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Corporate Management Committee

Thursday, 18 January 2024 at 7.30 pm

Council Chamber - Civic Centre

Supplementary Agenda

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Report title	General Fund Revenue Budget 2024/25
Report author	Amanda Fahey, Assistant Chief Executive (s151)
Exempt?	No
Exemption type	Not applicable
Reasons for exemption	Not applicable

Purpose of report:

- To recommend to Full Council

Synopsis of report:

To present budget estimates for the Council’s General Fund Revenue Account 2024/25 for consideration and recommendation to Council for approval.

The Revenue budget sets out the spending plans for the Council for its day-to-day activities and the provision of services to the public for 2024/25 alongside an updated budget for the current financial year, 2023/24. An updated Medium-Term Financial Forecast is also included in the report, alongside a review of the recommended minimum level for the General Fund Reserve or “working balance.”

The report includes a recommendation on the level of Council Tax to be levied for Runnymede Borough Council’s element of the total Council Tax charge for 2024/25.

Also included in the estimates, is an amount for the anticipated pay award for 2024/25 and the remodelling of the Council’s pay grades to encompass changes to the National Living Wage. These changes are subject to the outcome of pay negotiations. If the final figures differ from those contained in the report, the difference will be met by a transfer to or from the General Fund Reserve as appropriate (subject to any necessary further financial approvals).

Key lines of central government funding are based on allocations within the Provisional Local Government Finance Settlement. If the final Settlement figures, due in early February, vary materially to these figures, the Revenue budget will be updated to reflect the revised allocations, again with any consequential adjustments to the General Fund Reserve to maintain a balanced budget.

In setting its annual budget, the Council is required to give due regard to a statement from its Chief Financial Officer as to the adequacy of reserves and the robustness of the budget estimates. This statement is set out in Appendix E for Members’ consideration.

Recommendation(s):

- 1) To recommend to Full Council the approval of:
 - a. the Revised Budget for 2023/24 and Budget Estimates for 2024/25, as set out in the report and at Appendix D;
 - b. an increase to the Band D Council Tax level of 2.99% (£5.53) from £184.92 to £190.45;
 - c. Maintenance of the minimum threshold for the General Fund Working Balance at £5m; and
 - d. Transfers to and from Reserves as set out in the report
- 2) To note:
 - a. The updated Medium-Term Financial Forecast at Appendix A, and
 - b. The statement of the Chief Financial Officer at Appendix E.

1. Context and background of report

- 1.1 This report deals with the General Fund Revenue Budget for the Council, setting out spending plans and anticipated income for the coming year. It does not include budget estimates for the Housing Revenue Account, which are subject to a separate report to the Housing Committee, for onward recommendation to Council in February. The budget report should be considered as part of a comprehensive suite of financial reporting which includes the Capital and Investment Strategy, Capital Programme, and Treasury Management Strategy, all of which are reported alongside this report to Committee and subsequently to Council.
- 1.2 The detailed budget proposals set out in this report have been produced within the framework set out in the Medium-Term Financial Strategy (MTFS), considered by the Corporate Management Committee (CMC) in December 2023 and recommended for consideration by Full Council in February.
- 1.3 The Medium-Term Financial Forecast (MTFF) and detailed 2024/25 budget proposals have been updated to reflect the actions set out in the MTFS in December, alongside a minor change to the Provisional Settlement figures and final amendments to detailed service budgets. This revised forecast also includes updated borrowing costs (interest and provision for repayment of debt) in line with changes made as part of the Capital and Investment Strategy and draft Capital Programme. A summary of these movements is set out in the body of this report.
- 1.4 It is not intended to repeat all of the contextual information that is set out in the MTFS, but to focus on the 2024/25 budget figures (Appendix D), recommend the Council Tax charge and review the level of balances held. Matters of risk, and an opinion on the adequacy of the reserves and the robustness of the estimates, are included in the final appendix.

2 Building the Budget

Adjustments to base budgets

- 2.1 The starting point for preparation of the revised forecast and 2024/25 budget proposal, is to update the prior year's budget for all amendments that have happened

in the past year, due to the approval of Supplementary Estimates or virements between budget headings. In 2023/24, these have largely stemmed from unavoidable cost increases due to existing contractual commitments or the outcome of procurement exercises.

- 2.2 Known changes to the budgets are also built in from decisions taken by others such as Surrey County Council or central government, where those decisions directly impact the costs or income of the Council (e.g., reversion of on-street parking enforcement and Highways verge maintenance to the County Council, or national planning fee uplift) as are unavoidable changes such as increases in the costs of external audit, for example.
- 2.3 Two significant savings have been included with the adjustments. These are a reduction of £1m in salary costs based on on-going underspends against the establishment list and a challenge exercise undertaken by budget managers to release savings in non-contractual, non-salary budgets, resulting in £365k of annual savings.
- 2.4 These amendments are included in the budget adjustments line in the updated MTFF attached at Appendix A and are set out in detail in Appendix B.
- 2.5 Appendix B also shows amendments to base budgets in respect of budgets carried forward to 2023/24 from 2022/23 and growth bids that were approved as part of last year's budget process. Note that Appendix B also includes changes to net Investment property income which are shown under the Treasury and Financing section of the MTFF.

Proposed growth for 2024/25

- 2.6 Following a rigorous challenge process, a limited number of growth items were put forward to CMC as part of the MTFs, for inclusion in the budget proposals for consideration by Full Council in February. The MTFs contained supporting detail for these growth items which were considered as business critical or contributing significantly to service delivery or the achievement of corporate objectives.
- 2.7 The growth bids are summarised in the following table:

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

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

Revenue costs of Business-Critical Capital Projects		Revenue		
		24/25	25/26	26/27
Service Area	Growth bid	£	£	£
Digital Services/ Finance	Revenue costs of replacement Finance system	56,000	56,000	56,000
		56,000	56,000	56,000

- 2.8 The first six items relate to the provision of digital services with increasing revenue costs due to moving to cloud-based solutions 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 six items are designated as business critical as essential to the running of services, business continuity and cyber security.
- 2.9 The next three items are deemed to contribute significantly to service delivery or corporate aims and include £100,000 per annum over the next three years to provide revenue funding for climate change initiatives, anticipated increase in software costs for the Council's asset management system, and additional spend to manage reactive tree maintenance.
- 2.10 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 additional revenue consequences for hosting, licencing, support and maintenance.
- 2.11 As previously noted, the detail on proposed growth bids for 2024/25 was set out in the MTFs in December 2023, including two items to be considered during 2024/25 due to aligning with the timing of other complimentary works or when supporting data to aid decision-making would be available.
- 2.12 In the December 2023 report, a number of scenarios were developed to aid consideration of the proposed strategic actions. One such scenario showed the effect on the Council's budget gap and working balances, of both the on-going approval of supplementary estimates each year (in-year growth) and of annual budgetary growth. While this year's annual growth bids have been kept to a relatively modest level, it should be remembered that around £200,000 of supplementary estimates have been approved during 2023/24 (albeit largely due to unavoidable contractual obligations).
- 2.13 This significant uplift in costs year on year needs to be addressed as part of the Council's future financial sustainability, hence the strategic actions identified in the MTFs at Appendix 5 of that report, included a moratorium on growth until significant in-roads are made into balancing the Council's medium-term financial position. Hence the updated MTF included in this report does not show any further in-year or annual budget growth.

- 2.14 No supplementary estimates are to be approved in-year unless essential to deliver corporate aims or that are business critical to the running of services. Even where these criteria are met, the first assumption will be that growth is to be met by savings elsewhere or by external funding. (Note that this does not apply to annual inflation uplifts, including annual salary adjustments).

Inflation

- 2.15 Adjustments for both income and expenditure inflation are factored into the budget preparation, with underlying assumptions set out in the MTFs. Service Committees have also considered the setting of fees and charges relevant to their areas, and these have been built into the budget proposals. Assumptions around income from the Council's portfolio of investment properties is directly related to the uplift details within individual leases rather than on any general inflationary uplift in property income and so is derived in a more detailed manner, making allowances for known lease events such as rent reviews, break clauses, end of lease terms and any rent-free periods, for example.
- 2.16 Included in the inflation allowance, is a provision for the annual staff pay award for 2024/25 including adjustments to meet the National Living Wage requirements. In determining its pay offer the Council has to balance its desire to reward, recruit and retain staff with the pressure this growth puts on the Council's budget. The final pay award is subject to consultation with trade union representatives and CMC approved under the MTFs that authority be given to the Head of Paid Service (Chief Executive) to enter into pay negotiations with staff and Union representatives within the total provision set out in the report.
- 2.17 Any change to the pay inflation estimates included in this report will be compensated for by an equal movement in the transfers to or from the General Fund working balance, subject to the applicable financial procedure rules and may therefore be subject to a supplementary estimate.
- 2.18 The changes referred to above form the "Adjusted base budget" line in the revised MTF.

Transfers to and from earmarked reserves

- 2.19 The Council continues to hold a number of earmarked reserves for specific purposes such as:
- smoothing the effects of the operation of the Business Rates Retention scheme to prevent large swings of income from having an impact on the on-going provision of core services;
 - building up a provision to reduce the impact from anticipated void periods for commercial properties and to allow for the maintenance of commercial property to retain it in a lettable condition;
 - funds to support invest-to-save initiatives, service transformation and continuous improvement;
 - other specific reserves, for example, to set aside surpluses of car parking income to be spent, as per regulation, on future maintenance or improvements such as the provision of Automated Number Plate Recognition (ANPR).

