**320,215**	**320,215**	**320,215**	**320,215**
General Usable Receipts											
Receipts at 1 April 2023	8,590,469	8,205,034	14,444,449	11,204,664	9,264,879	3,905,094	4,056,302	4,240,010	4,423,718	4,423,718	4,607,426
Add new receipts in the year	6,831,915	7,306,915	320,215	320,215	320,215	320,215	320,215	320,215	320,215	320,215	320,215
Less Applied during the year	(7,217,350)	(1,067,500)	(3,560,000)	(2,260,000)	(5,680,000)	(169,007)	(136,507)	(136,507)	(136,507)	(136,507)	(136,507)
Anticipated year end balance	**8,205,034**	**14,444,449**	**11,204,664**	**9,264,879**	**3,905,094**	**4,056,302**	**4,240,010**	**4,423,718**	**4,607,426**	**4,607,426**	**4,791,134**

Use of other reserves

	Revised 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30	Budget 2030/31	Budget 2031/32	Budget 2032/33	Budget 2033/34
	£	£	£	£	£	£	£	£	£	£	£
Equipment repairs and renewals reserve											
Balance b/fwd	1,925,000	1,771,458	1,781,978	2,070,778	2,495,278	2,993,678	231,478	831,478	1,422,178	1,408,178	1,841,978
Revenue change	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Use	(1,153,542)	(989,480)	(711,200)	(575,500)	(501,600)	(3,762,200)	(400,000)	(409,300)	(1,014,000)	(566,200)	(582,200)
Anticipated year end balance	**1,771,458**	**1,781,978**	**2,070,778**	**2,495,278**	**2,993,678**	**231,478**	**831,478**	**1,422,178**	**1,408,178**	**1,841,978**	**2,259,778**
Property repairs and renewals reserve											
Balance b/fwd	4,745,000	4,850,000	3,700,000	1,950,000	1,600,000	0	150,000	400,000	650,000	550,000	800,000
Revenue change	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Use	(645,000)	(1,900,000)	(2,500,000)	(1,100,000)	(2,350,000)	(600,000)	(500,000)	(500,000)	(850,000)	(500,000)	(500,000)
Anticipated year end balance	**4,850,000**	**3,700,000**	**1,950,000**	**1,600,000**	**0**	**150,000**	**400,000**	**650,000**	**550,000**	**800,000**	**1,050,000**
Car Parks reserve											
Balance b/fwd	350,000	200,000	0	50,000	100,000	150,000	200,000	200,000	200,000	200,000	200,000
Revenue change	(150,000)	50,000	50,000	50,000	50,000	50,000	0	0	0	0	0
Use	0	(250,000)	0	0	0	0	0	0	0	0	0
Anticipated year end balance	**200,000**	**0**	**50,000**	**100,000**	**150,000**	**200,000**	**200,000**	**200,000**	**200,000**	**200,000**	**200,000**
Service transformation reserve											
Balance b/fwd	1,000,000	980,000	890,000	890,000	890,000	890,000	890,000	890,000	890,000	890,000	890,000
Revenue change		(50,000)									
Use	(20,000)	(40,000)	0	0	0	0	0	0	0	0	0
Anticipated year end balance	**980,000**	**890,000**	**890,000**	**890,000**	**890,000**	**890,000**	**890,000**	**890,000**	**890,000**	**890,000**	**890,000**

Proposals for business critical and other budget growth for 2024/25

BUSINESS CRITICAL: UNAVOIDABLE GROWTH

REVENUE ONLY

General Fund: Business Critical Unavoidable Revenue Growth

Six items have been reviewed and categorised as business critical requiring unavoidable revenue growth.

All 6 items relate to Digital Services and come about due to a change in the service delivery model when moving to the cloud and operating as Software as a Service (SaaS). Increased revenue costs are attributed to additional cloud hosting and support costs.

If we were to do nothing, there would be serious and significant risk to cyber security, service delivery and business continuity that must be managed.