These reserves are regularly reviewed to monitor their sufficiency.

Treasury and Financing

- 2.20 This section is explained in more detail in the Capital and Investment Strategy, and the Treasury Management Strategy.
- 2.21 As already noted, income from the Council's investment property portfolio is now shown in this section alongside its income from treasury management (interest receivable) and borrowing costs (interest payable and provision for the repayment of debt, also known as Minimum Revenue Provision (MRP)).
- 2.22 More commentary on the Council's debt position and its investment property portfolio is included in Appendix E but it is important to recognise the contribution that this income makes to the delivery of Council services while also understanding the risks involved in this type of commercial activity and the mitigating steps that the Council takes to ensure it can manage those risks.
- 2.23 In 2022/23, the investment property portfolio returned a net yield, after direct costs, of 4.9%. This figure includes returns from commercial property forming part of the Council's regeneration schemes in Addlestone and Egham, the latter coming on stream during 2022/23 so does not reflect a full year's income. Once provisions for bad debts and borrowing costs are included, the net yield was 2.1%, providing over £11m net contribution to the Council's revenue budget to support the provision of services to residents. The budget proposals take account of the latest forecasts for income and allow for direct costs and for interest payable on borrowing. Provisions are included in the budget for estimated levels of bad debt and the set aside of monies for future repayment as loans mature. Reserves are held to ensure properties are maintained and repaired and to allow for fluctuations in annual income due to void periods or the award of rent-free periods, for example.
- 2.24 As set out in the Capital and Investment Strategy, the Council is now formalising its intent not to purchase additional investment property by placing a moratorium on new debt-funded asset investments, i.e. assets purchased primarily for yield. Instead, as previously agreed, it will concentrate work in this area on managing its existing portfolio, maximising returns, and considering options for divestment in appropriate circumstance. The Council will be seeking to reduce its overall borrowing requirement, and therefore when such asset sales are agreed, and capital receipts for sales are used to repay borrowing, this will have an impact on the revenue budget in a number of ways.
- Potential income from the asset will be lost, but so too will any holding costs for the asset.
 - The Council's provision for repayment of debt will be reduced and potentially if loans are repaid early, while interest rates remain high but are expected to fall, a discount may be achieved on the unwinding of the debt, which may in part offset loss of income.
 - A reduced portfolio may also reduce management costs and external costs such as instructing valuations on a smaller portfolio.

With so many interacting elements, it will be imperative moving forward that detailed financial analysis is undertaken to determine the best options for each individual asset when considering any divestment, following the processes set out in the Asset Management Strategy, approved by Full Council in March 2023, and the enhanced

governance processes introduced during the current year which saw the Property and Assets Member Task Force set up.

- 2.25 Interest receivable on the Council's cash investments is due to fall back towards previous levels over the medium term due to a combination of future falls in interest rates and the consumption of cash reserves.
- 2.26 Repayment of existing borrowing is protected from increased interest rates for the life of the loans, as all of the Council's borrowing is at fixed rates. However, some borrowing will fall due for repayment during the period of the MTFF and while it is anticipated that some of this repayment will be met from the release of cash investments, where existing borrowing is replaced in the near term, this is expected to be at higher rates than previously secured.
- 2.27 When considering the Revenue Budget proposals and the MTFF, it is important to note the link to financing of the Capital Programme. As the Capital Programme does not currently forecast any major new borrowing, over that already in existing approved plans, the Revenue forecast also does not account for any significant new borrowing costs. Any such costs will increase the anticipated budget deficit over the medium-term and require additional revenue savings, or increased income, to be found to compensate for this pressure.
- 2.28 The Budget estimates do not currently make any provision for voluntary repayment of debt, over and above that calculated in accordance with the Council's MRP policy. However, it may be prudent to consider this option as net budget reductions are realised as part of the Council's programme to deliver savings, efficiencies and income generation or should future underspends against the forecasts occur.

Local Government Finance Settlement

- 2.29 The Provisional Local Government Settlement, providing detailed funding allocations on a council-by-council basis, was released on 18th December 2023 and the figures are included in the draft budget and updated medium-term forecast and show very minor change from that indicated in the MTFF in December. The four-week consultation period ran to 15th January and the final Settlement figures will be confirmed in early February. Any material changes will be reflected in the budget with a compensating change to the transfers to or from reserves, to maintain a balanced budget.
- 2.30 In accordance with its previous policy statement on the future of local government finance, the Provisional Settlement confirmed a proposed Core Spending Power (CSP) increase of around 6.5% in 2024/25 across local government, with a 3% minimum funding guarantee for all councils before any decisions on Council Tax rates are taken. The constituents of core spending power will vary depending on the type of authority (County / Unitary / District) and other individual characteristic such as rurality.
- 2.31 CSP for Runnymede consists of the following items:
- Settlement Funding Assessment (which consists of Revenue Support Grant, and the baseline funding level)
 - Income from council tax assuming that the tax base grows, and councils increase council tax by the maximum possible allowable under council tax referendum principles
 - Compensation for under-indexing the business rates multiplier

- New Homes Bonus
- Services Grant
- A Funding Guarantee, to ensure that all councils have an increase of 3% in core spending power before any changes in council tax levels are taken into account.

Change in core spending power	2023/24	2024/25
	£m	£m
Settlement Funding Assessment	2.006	2.115
Compensation for under-indexing the business rates multiplier	0.328	0.368
Estimated Council Tax	6.447	6.711
New Homes Bonus	0.610	0.664
CSP Minimum Funding Guarantee	0.503	0.594
Services Grant	0.075	0.012
Core Spending Power	9.968	10.463
Increase (including assumed increase in Council Tax rate)		5.0%

2.32 Not all of the figures in the table above are directly comparable to those in the Budget Estimates. For Council Tax, the CSP makes assumptions about growth to the taxbase that may differ from local assumptions and the Settlement Funding Assessment includes the baseline funding level, but actual funding will vary depending on business rates growth, for example.

2.33 The Council will be fully compensated for under-indexation of the business rates multiplier. This is the rate at which businesses pay their Rates (rateable value x multiplier) and under normal circumstances is increased annually in line with inflation. Freezing this rate is beneficial for business but would reduce the income to Councils without compensation from government. This compensation is aligned with CPI.

Business Rates

2.34 Business Rates Pools continue for 2024/25 and the Council has entered into a revised pooling arrangement for the year ahead and estimated pooling gains are included in the budget figures. The budget proposals assume that the resetting of the Business Rates baselines will not occur until 2026/27, as was set out in scenario 2 in the MTFF. Pooling gains will not be achievable immediately after a reset and therefore do not appear in later years of the forecast. No pooling gain is forecast in 2025/26 at this point, although Runnymede has been part of the local pooling arrangements for some years now and will likely continue to be so for as long as these arrangements are in place. At this point however, it is too uncertain to forecast any anticipated gains for 2025/26 alongside the absence of clarification of when the Business Rates reset will happen.

2.35 The Council is required to return an estimate of its Business Rates income to government by 31 January 2024 (NNDR1). This form also estimates any surplus or deficit on the collection of Business Rates against the anticipated income in the prior year, much as happens with Council Tax. At the time of writing this report, this work is in progress. Any material changes to the estimates within the budget will be compensated for from the Business Rates Reserve.

Council Tax

- 2.36 The estimated tax base growth, approved in December, provides additional income in 2024/25 of £116.7k in respect of the growth in the equivalent number of Band D chargeable properties in the area.
- 2.37 Draft council tax referendum principles were issued alongside the Provisional Settlement, confirming that a referendum would be triggered for shire districts such as Runnymede if their increase in Council Tax is 3% or more, and greater than £5. The increase to Runnymede's Council Tax level is proposed at 2.99% which equates to £5.53 for the average Band D property, before any discounts or exemptions are applied. This provides around £196.3k of additional income to the Council in 2024/25. The MTFF assumes a similar increase in Council Tax level in future years.
- 2.38 While recognising the increasing cost-of-living pressures on its residents, the Council also has to be mindful of its ability to deliver essential services, particularly to its more vulnerable residents, as it sees its own costs rising in the face of inflation and demand for services. It is therefore recommended to increase Runnymede Borough Council's share of the Council Tax by the full permissible amount of 2.99%. The Council has recently reviewed its Council Tax Support Scheme which provides support to those who qualify for help to pay their Council Tax alongside the provision of a Hardship Fund to support those in most need.

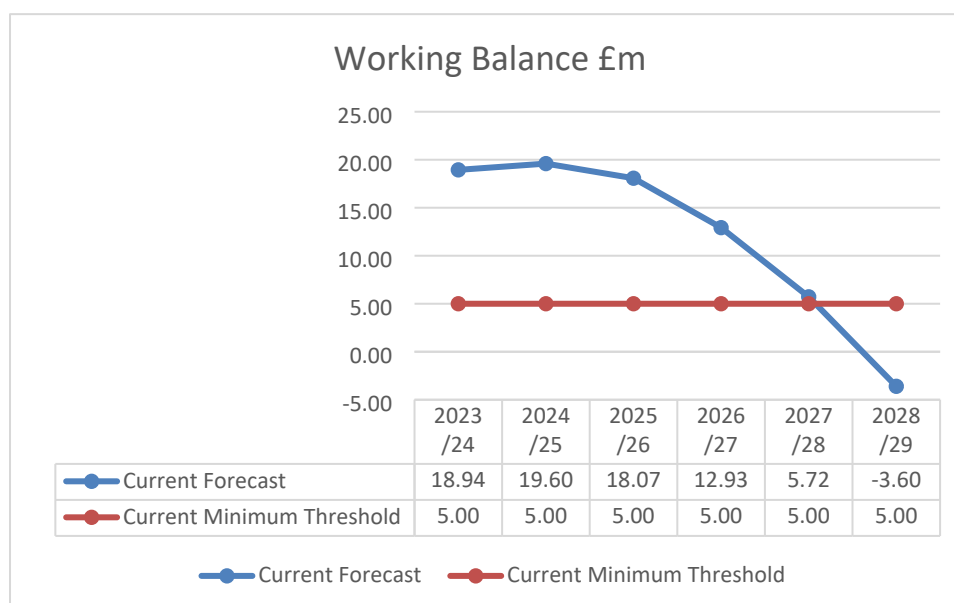
3 Budget Summary

- 3.1 All of the above factors culminate in the production of the updated MTFF at Appendix A and the detailed budget proposals at Appendix D.
- 3.2 The updated MTFF shows a more favourable position for all years across the forecast period when compared to that reported in December. This is due to a number of factors:
- The estimates have been updated to include the assumptions set out in scenario 2 of the MTFS report, i.e. a moratorium on growth, delay of the Business Rates reset and a more gradual reduction in funding following the government's proposed review of relative needs across Councils;
 - Changes have been made to reflect final amendments to budget returns from budget holders and final reconciliations of recharges between the General Fund and the Housing Revenue Account;
 - Effects of the fee increases approved by Members during the November cycle of committees have been incorporated;
 - Minor change to provisional settlement figures; and
 - Amendments to capital costs due to now assuming the tail-end of costs for the Magna Square development will be met from capital receipts rather than through borrowing and to adjust minimum revenue provision for changes to the level of internal borrowing. These matters are referred to in the Capital and Investment Strategy.
- 3.3 The following table sets out these changes.

	Probable	Forecast	Forecast	Forecast
	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000
Use of Working Balance as per MTFs report	1,672	67	4,299	7,061
Moratorium on in-year supplementary estimates	-	(200)	(400)	(600)
Moratorium on annual budget growth from 2025/26	-	-	(250)	(500)
Business rates retention reset slips a year	-	-	(1,500)	-
Change in funding assumptions (reduced tapering)	-	-	(100)	(200)
Use of / (contribution to) Working Balance - Scenario 2	1,672	(133)	2,049	5,761
Expenditure on Services:				
Chertsey Museum - Business rates reduction	(22)			
Green Waste income	(45)	(60)	(60)	(60)
Parks Tree survey	(100)	100		
Cemeteries - increase in income	(144)	(144)	(144)	(144)
Car Parks - increase in income	(98)	(106)	(106)	(106)
Salaries - Additional savings identified	(167)			
Reduction in property holding costs		(195)		
Increased recharges to the HRA		(210)	(210)	(210)
Additional savings / Roundings under £5k	(47)	(118)	(126)	(122)
Other changes:				
Revenue contributions to capital	(60)	60		
Borrowing costs	(74)	(294)	(294)	(294)
MRP Recalculation	444	409	373	282
Changes in Government Grants	(12)	40	40	40
Updated MTFF	1,347	(651)	1,522	5,148

- 3.4 The revised forecast sees the Council moving from a broadly balanced budget position for 2024/25 to one that instead contributes £651k to its working balances. The budget gaps previously indicated for 2025/26 and 2026/27 are both significantly reduced, resulting in a reduction to the anticipated drawdown of balances in both those years. The budget gap for 2025/26 is now forecast at £1.5m, while the budget gap by the end of 2026/27 is forecast to be approximately £5.2m. This is the period covered by the MTFs, although the forecast itself has been extended for a further two years to demonstrate the potential outcome should corrective action not be taken in a timely manner.
- 3.5 As a result of these changes, the revised MTFF shows a reduced rate of decline in the General Fund working balance, reducing from £20.3m at the start of 2023/24 to £12.9m by the close of 2026/27 (the period covered by the Strategy) some £7.9m above the minimum threshold set last year.
- 3.6 In the Ministerial statement accompanying the Provisional Settlement, the government recognised the economic pressures faced by Councils and noted that while local authority reserves were falling, they remained generally higher than pre-pandemic levels, and encouraged Councils to consider, where possible, the use of

their reserves to maintain services in the face of these pressures. While it is appropriate to use reserves to meet some of the challenges placed on the Council by the current economic situation and consequential inflationary pressures, reliance on reserves can never be a long-term solution as without corrective action, reserves will eventually be consumed, leaving the Council with no flexibility to respond to further changes in its finances. This is demonstrated by projecting the forecast out a further two years which shows that balances would fall to around the £5m minimum level by the end of 2027/28, and be eroded completely during 2028/29, without corrective action being taken, which is further illustrated in the following chart.



- 3.7 It is important to note however that the MTFF does not include the outcome of the Council’s Service Review programme nor its programme to achieve savings, efficiencies and income generation, other than those already approved via Committee. (Two examples of savings initiatives already considered and progressed are the amendments to Council Tax Discounts and Premiums for empty properties and the financial inclusion pilot project which were both considered by the relevant Service Committee and approved during December 2023).
- 3.8 As further recommendations stemming from these programmes come forward to Members under the process previously agreed by Full Council, they will be reflected in future monitoring reports as the savings become certain to be realised, once initiatives have been subject to necessary due diligence and have passed through Member approval. This prudent approach means that savings which are yet to be tested and approved are not included in the budget, with the intent that greater focus is applied to the realisation of benefits and the delivery of required savings.
- 3.9 The size of the budget gap and the ultimate draw on the working balance, will therefore be lessened as the results of those programmes bring future years’ budgets closer to a balanced position. The achievement of a positive budget position for 2024/25 and the headroom above the agreed minimum threshold by close of 2026/27, ahead of inclusion of those savings initiatives, demonstrates the progress that has already been made in increasing the financial stability of the Council and provides time for the measures set out in the MTFs to be implemented and for net budget reductions to be realised.

4 Minimum Threshold for Reserves

- 4.1 In 2023/24, the minimum threshold for the level of working balances was increased from £3m to £5m to allow for the potential increase in volatility in the Council's finances particularly due to the onset of a period of high inflation and potential economic recession. The MTFS considered by Committee in December recommends that it would be prudent to review the minimum threshold again for the coming period to ensure that sufficient risk mitigation is provided against changes to the budgetary forecast.
- 4.2 While balances were four times this threshold at the start of 2023/24, it can be seen in the forecast that they could fall relatively quickly over the next three years and potentially be below the minimum level by 2028/29, without the delivery of net budget reductions. The forecast provides ample time to implement plans and deliver savings with the aim of seeing balance levels stabilise over the medium to longer term.
- 4.3 The Council has been updating its risk management framework in recent months, and updating its Risk Registers to capture key risks, including financial risk. Considering such risks and given continued uncertainty regarding future funding streams and the general economic context, it is not advised to reduce this contingency at the current time. Equally there is no immediate pressure to further increase the level, but rather to support retention of the threshold at £5m. As noted already, balances are projected to remain significantly above this minimum level for the next three years. This level provides a balance between using resources when needed to support service provision, while ensuring a sufficient buffer is retained against unexpected shocks to the system.
- 4.4 Appendix C sets out an updated calculation in support of the £5m threshold. The contingency is not set aside specifically for these items but instead the calculation demonstrates the type of risks that could require draw down of the working balance and provides an indication of the level of balance that it is prudent to hold.

5 Statement of the Chief Financial Officer

- 5.1 The Chief Financial Officer has a statutory duty under s.25 Local Government Act 2003 to make a statement on the adequacy of reserves and the robustness of the budget. The Act requires the Council to have regard to this statement in making its decisions at its budget- and council tax-setting meetings. This statement is set out at Appendix E of this report, for consideration.

6 Policy framework implications

- 6.1 The budget report is an important part of the policy framework of the Council, setting the financial plan for the year ahead, in the context of the financial risks highlighted in the Medium-Term Financial Strategy, and providing a sustainable financial position to enable the Council to achieve its strategic objectives. As part of the policy framework, the budget is required to be considered by Full Council.

7 Resource implications/Value for Money

- 7.1 The budget sets out the resources required to deliver the Council's objectives for the year ahead and to support the Corporate Business Plan. Ensuring a balanced budget and a sustainable financial position over the medium to longer term are essential to ensuring value for money to the taxpayer and other stakeholders.

- 7.2 Sound financial planning is essential to the on-going delivery of services and the sustainability of the Council's finances and forms a major part of the external auditors' opinion on the Council's use of its resources (known as the "Value for money conclusion."