Runnymede BOROUGH COUNCIL

Customer, Digital and Collection Services

- CDCS_015 **Security Information and Event Management (SIEM) upgrade to Software As a Service (SAAS)**
- For business continuity and cyber security purposes, upgrade SIEM solution to cloud based SAAS.
- **Priority:** Business critical
- **Corporate Strategy:** Organisational Development
- **Rationale:** Our current SIEM solution is End Of Life (EOL). There is no direct replacement as the product is now cloud only. The costs for the cloud version of our current product has increased by £15k per annum. The product has also moved to a Software As a Service (SAAS) model. The proposal is to stay with the incumbent supplier due to a number of factors: technical expertise and knowledge built up by the infrastructure team of the product
- The SIEM solution is a requirement for certification for PSN and Cyber essentials.
- **Impact if 'do nothing':** Choosing to do nothing or maintaining an inadequate SIEM solution poses significant risks and limitations for the organisation including increased vulnerability to cyber attacks and reduced ability to react to cyber incidents.
- Moving to a different product would take significant time and resource to reach the same level of expertise and knowledge to use the solution and maintain cyber security. The risk of a cyber security event having an impact during any training and familiarisation period would increase.
- **GF revenue growth: £15,000 per annum**

Runnymede BOROUGH COUNCIL

Customer, Digital and Collection Services

- CDCS_016 **WAN replacement of Unicorn lines**
- The existing WAN network contract ends in Aug 2024. A replacement WAN link needs to be procured that is operational before Aug 24 to ensure business continuity.
- **Priority:** Business critical
- **Corporate strategy:** Organisational Development
- **Rationale:** The existing WAN network contract ends in Aug 2024. This was previously procured through SCC as a procurement aggregation. However SCC have given notice that they will no longer provide this for other B/D meaning that a standalone contract needs to be procured for RBC.
- **Impact if 'do nothing':** Failing to do so will cut the Civic Centre off from the Internet, and most services will fail. The current WAN link also provides access to a government network called Public Sector Network (PSN) which is widely used in Benefits and Community Services. Without a WAN link, the requirements for data transfer between organisations via PSN will not be met.
- **GF revenue growth: £4,000 Year 1 only**
- **Savings estimated:** It is anticipated that the ongoing revenue required for connectivity will be less than the existing budget, representing a small revenue saving ⩽£1,000

BOROUGH COUNCIL

Customer, Digital and Collection Services

- CDCS_017 **Migration to VOIP for remote sites**
- Digital switchover in 2025 means that existing PSTN analogue copper lines will be redundant and need to be replaced by a digital solution. 10 sites (other than the civic centre) including the DSO, day centres, community halls need to be upgraded.
- **Priority:** Business critical
- **Corporate Strategy:** Organisational Development
- **Rationale:** BT have given notice that old analogue public switched telephone network (PSTN) and ISDN will be switched off during 2025. Whilst the civic centre has already been upgraded, 10 remote sites currently operate on PSTN lines. This needs to be remedied to ensure telephone service connectivity continues beyond 2025. Voice Over IP (VOIP) is the technical solution.
- **Impact if 'do nothing':** By 2025, if the existing PTSN lines are not replaced, there will be no telephone service available at the remote sites.
- **GF revenue growth: £5,000** in Year 1 2024/25 - one off implementation costs and some additional hardware required
- **Savings estimated:** Initial implementation costs will be saved over two years due to a lower monthly subscription.
- No business case required as ⩽£5K

Runnymede BOROUGH COUNCIL

Customer, Digital and Collection Services

- CDCS_019 **Replacement of Unified Computing System (UCS) rack servers**
- Existing CISCO UCS servers are 8 years old and reaching End Of Life (EOL). They are scheduled to be replaced as part of the capital replacement programme to ensure business continuity.
- **Priority:** Business critical
- **Corporate Strategy:** Organisational Development
- **Rationale:** Existing Cisco UCS infrastructure is reaching EOL and is no longer covered by Cisco's support and maintenance agreements. There is significant risk to the organisation if this was not addressed including increased security vulnerability, hardware failures and prolonged downtime. Next generation UCS hardware provides faster processors, larger memory capacities, and high-performance storage arrays. The new infrastructure will come with extended vendor support, ensuring access to regular security updates and patches. This will significantly reduce the risk of potential data breaches, ensuring the organisation complies with industry and regulatory standards.
- **Impact if 'do nothing':** Do nothing is not an option. The absence of critical firmware and security updates poses significant risks to business operations.
- **GF capital growth:** £50,000 (provision in the capital programme for 24/25)
- **GF revenue growth:** £5,000 per annum for increased support and maintenance costs