8 Legal implications

- 8.1 S.151 Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs while s.25 Local Government Act 2003 requires the Council to have due regard to a statement on the adequacy of reserves and the robustness of the budget, produced by the Chief Financial Officer, when making its budget decisions.
- 8.2 The Council is required to set a balanced budget and the Chief Financial Officer must report under s114 of the Local Government Finance Act 1988 if it appears to them that the expenditure of the authority incurred (or proposed to be incurred) in a financial year is likely to exceed the resources available to meet that expenditure.

9 Equality implications

- 9.1 Equality Impact Assessments will be undertaken, where appropriate, for any new schemes considered as part of the budget process before implementation.

10 Environment/Sustainability/Biodiversity implications

- 10.1 The budget proposals include revenue growth of £100k per annum for three years to support climate change initiatives as approved by this committee in December as part of the MTFS report.

11 Risk implications

- 11.1 Awareness and management of risk is an essential element of budget preparation, informing the level of resources expected to be needed to deliver the aims of the Council; the financial and demand pressures likely to be faced; and the level of contingency required to support the budget proposals.

- 11.2 This approach is in line with the Council's recently approved Risk Appetite statements. The overarching risk appetite statement adopted by Full Council in December 2023 is as follows:

"Risk Management is a continuously evolving process, whereby the Council constantly seeks to refine and improve process, in order to support the delivery of its objectives and take a proportionate approach to risk. Identifying its risk appetite enables the Council to take a balanced approach in respect of risk by understanding the risk levels it may tolerate, and therefore target its scarce resources at the management of risks that cannot be tolerated. Effective risk management supports informed decision-making through the determination of the nature and extent of the principal risk exposure of the Council and how much risk it is capable of absorbing to achieve its objectives."

- 11.3 The statement of the Chief Financial Officer set out at Appendix E is in effect a risk analysis of the budget proposals in that it provides an opinion on the adequacy of reserves and the robustness of the estimates contained in the budget.

12 Timetable for implementation

- 12.1 The Committee's recommendations on the General Fund Revenue Budget and Council Tax level for 2024/25 will be considered by Full Council on the 8th of February 2024. The final approved budget and Council Tax will apply from 1st April 2024.

13 Conclusions

- 13.1 The budget estimates proposed for 2024/25 incorporate a risk-based approach, taking account of levels of uncertainty, assumptions about inflation and demand pressures, and available resources, within the context of the updated medium-term financial forecast and the proposed actions to improve financial sustainability set out in the MTFs.
- 13.2 The proposals provide a budget for 2024/25 that is intended to deliver on strategic priorities, approved within the Corporate Business Plan, and makes a contribution to the general fund balance, which remains significantly above the minimum recommended threshold.
- 13.3 This is not to underestimate the challenge ahead. There is a large programme of work to be delivered in addition to core service activity and achievement of the aims set out in the Corporate Business Plan. The Capital and Investment Strategy highlights the scarcity of capital resources and the risks relating to the Council's major income stream from its commercial property portfolio. Other risks are considered in more detail in Appendix E. However, the pragmatic and prudent approach taken to date has enabled a balanced budget to be prepared while a programme of work has been designed and commenced, to ensure further net budget reductions are made to offset anticipated future pressures.

14 Background papers

- [Medium Term Financial Strategy - Agenda item 7 - Corporate Management Committee, 14/12/2023](#)
- [Council Tax base - Agenda item 8 - Corporate Management Committee, 14/12/2023](#)
- [Approach to Financial sustainability - Agenda item 11 - Corporate Management Committee, 14/09/2023](#)
- [Risk Appetite Statement - Standards and Audit Committee, 21/11/2023](#)
- [Runnymede Borough Council: Best Value Notice - GOV.UK \(www.gov.uk\)](#)

15 Appendices

- Appendix A – Updated Medium-Term Financial Forecast
- Appendix B – Budget Adjustments
- Appendix C – Working Balance threshold
- Appendix D – Revised Budget 2023/24 and Budget Estimates for 2024/25
- Appendix E – Statement from the Chief Financial Officer

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	24,457	24,457	24,457	24,457	24,457	24,457	24,457
Budget adjustments	0	(1,422)	(3,141)	(3,258)	(3,227)	(3,064)	(3,056)
Planned underspends carried forward from 2022/23	0	291	0	0	0	0	0
Growth bids approved in Feb 2023	1,572	1,299	206	198	198	198	198
Growth bids to be approved in Feb 2024	0	0	271	257	212	112	112
Inflation	0	0	1,374	2,395	3,278	4,101	4,940
Adjusted base budget A	26,029	24,626	23,168	24,049	24,918	25,804	26,651
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	97	107	0	0	0	0
Transfers to/(from) reserves:							
- Business rates equalisation reserve	0	0	0	0	0	0	0
- Car parks reserve	(180)	(52)	50	50	50	50	50
- Equipment repairs and renewals reserve	750	1,000	1,000	1,000	1,000	1,000	1,000
- Insurance reserve	0	0	0	0	0	0	0
- Investment property income equalisation reserve	750	750	670	664	829	1,032	1,032
- 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 feasibility fund	0	0	0	0	0	0	0
- Tennis court replacement reserve	14	14	14	14	14	14	14
Treasury and Financing							
- Investment property income (net)	(23,847)	(23,905)	(23,917)	(25,207)	(25,372)	(25,491)	(25,491)
- 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	12,729	12,909	13,352	13,673	14,119	14,728
- Minimum Revenue Provision (MRP)	4,612	4,907	5,103	5,307	5,519	5,740	5,970
- Voluntary Revenue Provision (VRP)	0	0	0	0	0	0	0
Government Grants (Non-Service Specific)							
- New Homes Bonus	(610)	(610)	(664)	0	0	0	0
- Minimum Funding Guarantee	(506)	(506)	(594)	(1,000)	(800)	(600)	(400)
- Services Grant	(72)	(72)	(12)	0	0	0	0
- Other grants	0	0	0	0	0	0	0
- Revenue Support Grant (RSG)	(83)	(83)	(88)	(88)	(88)	(88)	(88)
Budget requirement B	13,102	10,517	10,408	12,023	14,400	16,715	19,098
Funded by:							
- Business rates retention scheme	(3,295)	(3,295)	(3,500)	(3,500)	(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 Enterprise 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)	(3,500)	(2,000)	(2,000)	(2,000)
Net demand (B less C)	10,377	7,794	6,109	8,523	12,400	14,715	17,098
Tax base - Band D equivalent numbers							
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	3,929	1,347	(651)	1,522	5,148	7,205	9,321
General Fund Working Balance							
Working Balance at start of year		20,291	18,944	19,596	18,074	12,925	5,720
Use of working balance		(1,347)	651	(1,522)	(5,148)	(7,205)	(9,321)
Working balance at end of year		18,944	19,596	18,074	12,925	5,720	(3,601)
Over / (Under) minimum balance level of £5m		13,944	14,596	13,074	7,925	720	(8,601)

Adjustments to the 2023/24 base budget

	Probable 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Comments
	£'000	£'000	£'000	£'000	£'000	£'000	
Housing Committee							
Base Budget as per 2023/24 Budget Book	2,352	2,352	2,352	2,352	2,352	2,352	
Housing Enforcement (Standards) - Civil Penalty - HMO's	(20)						
Housing Enforcement (Standards) - Private Sector Stock Condition Survey		(35)	(35)		(35)		(35) Undertaken every 3 years. Budgeted for in 23/24 so removed in 24/25 & 25/26
Housing Advice - Third Party Payments		(23)	(23)	(23)	(23)		(23) Payments to Surrey County Council for Lookahead ending in 23/24
Homelessness - Reduction Grant funding of staff					200		200 Grant dropping out in 27/28 onwards
Growth bid - Revenues - Benefits	2	2	2	2	2		2 Welfare support and corporate debt software
	2,334	2,296	2,296	2,331	2,496	2,496	
Community Services Committee							
Base Budget as per 2023/24 Budget Book	5,115	5,115	5,115	5,115	5,115	5,115	
Transfer of Services to Environmental & Sustainability Committee	(1,573)	(1,573)	(1,573)	(1,573)	(1,573)	(1,573)	
Revised Base Budget	3,542	3,542	3,542	3,542	3,542	3,542	
Community Services Admin - Partnership recovery	(93)	(56)	(55)	(55)	(55)	(55)	
Day Centres - Reopening Addlestone Day Centre	28	28	28	28	28	28	28 Approved - CSC - 15 June 2023 & CMC - 23 June 2023
Day Centres - building maintenance increase		0	(39)	(39)	(39)	(39)	(39) Additional requirement for works in 23/24 removed after 24/25
Day Centres - Reduction in income	138	157	157	157	157	157	
Day Centres - Increase in staffing costs	31	31	31	31	31	31	
Community Meals Service - Vehicle procurement additional lease costs	16	16	16	16	16	16	16 Approved - CMC - 23 Mar 2023)
Community Meals - Net increase in costs	57	10					Cost of food increased, lower revenue and higher vehicle costs. Service subject to review.
Community Alarms - reduced income due to natural decline in uptake	40	6					Reduction in uptake.
Community Alarms - increase in equipment purchase costs	60						Purchasing digital compatible equipment which has seen a increase in cost.
Community Transport - net increase in income following service review	(71)	(56)	(56)	(56)	(56)	(56)	
Safer Runnymede - Increased costs of new CCTV maintenance call outs	47	47	47	47	47	47	47 Additional costs of new Maintenance contract. Currently being reviewed.
Safer Runnymede - Increase in revenue	(50)	(63)	(63)	(63)	(63)	(63)	(63) Full years income from new contracts
Community Safety - Planned Underspend	37						Grant to Woking Women's Centre
Grant Aid - Increase in grant aid rent abatement		(16)	(16)	(16)	(16)	(16)	(16) 2 year grant ending for @the Lit
Grant Aid - Increase in core grants to voluntary organisations	15	15	15	15	15	15	15 Growth bid - Approved CMC - 23 Mar 2023
Grant Aid - Community First	(4)	(4)	(4)	(4)	(4)	(4)	(4) Minor reduction in budget requirement
Grant Aid - Property - Council Tax Hardship Support	(2)	(2)	(2)	(2)	(2)	(2)	(2) Minor reduction in budget requirement
Leisure Development - Developing Capacity in Open Space Development	(3)	(4)	5	5	5	5	5 Approved - CSC - 15 June 2023 & CMC - 23 June 2023
Leisure Development - Youth development budget	(60)	(47)					Capital contribution to play area replacement (CS Committee Sep 23) moved to summary page
Leisure Development - Family Support Program		(27)	(27)	(27)	(27)	(27)	(27) Proposed to phase out support for statutory SCC service over two years. Proposal to be worked up and agreed by RBC/SHBC before removing budget
Chertsey Museum - Business Rates reduction	(22)	(22)					
Community Halls - Decline in bookings	40	33	33	33	33	33	
Community Halls - Reduction in staffing costs	(21)						
	3,725	3,588	3,612	3,612	3,612	3,612	

Adjustments to the 2023/24 base budget

	Probable 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Comments
	£'000	£'000	£'000	£'000	£'000	£'000	
Environment and Sustainability Committee							
Base Budget as per 2023/24 Budget Book	5,419	5,419	5,419	5,419	5,419	5,419	
Transfer of Services from Community Services Committee	1,573	1,573	1,573	1,573	1,573	1,573	
Revised Base Budget	6,992	6,992	6,992	6,992	6,992	6,992	
NEW Changes							
Pollution control - equipment		(6)	(6)	(6)	(6)		(6) Purchased every 5 years (budgeted for in 2023/24 dropping out thereafter)
Contaminated Land - Professional Fees		(20)	(20)	(20)	(20)		(20) £30k Provision in 23/24 only. £20k provision removed, leaving £10k pa provision thereafter
Refuse - training budget for drivers	(4)	(8)	(8)	(8)	(8)		(8) Budget reduced to reflect actual costs
Refuse - SCC funds received for not accessing Chertsey bridge	(95)	(95)	(95)	(95)	(95)		(95) Annual contribution
Trade waste - price per tonne in 2023/24 higher than estimated	7	7	7	7	7	7	
Trade waste - income lower than estimated	5						
Recycling Initiatives	(3)	(20)	(20)	(20)	(20)		(20) Budget never used
Green Waste income higher than anticipated	(45)	(60)	(60)	(60)	(60)		(60)
Street Cleansing and Litter Squad - Grounds Maintenance	(6)	(23)	(23)	(23)	(23)		(23) Provision for leaf clearance removed (included in SCC verge maintenance contract)
Flood Mitigation - Planned Underspend - grounds maintenance	6						
Flood Mitigation - additional grants	(14)	(8)					
Energy Management/Climate Change - Planned Underspend	2						For promotion of events from the Climate Change budget
Energy Management/Climate Change - Planned Underspend	16						Ongoing Climate change study project not completed until 23/24
Parks - Planned Underspend	193						Parks health and safety remedial work. Agreed at Committee in January 23
Parks - Planned Underspend	20						Parks health and safety consultancy work. Agreed at Committee in January 23
Parks- Growth bid		100					Borough-wide tree survey (£150k in total - £50k from HRA) - ES Cttee - Sept 23
Parks- Growth bid		30	30	30	30		30 Playarea ongoing maintenance of improved standard (approved CS Cttee - Sept 2023)
Parks - public toilets		(10)	(10)	(10)	(10)		(10) Additional costs of cleaning carried out during covid19 pandemic falling away
Parks - Contribution to a Surrey-wide Traveller site	(33)	(33)	(33)	(33)	(33)		(33) Scheme now unlikely to progress
Parks - security cost to open and close the parks	63	70	70	70	70		70 Additional costs of security
Parks - Disposal costs of contaminated hay	12	12	12	12	12		12
Parks - balance of easement payment, not budgeted for	(19)						
Parks - Chertsey Meads potential loss of funding - Natural England		12	12	12	12		12 Dependant on SFI Scheme successful outcome
Parks - Grants and contributions	(15)	(20)					Reduced requirement
Cemeteries - Increase in income	(144)	(144)	(144)	(144)	(144)		(144) Underbudgeted following Covid19 pandemic
Car Parks - Income - P&D & PCN net increase	(128)	(200)	(200)	(200)	(200)		(200) Environment & Sustainability November 2023
Parking Service - Growth bid	0	5	5	5	5		5 Replacement pay & display machines
Parking Services - Growth bid	0	15	(56)	(56)	(56)		(56) ANPR in car parks (Approved ES & CMC Sept 2023) but slipped one year
Borough Highways - Planned Underspend	4						Purchase of street name plates
	6,814	6,596	6,453	6,453	6,453	6,453	
Licensing Committee							
Base Budget as per 2023/24 Budget Book	25	25	25	25	25	25	
No Changes							
	25	25	25	25	25	25	

Adjustments to the 2023/24 base budget

	Probable 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Comments
	£'000	£'000	£'000	£'000	£'000	£'000	
Regulatory Committee							
Base Budget as per 2023/24 Budget Book	115	115	115	115	115	115	
No Changes							
	115	115	115	115	115	115	
Planning Committee							
Base Budget as per 2023/24 Budget Book	2,300	2,300	2,300	2,300	2,300	2,300	
NEW Changes							
Planning Policy - Partial Review of CIL	(22)	0	(22)	(22)	(22)	(22)	(22) One off cost in base budget for 23/24. Removed thereafter. Deferred until the Government's plans to reform CIL & S106 are published.
Planning Policy- Local Plan Planning and Development Advice		(50)	(50)	(50)	(50)	(50)	(50) One off in 23/24 base budget. removed thereafter
Local Plan - Digitisation of the planning system	(25)	0	(25)	(25)	(25)	(25)	(25) Measures to help achieve central governments digital ambitions. One off cost in base budget for 23/24 moved to 24/25. Removed thereafter
Development Management - Growth bid	30	30	30	30	30	30	30 Additional 0.5FTE post in Dev Mgmt
Development Management - Consultancy advice only	31						
Development Management - Increase in statutory fees	(60)	(298)	(298)	(298)	(298)	(298)	(298) Statutory proposals. A 35% increase for major applications and 25% for all other applications
Development Management - Planning Appeals		(13)	(13)	(13)	(13)	(13)	(13) One off in 23/24 base removed thereafter
Development Management - other fees	(3)	(23)	(22)	(22)	(22)	(22)	(22) One off in 23/24 base removed thereafter
Development Management - Other Grants and Contributions	(4)	10	10	10	10	10	10 S106 and CIL funding not expected
Building Control Non Fee - Technical service recharge	(27)	(27)	(27)	(27)	(27)	(27)	(27) Under budgeted for in base budget
Building Control Fee - Other professional fees	(11)	(9)					Savings expected
Building Control Fee - Structural Engineers fees	(7)	(3)					Savings expected
Building Control Fee - Technical service recharge	(27)	(27)	(27)	(27)	(27)	(27)	(27) Under budgeted for in base budget
Building Control Fee - Application Fees	60						Reduced income expected this year, but recovering next year due to increase in fees and charges
Building Control Fee - Inspection Fees	33						Reduced income expected this year, but recovering next year due to increase in fees and charges
	2,268	1,890	1,856	1,856	1,856	1,856	
Corporate Management Committee							
Base Budget as per 2023/24 Budget Book	(14,716)	(14,716)	(14,716)	(14,716)	(14,716)	(14,716)	
Transfer of Investment Properties to new line in GF Summary page	23,847	23,847	23,847	23,847	23,847	23,847	
Revised Base Budget	9,131	9,131	9,131	9,131	9,131	9,131	
Corporate Management - Economic development strategy	(20)	20	0	0	0	0	0 Provisions for Development of clusters of tech and business innovation moved to 2024/25
Corporate Management - Economic development strategy		(31)	(20)	(20)	(20)	(20)	(20) One off provisions dropping in and out of budget
Corporate Management - MS LEP Funding		(11)					SCC emailed Council Leader 30 Nov 23 to say not needed in 2024/25
Corporate Management - Provision for Community initiatives		(30)	(30)	(30)	(30)	(30)	(30) Provisional budget removed
Corporate Management - planned underspend for training	11						To fund ongoing Management Dev programme including Carbon Literacy Training for tier 3 Senior Managers (CMC - Apr23) and training for 1st and 2nd tier Managers in 2023/24.
Corporate Management - Growth bid - Economic Development	15	5	15	15	15	15	15 Town centre events (23/24 reduced to £15,000 from £30,000) - Sept 23 CMC
Corporate Management - Growth bid - Economic Development	20						Chertsey Masterplanning