BOROUGH COUNCIL

Customer, Digital and Collection Services

- CDCS_020 **Replacement of Storage Area Network (SAN) hardware**
- NetApp SAN is an array of computer disks that store all RBC data. The SAN and specifically the magnetic disks are now end of life (EOL) are need to be replaced.
- **Priority:** Business critical
- **Corporate Strategy:** Organisational Development
- **Rationale:** The current SAN is based on older technology, leading to higher maintenance costs and a lack of support for modern data management features. In addition, the aging storage infrastructure poses risks to data security and reliability. Upgrading to newer solid state hard disks provides access to advanced functionalities and improved speed, enhance data protection measures and implement more robust redundancy and disaster recovery mechanisms to ensure business continuity in the event of hardware failures.
- **Impact if 'do nothing':** Do nothing is not an option. The SAN is now End of Life (EOL). The type of disks the existing SAN uses are no longer made. We currently replace one disk every month and rely on refurbished replacement disks (disks that have previously failed, and then fixed). As time progresses the replacement disks will become unavailable, and our disk array will shrink as we cannot replace the failed disks. This will eventually mean we cannot store the volume of data we require and will limit business operations.
- **GF capital growth:** £50,000 (provision in the capital programme for 24/25)
- **GF revenue growth:** £3,000 per annum for increased support and maintenance costs

BOROUGH COUNCIL

Customer, Digital and Collection Services

- CDCS_021 **Gazetteer System Replacement**
- Existing contract for the gazetteer system ends in March 2025 and therefore it is timely to consider future options to implement and maintain business continuity
- **Priority:** Business critical
- **Corporate Strategy:** Organisational Development
- **Rationale:** The existing system is outdated and inefficient and requires significant duplication of effort by the Local Land and Property Gazetteer (LLPG) and Street Name and Numbering (SNN) teams. Moving to a modern cloud-based system will be more efficient and more secure.
- **Impact if 'do nothing':** Continue to use our incumbent software provided by GGP and hosted on-premise at Tandridge Council. The Council would continue to use the current gazetteer system. The current system is outdated and inefficient, and it is not compliant with the security measures needed for sending to the National Land and Property Gazetteer (NLPG). The Council would need to consider hosting the software on-premise rather than continuing to use Tandridge Council if the preferred option is not approved, requiring revenue growth.
- **GF capital growth:** £60,000 (provision in the capital programme for 24/25)
- **GF revenue growth:** £6,000 per annum additional revenue to move to a hosted solution.

BOROUGH COUNCIL

OTHER GROWTH

REVENUE ONLY

Runnymede
BOROUGH COUNCIL

Planning, Economy and Built Environment

- PEBE_XXX **Climate Change Pump Prime Funding**
- £100,000 p/a revenue budget for three years to pump prime climate change initiatives/events and procure consultancy to support the decarbonisation of the Council's corporate buildings and delivery of EV infrastructure.
- **Priority:** Discretionary
- **Corporate Strategy:** Climate Change
- **Rationale:** The Council is heavily reliant on external funding sources to enable it to respond to climate change. It is anticipated that external consultancy will be required to support decarbonisation of the Council's corporate buildings and delivery of EV infrastructure. A pump prime funding stream is required (£100,000 p/a for three years) to ensure the Council is agile and proactive to maximise on external funding opportunities as they arise.
- **Impact if 'do nothing':** Certain areas of the Council's climate change response are likely to be hampered. As it stands, the Council does not have decarbonisation plans in place for any of its operational and community buildings and does not have funding to deliver its emerging EV Strategy. Several of the Council's buildings, including the Civic Centre have several complex considerations related to plant where specialist advice is needed before decarbonisation pathways can be developed and enhancements delivered. The specialist advice would not be able to be procured without additional budget.
- **GF revenue growth:** £100,000 p/a for three years

Runnymede BOROUGH COUNCIL

Assets & Regeneration

- AR_XXX **Asset Management Software contract**
- Growth anticipated to remain with the existing Concerto asset management software for a further 3-year period beyond the end of the current contract.
- **Priority:** Worse-case scenario
- **Corporate Strategy: Organisational Development**
- **Rationale:** The existing Asset management system has been used by A&R since 2018. It provides a database to support repairs and maintenance, building compliance, case management and data management of commercial and corporate buildings across the A&R portfolio.
- A 12-month extension to the existing contract was secured in April 2023. The supplier has provided a renewal quote beyond April 2024 which represents a 75% increase in annual recurring costs, from £9,922pa to £45,000pa. These costs are being benchmarked against pricing available from G-Cloud 13. Procurement for a Total FM contractor is underway. Within this tender, suppliers have been asked to provide pricing to access their Asset management software as part of the Total FM contract. Therefore, the growth presented is anticipated to be the worst-case scenario.
- **Impact if 'do nothing':** The existing contract ends in April 2024 with no further extensions permitted. Do nothing is not an option. A new contract needs to be procured. There is risk associated with a competitive procurement exercise as this may result in a move to a new system if the incumbent supplier was not successful or did not bid.
- **GF revenue growth:** Maximum £28,000pa + additional £4K in 24/25 one-off

Runnymede BOROUGH COUNCIL

Environmental Services

- ES_BAU **Additional budget for reactive tree maintenance**
- **Priority:** Business critical for 2 years
- **Corporate Strategy:** Health & Wellbeing, Climate Change
- **Rationale:** RBC has a duty of care as landowner to ensure that H&S risks associated with trees are addressed including emergency reactive works, and pest removal e.g. ash die back, oak processionary moth. This request is to increase the General Fund budget for tree works to be able to maintain the status quo over the next 2 years. The budget increase is required from 24/25.
- A survey of all trees will be carried out in 2024. The outcome will form the basis of a planned programme of tree works to address findings. This is likely to require additional budget in future years to address risks identified. This will be subject to a separate business case in due course.
- **Impact if 'do nothing':** Tree maintenance in open spaces will be restricted due to available budget. H&S risks may not be addressed. Budget overspend likely.
- **GF revenue growth:** £45,000 for 24/25 and 25/26

Runnymede BOROUGH COUNCIL

BUSINESS CRITICAL: UNAVOIDABLE GROWTH

CAPITAL AND ASSOCIATED REVENUE

Runnymede BOROUGH COUNCIL

Capital Growth – Business Critical overview

Two items have been reviewed and categorised as business critical requiring unavoidable revenue growth and have an impact on the capital budget.

The replacement Finance system is anticipated to require an additional £190,000 in capital spend to deliver the project and ensure that modules are kept up to date after implementation. Revenue growth of £56,000 per annum is also projected.

£200,000 is provisional in the capital budget for replacement of telephony and CRM contract in 24/25. However, the existing telephony system and maintenance regime could be maintained for a further year with only £20,000 of capital investment in upgrades.

Runnymede BOROUGH COUNCIL

Customer, Digital and Collection Services

- OD_048 **Replacement Financial Management System (FMS)**
- The current FMS system is now 20 years old and no longer fit for purpose.
- **Priority:** Business critical
- **Corporate Strategy:** Organisational Development action: Procure and implement a new financial management system to provide the tools to transform our finance service area.
- **Rationale:** The existing FMS was implemented in 2003. Since 2010, the supplier no longer develops the core FMS product, other than for legislative changes. The technology is not modern and is a barrier for change impacting on efficient and effective processes and procedures. Implementation of a new fully integrated modern FMS, preferably hosted, that continues to be developed by the supplier and will meet the needs of the Council both now and in the future. This will result in efficiencies, and better reporting capabilities for all stakeholders.
- **Impact if 'do nothing':** The current system is old, cumbersome, increasingly causing problems and its future is looking increasingly bleak as more and more users seek alternative systems. The fact that the supplier would not stretch to a 3 year maintenance agreement earlier this year is telling and leaves the Council at severe risk if the system is desupported. Sticking with the current system will further alienate staff who find the system difficult to use by modern standards and it is not conducive to agile working.
- **GF capital growth:** £500,000 for initial system set-up and implementation (provision in the capital programme for 24/25) plus additional £150,000 for project manager to support the project (Yr 1 and 2 only), plus potential £20,000 per annum for upgrades and additional modules from Yr 3 (not in the capital programme for 24/25)
- **GF revenue growth:** £56,000 per annum for additional hosting service costs, licensing and support and maintenance costs