Adjustments to the 2023/24 base budget

	Probable 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Comments
	£'000	£'000	£'000	£'000	£'000	£'000	
Corporate Management - Growth bid - Economic Development	5						Tourism work
Corporate Management - Growth bid - CEX Office	5	5	5	5	5	5	5 Uplift in grading of post to account for service review additional responsibility
Corporate Management - Growth bid - CEX Office	5	5	5	5	5	5	5 GrantsFinder software
Democratic Representation - Independent remuneration panel		2				3	Provision required every 3 years (2021/22 & 2024/25 & 2027/28)
Business Rates - New burdens grant	(35)						
Council Tax & Business Rates - Growth bid	5	5	5	5	5	5	5 Revenues legislative requirements - CTAX and Business rates
Elections - costs recovered and government grant received	1	(44)	30	30	30	30	30 Parliamentary election now expected in 2024/25 offset by grant received in 2023/24, plus additional costs recovered for PCC 2024/25 election
Local Land Charges - income less than estimated	80	30	30	30	30	30	30 Income affected by mortgage rate rises and cost of living
Local Land Charges - loss of income in 2024/25		25	50	50	50	50	50 Transfer of fees to HMLR (CMC - Sept 23). Go live date not yet known, estimated 1 October 2024
Local Land Charges - new burdens grant		(10)					One off grant to be paid 3 months after transfer to HMLR is completed
Corp Properties - Salary costs not recoverable from tenant service charges	59						One off - change to processes should allow cost to be recovered going forwards
Corp Properties - Egham Gateway - Legal/Solicitors fees	20						Planned Underspend - Fees for residential sales at Magna Square
Corp Properties - Surveyors Fees (incl Asset valuations)		(18)	(18)	(18)	(18)	(18)	(18) Savings identified
Corp Properties - Landlord Costs - Surveyors fees	25						Planned Underspend - Surveyors fees
Corp Properties - AddlestoneOne - Counsel/Barristers	12						Planned Underspend - Barristers fees
Corp Properties - General - Legal fees	25						Planned Underspend - Road works relating to Core Judo
Corp Properties - changes in Non Investment Property income	(45)	(26)	(17)	(27)	(27)	(15)	
Civic Centre - Manual patrols of property not budgeted for	22						Required to maintain insurance cover
Civic Centre - service charges less than budgeted for	35	35	35	35	35	35	35 Greater costs than budgeted based on prior year history
Civic Centre - Utilities	(55)	(26)	(26)	(26)	(26)	(26)	(26) Costs less than budgeted
Civic Centre - Business Rates	31	31	31	31	31	31	
Civic Centre - Buildings - Cleaning Services - Contract		(7)	(7)	(7)	(7)	(7)	(7) Anticipated savings from proposed new contract
Civic Centre - Reduced income	34	34	34	34	34	34	
Depot - Business Rates	34	34	34	34	34	34	
Salaries - Increase in annual leave entitlement now included within services	(30)	(30)	(30)	(30)	(30)	(30)	
Salaries - Additional 1% pay award in 23/24		59	59	59	59	59	59 Ongoing effect of additional 1% pay award in 23/24
Salaries - cost of living lump sum payment 23/24	(117)	(973)	(973)	(973)	(973)	(973)	(973) One off payment in 23/24 base budget falling out in future years
Salaries - additional savings based on salary controls as at 30 November	(1,655)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000) Assumed level of vacancies based on prior year actuals.
Salaries - Apprenticeships - Planned underspend	0	58					Planned underspend not required in 2023/24, moved to 2024/25
Salaries - Apprenticeship provision	(62)						Fewer apprentices than anticipated
Employers costs - Planned Underspend	40						Initiatives fund required to finance new CEO recruitment as per CMC February 2023
Employers Costs - Occupational Health contract (anticipated tendering increase)		5	5	5	5	5	5 Approved - CMC - 23 June 2023
Employers costs - Corporate training - Planned Underspend	28						Essential Training events and courses re updated Health and Safety Policy and new Employee Wellbeing Strategy as per the Organisational Development Strategy 2022-2026
Car Allowances - Overhaul of Essential Car User Allowance		(46)	(50)	(50)	(50)	(50)	(50) Additional savings over an above those in the base budget (CMC Nov 2021)
Financial Services - Internal Audit - increase in charges	10	10	10	10	10	10	10 Approved - CMC - 23 Mar 2023
Financial Services - Insurance - Provision for retendering		(5)	(5)		(5)	(5)	(5) Budget for every 3 years
Financial Services / Human Resources - Joint IT system	(13)	(50)	(50)	(50)	(50)	(50)	(50) Additional money for parallel running of new and old systems dropping out of budget
Digital Services - Mini restructure savings	(22)	(22)	(22)	(22)	(22)	(22)	(22)
Digital Services - Budget holding code		(16)	(16)	(16)	(16)	(16)	(16) Provision removed from budget
Human Resources - Regrade of Corporate Head of HR&OD post		15	15	15	15	15	15 Approved - SO42 No.1022 - 22 May 23 & CMC - 23 June 2023
Human Resources - Additional cost of temporary staff & recruitment costs	7						Employment of temporary resource to cover for vacancy of Corporate Head and staff medical leave
Customer Services (FoH) - Salary provision		(10)	(10)	(10)	(10)	(10)	(10) Provision no longer required
Legal & Governance - Growth bid	3	3	3	3	3	3	3 Uplift in salary for electoral post

Adjustments to the 2023/24 base budget

	Probable 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Comments
	£'000	£'000	£'000	£'000	£'000	£'000	
Law & Governance - Additional staff agency costs	37						Approved - CMC - 20 Apr 2023
Law & Governance - additional net income	(24)	(30)	(30)	(30)	(30)	(30)	Legal costs recovered not budgeted for
	7,621	7,127	7,192	7,188	7,186	7,194	
Investment Properties							
Base Budget as per 2023/24 Budget Book	0	0	0	0	0	0	
Transfer of Investment Properties from Corporate Management Committee	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	
Revised Base Budget	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	
Landlord Costs - Planned Underspend - Legal/Solicitors fees	34						Chiswick Green, Guildford Street, Scandinavia House
Student FM Services contract	(65)	59	59	59	59	59	59 Tendering exercise (CMC - 23 June 2023) - saving in year 1 due to increased income
Works required to re-let commercial properties	(50)	50	(120)	(120)	(120)	(120)	Multiple properties requiring works to bring them into lettable condition - some works moved to next year then budgetary provision dropping out
Void costs - Pine Trees		(195)	(775)	(775)	(775)	(775)	Vacant units expected to be 3/4 let for 24/25. Assumes fully let from 25/26 so void costs drop out
Void costs - Addlestone One	(25)	(42)	(300)	(300)	(300)	(300)	Assumes all units let 25/26 onwards
Void costs - Magna Square	38	(32)	(60)	(60)	(60)	(60)	Assumes all units let 25/26 onwards
Void costs - Other properties	175	10	(250)	(250)	(250)	(250)	Variations in void costs. Future provision reducing as lettings increase
Income - Change in income	119	378	383	209	84	84	
Income - Change in bad debt	(284)	(297)	(297)	(289)	(282)	(282)	
	(23,905)	(23,917)	(25,207)	(25,372)	(25,491)	(25,491)	
General							
Base Budget as per 2023/24 Budget Book	0	0	0	0	0	0	
Increase in Insurance costs following tendering exercise (CMC - May 2023)	90	90	90	90	90	90	90 Supplementary Estimate approved for £144,000 but £90,000 likely to be the final figure
Planned and reactive works required on ageing asset base	60						£60,000 supplementary estimate approved for Civic Centre building compliance
Increased recharges to the HRA		(210)	(210)	(210)	(210)	(210)	Reversing historic under recovery
Additional net savings from 5% Reduction Exercise	(17)	(200)	(230)	(230)	(230)	(230)	
	133	(320)	(350)	(350)	(350)	(350)	
Growth Items already approved but not yet released							
Base Budget as per 2023/24 Budget Book	0	0	0	0	0	0	
LEGACY Changes							
Growth bid - Assets & Regeneration	52	26	26	26	26	26	26 Real Estate Analytics
Growth bid - Assets & Regeneration	60						M&E Survey of Operational Sites
Growth bid - Assets & Regeneration	100						Mini-restructure of A&R
Growth bid - Planning Policy	70						Transport and Infrastructure Planner - Now for one year only
Growth bid - Environmental Services	100	100	100	100	100	100	100 Cost implications of switch to HVO fuel
Growth bid - Building Control	50						Building control shared service set-up costs
Growth bid - Assets & Regeneration	30						Budget for consultancy for independent surveys for SWPS/ Barrsbrook scheme if required
Growth bid - Assets & Regeneration	15	15	15	15	15	15	15 Valuation of property portfolio
Growth bid - Assets & Regeneration	70						Budget increase for 23/24 for operational assets pending production of 5 year plan during 2023