BOROUGH COUNCIL

Customer, Digital and Collection Services

- OD_042 **Telephony development**
- Existing contracts for the telephony system and call recording end in Nov 2025 and therefore it is timely to consider future options to implement and maintain business continuity
- **Priority:** Business critical
- **Corporate Strategy:** Organisational Development action: Build on the single view of our customers by integrating our customer relationship management system with our telephony system.
- **Rationale:** Significant investment was made in telephony solutions in 2021. To maximise the return on this investment and to ensure business continuity, it is proposed to retain the incumbent suppliers on a new 5-year contract from 2025 for support and maintenance. Non-essential enhancements and future development to be costed in the new contract but to be called-off when funds permit (subject to a future business case)
- **Impact if 'do nothing':** The council could look to extend our NTT and Liquid Voice contracts beyond November 25 for as long as possible without making any further investment in the telephony solution.
- **GF capital growth:** £20,000 for existing software/hardware upgrades only (not in the capital programme for 24/25) (Note £200,000 in capital programme for Telephony and call centre contract replacement)
- **GF revenue growth:** NIL. Maintain the status quo only. No non-essential enhancements.
- Non-essential enhancements that would be postponed and subject to business case in 25/26 would be to roll-out Microsoft Teams telephony application to all end users so that all calls are made and received through one platform (MS Teams). Implementation of the telephony CRM bridge to other customer-facing areas of the Council will also ensure an integrated view of customer data, which can improve customer service and efficiency. This is estimated as £32,500 per annum revenue growth for additional Teams and CRM licensing, plus additional SIP trunks. It is assumed that existing support, maintenance and licensing with incumbent suppliers do not increase.

Runnymede BOROUGH COUNCIL

Appendix 5: Medium-Term Financial Strategy 2023/24 – 2026/27 – Updated action plan

The fundamental aim of the Council's Medium-Term Financial Strategy is to provide a framework for the effective and efficient use of Council resources whilst taking appropriate action to mitigate financial risk. This will enable the Council to maintain a sound financial position against a backdrop of economic uncertainty, rising demand and a changing regulatory and funding landscape. This will in turn support delivery of the Council's vision to be a community leader, providing high quality services, enhancing the environment and advocating for our community's interests, as set out in the Runnymede Corporate Business Plan.		
The Strategy is built on a number of key principles with supporting actions for each area.		
Revenue Budget – The Council recognises that it must optimise its limited resources to provide value for money services in the face of increasing financial pressures.		
	Action:	**Progress Update:**
1	A process for the identification of savings and efficiencies will be set up to capture ideas from across the organisation. From this, a set of targets will be defined, with progress on delivery monitored via the Overview and Scrutiny Select Committee. Greater focus will be given to the timely delivery of the savings programme. *New: A series of budget challenge sessions with senior managers are to be run throughout the period March – July 2024 to enable progression of the savings initiatives already identified during early "spark" sessions and provide a challenge to budget managers – in effect undertaking a zero-based budget exercise.*	Process approved by Full Council in October 2023. Identified savings are included in the MTFF and will be embedded in the 2024/25 budget report. Initial progress on Service Reviews has been reported to the Service Review, Communications and Transformation Member Working Party and formal reporting is scheduled for Overview and Scrutiny Select Committee for March 2024. .
2	A series of service reviews will commence, across specific service areas as directed by the Chief Executive, in consultation with the Leader and Deputy Leader of the Council. The focus of the reviews will be efficient service delivery rather than cost, but due regard to the cost of the service will be included as part of the review. The results of, and recommendations from, the reviews will feed into the Service Review, Communications and Transformation Member Working Party, the appropriate Service Committee and onward to Corporate Management Committee for approval where required.	The initial tranche of reviews has commenced, following the Service Review process of "Define, Discover, Design or Develop, Deliver, Determine." Reviews are currently in the Define/Discovery stages. Progress to date has been reported to the Service Review, Communications and Transformation Member Working Party.
3	Service resilience and effective delivery will continue to be explored through partnership working with other Councils, for	Following the successful implementation of a shared management structure for the Building Control Team, work has

	example, in areas such as Building Control and CCTV. Service delivery models will be expected to include robust costing models and an understanding of the requirement for future investment in the service and how that will be met under the business model. *New: Across the Council, an understanding of unit costs, and full cost recharge models, will be embedded to ensure accurate pricing models for services are developed, alongside suitable benchmarking data, so that data supports decision-making.*	commenced on the business case, financial modelling and governance arrangements for a full shared service to be presented to Members for consideration in due course. Safer Runnymede has been successful in securing new contracts, most recently with Rushmoor Borough Council and Hart District Council, along with a pipeline of potential future contracts. Development of the business model is now required to ensure that the right structure, charging model, equipment and investment is in place to support sustainable expansion, providing a cost effective, efficient service. Safer Runnymede is therefore included in the first tranche of Service Reviews. The Project Management Office (PMO) collated benchmarking data to assist the formation of annual fees and charges submissions to relevant Committees for 2024/25.
4	Early discussion with the Bid Writer and Grants Officer must take place ahead of new revenue (and capital) schemes, in order to explore external funding opportunities and reduce pressure from revenue growth, while ensuring funding conditions do not place an unreasonable burden on the Council.	The Council's Bid Writer and Grants Officer now attends the Procurement Board on a regular basis to share information on proposed Bids at an early stage to ensure Procurement and Legal resources are allocated to support the process in a timely fashion and that Finance colleagues are aware of potential income and match funding requirements. All future business cases should include consideration of the potential for external funding.
5	A review of long-term vacant posts will be carried out to understand the reasons behind the vacancy and the cost of any alternative arrangements that have been put in place, e.g., agency staff/consultancy. Budgets will be re-aligned to a refreshed establishment list to ensure services are not carrying posts that are no longer required for delivery of the service.	At data gathering and analysis stage. Next steps are to consult with Corporate Heads of Service/Team leaders to provide challenge. Sessions will commence from January 2024. The MTFF has already removed £1m of salary costs from future years budgets in response to the continued underspend against salary budgets and the anticipated realignment of budget to actual staffing resources.

Appendix 5: Medium-Term Financial Strategy 2023/24 – 2026/27 – Updated action plan

6	An Asset Management Strategy will be produced, covering the management of all corporate property assets, with individual Asset Management Plans prepared for all investment property, setting out proposals for the future use of each asset. The Strategy will support the optimisation of income from the Council's assets alongside an improved understanding of the costs of management and maintenance. A set of performance indicators will be developed for the Council's property portfolio with regular reporting to, and scrutiny by, Members. Consideration will be given to divestment of low-performing assets or to rebalance the portfolio across sectors. *New: An essential part of this work is to understand the costs and opportunities stemming from the Council's operational properties and identifying any assets surplus to requirements. This is necessary in order to inform the plan of work for decarbonisation of Council assets.*	The Asset Management Strategy was approved by Full Council in March 2023, with individual Asset Management Plans being essential to the on-going management of the Council's portfolio of assets. Following the approval of a growth item in the 2023/24 budget, the Council has been working with an external expert to provide data analysis and benchmarking of the portfolio to support asset management and reporting. Next steps are to consider the performance information, and format of data, for inclusion in quarterly reporting to Members. Reporting has commenced on options to dispose of low performing properties.
7	*New: A review of voluntary sector/third sector support will be undertaken to aid transparency and understanding of the level of support provided and the benefits realised by this support. An analysis of this data will be considered to enable a reduction in costs to the Council over time.*	For progression in 2024/25
8	*New: A moratorium on growth will be imposed. No supplementary estimates are to be approved in-year unless essential to deliver corporate aims or business critical to the running of service. Even where these criteria are met, the first assumption will be that growth is to be met by savings elsewhere or by external funding. This should not however, drive any assumption that growth will be approved simply because the funding can be found from other sayings as these savings must in the first place be prioritised to reduce the on-going budgetary gap.*	This assumption has been factored into Alternate scenario 2 of the MTFF.
Reserves - The Council will maintain a reasonable level of usable reserves to enable it to weather the volatility of its income and expenditure streams, and to support its capital spending plans.		

Appendix 5: Medium-Term Financial Strategy 2023/24 – 2026/27 – Updated action plan

	Action:	Progress Update:
9	The Council will seek to maintain its general fund reserve above an increased minimum threshold, whilst recognising that the level of balances will fluctuate over time as spending plan are adjusted to meet short-term budgetary pressures. The revised threshold should be set at an appropriate level commensurate with the financial risks facing the Council and will be reviewed as part of the budget-setting process.	The minimum threshold was raised from £3m to £5m as part of the annual budget report approved by Full Council in February 2023. As this report highlights, corrective action to address the on-going, underlying budget gap in the Council's finances will be needed to be assured of maintaining working balances above this minimum level beyond 2026/27. Balances in scenarios 1 and 2 are comfortably above the minimum threshold by the end of 2025/26 and only fall below the threshold in 2025/26 in the worst-case scenario depicted in scenario 3.
10	Earmarked reserves will be regularly reviewed to ensure they are at, or are building towards, an appropriate level, with funds released to the general fund if no longer required.	Earmarked Reserves are considered both during the budget preparation and again at the year end, to review the appropriate levels to hold in light of current risk factors. Should an underspend against the total General Fund budget occur in any year, it may be appropriate to use this to provide a one-off boost to specific reserves rather than allow the underspend to flow back into the working balance, so long as the minimum threshold for the working balance is being met. A proportion of the underspend realised in 2022/23 has been repurposed to support critical earmarked reserves, particularly in respect of supporting the Council's property portfolio and the income derived from its commercial properties. In addition, £1m has been set aside to support invest-to-save schemes and one-off costs that will support savings, income generation and efficiencies.
Capital Programme - The Council will only undertake capital investment to support asset maintenance, invest-to-save schemes or strategic intent, such as the delivery of housing or regeneration schemes. Capital spending, however funded, will be affordable, prudent and sustainable.		
	Action:	**Progress Update:**
11	The Council will explore ways of delivering its major capital spending priorities in ways that reduce the burden on the Council's resources. This may be by phasing delivery of large programmes	Service Areas are working in close collaboration with the Bid Writer and Grants Officer to seek external funding where possible, including the securing of match-funding where available