Adjustments to the 2023/24 base budget

	Probable 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Comments
	£'000	£'000	£'000	£'000	£'000	£'000	
Growth bid - Community Services	20						Budget for sport/leisure consultancy to support SWPS/ Barrsbrook project
Growth bid - Planning Policy	20	20	20	20	20	20	Neighbourhood Plan examination costs
Growth bid - Digital Services	15	5	5	5	5	5	Cyber Security Training
Growth bid - Assets & Regeneration	250						Add2 RIBA 0-2 Mixed Use Development
Growth bid - Assets & Regeneration	250						Egham Precinct RIBA 0-2
Growth bid - Assets & Regeneration	150						Regeneration feasibility study budget
Growth bid - Community Services	15	8					Paddling pool replacement programme - Repair works to existing
Growth bid - Digital Services	30	30	30	30	30	30	Waste & recycling hardware and software improvements
Growth bid - Digital Services	2	2	2	2	2	2	Meeting Rooms Video Conferencing
	1,299	206	198	198	198	198	

Planned Underspends from 2022/23 not yet actioned

Base Budget as per 2023/24 Budget Book	0	0	0	0	0	0	
LEGACY Changes							
Community Services Committee							
Planned Underspend - Parks General	10						Budget to be used to replace security fencing at the Orchard Depot
Environmental and Sustainability Committee							
Planned Underspend - Car Parks - professional fees	10						Stock Condition surveys. Funded from Earmarked Car Parks Reserve.
Planning Committee							
Planned Underspend - Policy Implementation - Other Professional	10						Budget will be required during 2023/24 when the SPD will be recommended for adoption
Planned Underspend - Ottershaw Forum - Grant Aid	10						Neighbourhood Fora to assist with procuring Consultancy support.
Planned Underspend - Englefield Green Forum - Grant Aid	10						Neighbourhood Fora to assist with procuring Consultancy support.
Planned Underspend - Egham Hythe Forum - Grant Aid	5						Neighbourhood Fora to assist with procuring Consultancy support.
Corporate Management Committee							
Planned Underspend - External Audit - External Audit Fees	195						Delay in Audit process - no variation fees agreed or invoiced from 2018/19 onwards.
Planned Underspend - Internal Audit Services - Internal Audit	1						Community Grants and Recruitment Audits did not commence until final week of 2022/23.
Corporate Management Committee - Property related							
Corp Properties - Landlord Costs - Barristers fees	5						
Corp Properties - Magna Square - Other Professional fees	15						Planned Underspend - Travel plan survey
Corp Properties - Laser House - Legal/solicitors fees - leases	17						Planned Underspend - Sales of asset legal fees required , the delay is due to resource issue
Corp Properties - Laser House - Surveyors fees	3						Planned Underspend - Disposal agent fee required
	291	0	0	0	0	0	

GENERAL FUND REVENUE RESERVES

CALCULATION OF MINIMUM PRUDENT BALANCE

The Local Government Act 2003 requires the Chief Financial Officer to report on the adequacy of financial reserves when consideration is given to the General Fund budget requirement for the year.

The minimum recommended level of unallocated General Fund reserves is based on an assessment of the following risks and uncertainties using 2024/25 estimates as the basis of the calculations:

Item Description	Calculation basis			Total £000
	Base £000	%	Total	
1 Shortfall in major income budgets				
Arising from, for example, economic downturn:				
Planning Fees	1,054	15	158	
Building Control Fees	346	15	52	
Local land charges	199	15	30	
Car Park income	599	10	60	
Corporate property - additional allowance for lost income	27,505	4	1,100	
Green waste collection income	615	10	62	
Trade refuse collections (net of disposal cost)	233	15	35	
	<u>30,551</u>		<u>1,496</u>	1,496
2 Additional 2% cost inflation				
Supplies and Services Including energy costs				321
Staffing costs				337
3 Uninsured risks				
Excess payments / risks not covered				100
4 Emergency Planning/Business Continuity				
Cost of major incident (not covered by Bellwin scheme reimbursement)				100
Business contingencies (disaster recovery)				250
5 Planning appeals and enquiries				
Estimated cost of a major inquiry				150
6 Potential additional service expenditure (not provided for in base budget)				
Pressure on Homelessness budget due to demand pressures				200
Cost-of-living support measures				150
Corporate property - additional holding costs of void properties	27,505	4		1,100
Additional cost of repairs and maintenance of operational buildings				250
Support to capital programme in place of capital receipts				500
				<u><u>4,955</u></u>

General Fund Summary Revenue Account

Council Budget for the Year Ending 31 March 2025

	<u>2022/23</u> Actual £	<u>2023/24</u> Estimate £	<u>2023/24</u> Probable £	<u>2024/25</u> Estimate £
<u>Expenditure on Services</u>				
Housing Committee	1,773,340	2,352,235	2,279,147	2,322,901
Community Services Committee	3,261,969	3,542,072	3,757,405	4,031,214
Environmental and Sustainability Committee	5,540,741	6,991,804	6,973,161	7,029,553
Licensing Committee	25,757	25,962	27,861	27,388
Regulatory Committee	99,913	114,646	107,897	126,631
Planning Committee	1,672,416	2,300,276	2,271,794	1,976,370
Corporate Management Committee	5,023,608	9,130,910	7,596,281	7,105,935
2023/24 Growth Bids to be agreed	0	1,572,000	1,299,300	206,200
2024/25 Growth Bids to be agreed	0	0	0	271,000
Planned underspends carried forward from 2022/23	0	0	291,000	0
Net Expenditure on Services	17,397,744	26,029,905	24,603,846	23,097,192
<u>Transfers and Financing Adjustments</u>				
Accounting and Other Adjustments:				
Reversal of Depreciation Charge	(1,858,433)	(2,178,067)	(2,097,982)	(2,232,974)
Cost of Capital Charge to HRA	(43,000)	(43,000)	(43,000)	(43,000)
Revenue Contributions to Capital	0	0	97,000	107,000
Other accounting adjustments	68,817	0	0	0
Transfer to/(from) Reserves:				
Business Rates Equalisation Reserve	(6,361,000)	0	0	0
Car Park reserve	170,000	(180,000)	(150,000)	50,000
Equipment repairs and renewals reserve	972,581	750,000	1,000,000	1,000,000
Investment Property income equalisation reserve	1,250,000	750,000	750,000	670,000
Planned Underspend reserve	819,495	0	(819,495)	0
Property repairs and renewals reserve	1,850,000	750,000	750,000	750,000
Service Transformation reserve	1,000,000	0	(20,000)	(50,000)
Tennis Court Replacement reserve	47,200	14,400	14,400	14,400
Financing and Investment Income:				
Investment property income (net)	(26,149,096)	(23,847,463)	(23,866,862)	(23,792,635)
Treasury Management Investment Income	(1,115,092)	(3,600,000)	(4,000,000)	(3,700,000)
Interest on loans to RBC companies	(1,858,595)	(2,036,000)	(2,067,000)	(2,117,000)
Capital financing costs	12,893,696	13,351,000	12,730,000	12,909,000
Minimum Revenue Provision	4,290,996	4,612,000	4,906,600	5,103,000
Taxation and Non-Specific Grant Income:				
Council Tax income	(6,198,784)	(6,447,162)	(6,447,162)	(6,760,175)
Council Tax surplus/deficit	(109,442)	(228,000)	(226,000)	(35,000)
Business Rates Retention (net)	2,031,181	(2,497,000)	(2,497,000)	(4,264,000)
New Homes Bonus	(907,260)	(609,806)	(609,806)	(663,841)
Minimum Funding Guarantee	0	(506,389)	(506,389)	(593,581)
Services Grant	(127,777)	(72,000)	(72,000)	(11,796)
Lower Teir Services Grant	(125,888)	0	0	0
Revenue Support Grant	(295)	(82,668)	(82,668)	(88,144)
Other Grants	(26,909)	0	0	0
Use of / (Contribution to) Working Balance	(2,089,862)	3,929,750	1,346,482	(651,554)

Council Tax Income Calculation

Council Tax Base (note 1)	34,524.0	34,864.6	34,864.6	35,495.8
Basic Amount of Council Tax (note 2)	£179.55	£184.92	£184.92	£190.45
<u>Notes</u>				
1. This represents the number of properties adjusted for discounts, exemptions and bandings.				
2. Calculated by dividing the net demand by the Council Tax base.				