	over a period or looking at new funding models and partnerships with the public and private sector. The Council needs to balance delivery of such schemes for its residents, with the affordability of capital spend and the effect on its revenue income streams. This will be particularly relevant should the Council's access to borrowing be restricted (e.g., under the Levelling Up and Regeneration Act 2023) as it will need to find ways of progressing its strategic priorities without increasing borrowing levels.	to reduce the burden on Council resources. Recent successes include the Local Authority Housing Fund where £1.3m was secured with match funding from the Council of £1.8m to provide 8 homes for displaced households from Ukraine and Afghanistan. Development of funding models that minimise the Council's need to borrow, or the period over which it looks to borrow, will need to be undertaken alongside business cases for major capital schemes, taking account of any restrictions stemming from recent or future legislation or government guidance.
12	The planned Asset Management Strategy will identify underperforming assets, or those where an opportunity arises, for divestment or re-purposing, following review and decision by the relevant Committee. The future of the Capital Programme is heavily dependent on the production of new capital receipts; again, this is increasingly important where future borrowing may be restricted or where there is limited ability for the general fund to support capital spending either directly or through bearing the cost of carrying debt.	As with any commercial portfolio, which must be proactively managed in line with changing economic conditions and market factors, there will be occasions when the best course of action may be to dispose of an asset or repurpose it for an alternative use as the Council cannot afford to hold under-performing assets. Such options will come forward as appropriate for Member consideration.
13	No new capital projects are to be included in the capital programme without the necessary resources to meet the full capital costs, and any associated revenue implications, being in place. Business cases should reflect all financial implications and risks and be reported alongside the request for inclusion in the Programme. If it is too early in the process to provide this level of detail, a provision may be made within the budget but will be subject to reporting of the full business case to the appropriate Committee before proceeding with the project.	The Business Planning Process and Budget Estimate timetable have both been updated for the current cycle to ensure that relevant business cases are produced, when necessary, for Member consideration. Whole-life costing for capital projects is essential to understand the on-going revenue costs attached to any proposals. Risks must be reflected in Service Area Plans, and Service Risk Registers have been updated to feed into the Corporate Risk Register alongside a refresh of the Risk Management Framework and processes. The updated Framework was approved by Full Council in October 2023.
Governance and Performance – the Council recognises good governance and performance management as intrinsic to the delivery of its corporate plan, to the success of its financial strategy and to its planning for financial sustainability.,		

Appendix 5: Medium-Term Financial Strategy 2023/24 – 2026/27 – Updated action plan

14	The Corporate Leadership Team will be supplemented by the addition of a second Assistant Chief Executive post to allow for greater strategic leadership capacity and to support the implementation of the Council's priorities.	Following a successful recruitment process, the new Assistant Chief Executive (Place) commenced employment with Runnymede Borough Council in July 2023. The new Chief Executive joined the organisation in August 2023 following the retirement of the previous post-holder. A number of other changes have occurred at the Senior Leadership Team level (Corporate Head of Service) with interim arrangements in place where necessary.
15	A process will be set up to monitor and report the delivery of actions in the Council's Corporate Business Plan, building on work already carried out by the Council's Project Management Office (PMO).	A new reporting tool is undergoing proof-of-concept testing over the coming months. The tool replaces cumbersome excel spreadsheets and is maintained, with a full audit trail, within Microsoft Teams. Sessions were held during June/July to demonstrate the tool to Corporate Heads of Service and other key users. Dashboards, similar to that already used to report on major projects and performance indicators are being developed. The data can be drawn out using a variety of indicators and it is anticipated that this system will be used to track progress on the over-arching Corporate Business Pan, on individual Strategies within the plan such as Health and Well-being, or Climate change activity, and for progress against Service Area Plans.
16	The following officer working groups will be set up to support strands of the Corporate Business Plan and the work of the Member Working Parties: • Climate Change • Health & Wellbeing • Economic Development • Empowering Communities • Organisational Development • Service Review & Transformation In addition, there will be a refresh of the Council's Commercial income group which will cover the wider work of the Assets and Regeneration team and report directly to the Corporate Leadership Team. A suite of performance indicators is in	Appropriate officer working groups have been set up to support cross-department workstreams and avoid "silo-working." A refreshed set of Member Working Parties including a Property and Assets Task Force have commenced to support delivery of the Corporate Business Plan. These Working Parties are supported by members of the Corporate Leadership Team and other senior officers. The refreshed Assets and Regeneration Group meets on a monthly basis and has developed regular reporting on arrears, upcoming lease events, project progress etc.

	development to be reported as part of the Asset Management Strategy. The Council's project management principles and reporting methodology currently used to report on the performance of major projects and corporate KPIs (Key Performance Indicators) will be used by the working groups to report back to Member Working Parties, further embedding project management principles across the Council.	The Project Management Office has developed a multi-use action tracker which is expected to deliver efficiencies in the process, making it easier for Managers to update actions and providing a single source of data from which to pull a variety of reporting requirements, both as a management information tool and for formal reporting.
17	The Council is reviewing its approach to risk management and a revised Risk Management Framework and updated Risk Register will be reported to Standards and Audit Committee in line with recommendations from internal audit, the Council's self-assessment against Cipfa's Financial Management Code, and the Annual Governance Statement (AGS) 2022/23. Progress on all actions arising from the Financial Management Code review and the AGS will be reported to the Standards and Audit Committee.	An update on progress was provided to the Standards and Audit Committee as part of the progress review of the AGS actions for 2022/23 and the setting of key governance improvements for 2023/24. A risk mapping exercise was undertaken, alongside updates to Service Risk Registers, which will feed into a refreshed Corporate Risk Register to be considered by Members in January 2024. The Risk Management Framework was approved by Full Council in October 2023 and Risk Appetite Statements have been developed and consideration by Standards and Audit Committee in November, and Full Council in December 2023.
18	A governance process for the collection, reporting and allocation of Community Infrastructure Levy will be designed to ensure this funding stream has proper oversight. The governance proposal will come forward for Members' approval ensuring that this funding is used to support the delivery of essential infrastructure, meets local need and conforms to regulatory requirements.	The governance process was considered, and approved, by Corporate Management Committee in January 2023.
19	The Council will continue to meet with Government officers to help inform and shape the new measures being proposed under the Levelling Up and Regeneration Bill in respect of financial risk management. *New: The Council will continue to engage with Government officers to help inform and shape the new measures which came*	The Council has actively engaged in discussions to date and will continue to participate in the process both in respect of the calculation of the metrics within the Act and any specific outcomes for Runnymede following their implementation. The Statutory Guidance on Minimum Revenue Provision is also anticipated to be out for consultation imminently with any

	into force under the Levelling Up and Regeneration Act 2023 in respect of financial risk management and the future regulations which will define the calculation of the metrics included in the Act, and any actions stemming from Government in respect of these.	revisions expected to apply from 1 April 2024. Likewise, some changes to the current Secretary of State Investment Guidance are expected, particularly around non-treasury investment. The Council will continue its engagement on these matters and will respond to consultations when appropriate to do so.
20	The Council will continue to seek value for money when procuring contracts for works, services and goods. This will include identification of collaborative procurement opportunities with other Boroughs and Districts to increase buying power and savings opportunities.	The Council approved a Procurement Strategy for 2023 - 2026 in March 2023 alongside associated policies on Social Value, and Sustainable Procurement and Carbon Reduction. The Procurement Team are actively involved in the Surrey Procurement Group, including chairing this regular meeting, which affords opportunities for collaboration. The Procurement team are analysing a range of expenditure headings to provide data for the review and reduction of spend in areas such as consultancy and agency staffing budgets. This will feed into the savings and efficiencies programme.