Housing Committee

Budget for the year ending 31 March 2025

	<u>2022/23</u> Actual £	<u>2023/24</u> Estimate £	<u>2023/24</u> Probable £	<u>2024/25</u> Estimate £
<u>Summary</u>				
<u>Runnymede renewal</u>				
Private sector renewal assistance	52,700	51,800	27,900	29,300
Care and repair service	103,791	127,579	127,579	134,509
Housing enforcement	6,972	190,200	194,100	198,840
<u>Homes first</u>				
Housing strategy and enabling	90,114	61,650	60,000	54,360
Housing advice and register	482,384	555,450	528,140	511,020
Property leases, working with partners	82,895	39,735	30,085	40,655
Homelessness	139,464	227,304	227,305	256,935
Magna Carta Lettings	117,031	285,530	285,530	286,920
<u>Benefits service</u>				
Housing and Council Tax benefits	697,989	812,987	798,508	810,362
Net expenditure	1,773,340	2,352,235	2,279,147	2,322,901

Community Services Committee

Budget for the year ending 31 March 2025

	<u>2022/23</u> Actual £	<u>2023/24</u> Estimate £	<u>2023/24</u> Probable £	<u>2024/25</u> Estimate £
<u>Summary</u>				
<u>Older people services</u>				
Older people services administration	(71,198)	(8,101)	(175,563)	(187,175)
Centres for older people	783,379	778,018	938,846	981,748
Community meals service	247,819	173,841	280,236	250,543
Community alarm (Careline)	(21,747)	(70,594)	(28,824)	(24,805)
<u>Community transport services</u>				
Runnymede community transport	191,116	356,831	297,085	478,003
<u>Community Safety</u>				
Safer Runnymede	544,315	479,263	579,318	561,199
Community Safety Partnership	38,811	138,502	174,995	188,568
<u>Assistance to voluntary organisations</u>				
Grant aid	352,486	373,777	382,007	390,847
<u>Cultural and related services</u>				
Leisure and sports development	637,546	732,074	704,791	686,790
Chertsey Museum service	206,225	255,292	219,255	268,028
Community halls	353,218	333,169	385,259	437,468
Net expenditure	<u>3,261,969</u>	<u>3,542,072</u>	<u>3,757,405</u>	<u>4,031,214</u>

Environment and Sustainability Committee

Budget for the year ending 31 March 2025

	<u>2022/23</u>	<u>2023/24</u>	<u>2023/24</u>	<u>2024/25</u>
	Actual	Estimate	Probable	Estimate
	£	£	£	£
Summary				
Environmental and regulatory services				
Environmental administration	0	(163)	(17,133)	80
Environmental enforcement	(1,322)	(20)	(70)	70
Pollution control	247,019	322,231	329,514	282,642
Local air pollution	36,583	55,093	55,648	74,025
Occupational health, safety and welfare	103,838	119,150	117,885	133,695
Food safety and hygiene	162,089	216,155	215,396	220,222
Pest control and dog warden service	24,297	23,325	27,225	34,298
Animal welfare licensing	5,547	12,650	10,600	11,300
Recycling and environmental initiatives	1,417,097	1,617,073	1,568,795	1,625,095
Green waste collection	(207,654)	(162,974)	(211,956)	(191,897)
Refuse collection - domestic	991,357	1,169,989	1,031,873	1,040,279
Refuse collection - trade waste	(112,051)	(79,462)	(89,421)	(75,781)
Street cleansing	1,026,533	1,074,752	1,089,687	1,191,310
Public conveniences	28,564	21,170	16,384	22,814
Flood mitigation	164,851	232,454	223,045	246,792
Energy management and climate change	65,307	72,915	91,329	111,824
Green Spaces				
Grounds Maintenance	45,702	384,700	532,549	263,484
Allotments	33,440	33,067	34,500	41,605
Parks and open spaces	1,756,612	1,487,123	1,876,360	1,881,277
Cemeteries and closed churchyards	(151,084)	53,110	(85,872)	(41,960)
Highways and transport services				
Car parks	(184,000)	174,931	18,898	(9,730)
On street car parking enforcement	(10,872)	0	(79)	0
Environmental maintenance	51,485	90,439	63,179	93,750
Borough highways functions	37,154	62,306	62,915	64,187
Markets and street trading	11,085	11,700	11,700	10,000
Engineering services	(836)	90	210	172
Net expenditure	5,540,741	6,991,804	6,973,161	7,029,553

Licensing Committee

Budget for the year ending 31 March 2025

	<u>2022/23</u> Actual £	<u>2023/24</u> Estimate £	<u>2023/24</u> Probable £	<u>2024/25</u> Estimate £
<u>Summary</u>				
Alcohol and related licensing	25,757	25,962	27,861	27,388
Net expenditure	25,757	25,962	27,861	27,388

Regulatory Committee

Budget for the year ending 31 March 2025

	<u>2022/23</u> Actual £	<u>2023/24</u> Estimate £	<u>2023/24</u> Probable £	<u>2024/25</u> Estimate £
<u>Summary</u>				
Gambling	10,120	9,365	10,865	12,856
Taxi licensing	77,455	88,091	79,842	97,121
Other licences	12,338	17,190	17,190	16,654
Net expenditure	99,913	114,646	107,897	126,631

Planning Committee

Budget for the year ending 31 March 2025

	<u>2022/23</u> Actual £	<u>2023/24</u> Estimate £	<u>2023/24</u> Probable £	<u>2024/25</u> Estimate £
Summary				
Planning Policy and Strategy	663,190	858,377	794,931	747,365
Development Management	862,089	1,156,961	1,181,367	1,041,838
Building Control:				
Non Fee Related	183,820	212,459	176,610	188,219
Fee Related	(36,683)	72,479	118,886	(1,052)
Net Expenditure	1,672,416	2,300,276	2,271,794	1,976,370

Corporate Management Committee

Budget for the year ending 31 March 2025

Summary	<u>2022/23</u> Actual £	<u>2023/24</u> Estimate £	<u>2023/24</u> Probable £	<u>2024/25</u> Estimate £
Corporate and democratic services				
Corporate management	834,625	1,227,757	1,292,262	1,257,594
Democratic representation and management	1,018,844	1,042,581	1,049,468	1,109,858
Central services to the public				
Council tax collection	537,234	721,349	732,393	770,044
National non domestic rate	(34,775)	88,462	48,648	104,177
Registration of electors	184,116	204,680	206,011	215,605
Elections	226,654	230,900	238,416	228,190
Communications service	202,894	231,180	233,720	233,864
Local land charges	26,938	2,013	77,098	75,857
Contingencies planning	202,638	212,896	206,662	213,170
Business services				
Corporate land and property holdings - current portfolio	1,663,328	1,489,715	1,839,711	1,767,198
Control and establishment budgets				
Civic Centre	174,542	99,877	204,093	34,468
Chertsey Depot	34,359	13,215	46,903	5,290
Staff costs	(23,472)	1,546,700	79,900	144,100
Employers costs	438,688	1,344,810	997,525	689,200
Staff training and recruitment	7,517	8,250	8,300	8,800
Car allowances	(1,625)	0	0	0
Financial services	(185,663)	12,539	(29,824)	37,366
Digital Services	86,400	393,394	281,989	85,280
Corporate document management system	(52,579)	(31,712)	(44,450)	(27,288)
Post room management services	(7,705)	(5,510)	(4,935)	3,756
Runnymede web	(40,627)	19,833	(18,316)	4,988
Human resources	12,601	110,176	128,389	17,520
Projects and procurement services	54,525	25,059	24,725	12,120
Customer services	(147,753)	44,171	31,196	32,116
Law and governance services	(177,346)	89,254	(11,544)	66,816
Geographical information service	(3,801)	(126)	(1,578)	596
Runnymede direct services	(13,431)	(3,813)	(20,501)	(2,170)
Transport overheads	6,482	13,260	20	17,420
Net expenditure (income)	5,023,608	9,130,910	7,596,281	7,105,935

**Statement of the Chief Financial Officer
Amanda Fahey - Assistant Chief Executive & s151 Officer**

1. Introduction

- 1.1 Section 25 of the Local Government Finance Act 2003 places a statutory duty on the Chief Financial Officer to report to the authority, at the time the budget is considered, and the council tax is set, on:
- the robustness of the estimates included in the budget and
 - the adequacy of the proposed financial reserves
- 1.2 The Act requires councillors to have regard to the report in making decisions at the Council's budget setting and council tax setting meeting(s).
- 1.3 In expressing this opinion, I have considered the financial management arrangements of the Council, the overall financial and economic environment, the financial risk facing the Council, the budget assumptions, the level of reserves, and the Council's overall financial standing.

2 Financial Management Arrangements

- 2.1 The Council has a rigorous system of budget monitoring and financial control in place, with regular reporting at Committee level. Comprehensive financial regulations sit within the Council's Constitution, providing a transparent framework for budget management, supplemented by Contract Standing Orders which support the procurement of value-for-money goods and services. A project management ethos is embedded within the organisation and key performance indicators are used to monitor outcomes.
- 2.2 The Council demonstrates a commitment to ongoing review and continuous improvement in its financial arrangements. Examples include:
- The work of the Constitution Working Party, where a programme of review of the Constitution is carried out throughout the year including areas such as review of Contract Standing Orders to ensure that procurement activity continues to deliver value for money to the Council and its residents while complying with legislative requirements;
 - Expansion and development of the reporting dashboards created by the Project Management Office to encompass reporting for Climate change actions and Risk reporting;
 - Self-assessment against the CIPFA Financial Management Code which demonstrated compliance with the 17 standards set out in the Code, while highlighting a number of areas for improvement in the short term, which have been delivered, and for enhancement over the medium term, which are in progress and being tracked via the Annual Governance Statement;
 - Open engagement with DHLUC and CIPFA resulting in an agreed list of recommendations around financial risk and debt profile. (See section 3 for more detail);
 - Continual development of its financial reporting such as expanding the Medium-Term Financial Forecast to cover a longer period of time, to exemplify the effect of future financial pressures and aid decision-making.
- 2.3 The Council's internal audit service provides assurance over the main financial system and processes, which consistently achieve a "substantial" rating, and

contributes to the overall opinion from the internal auditor that the Council has adequate and effective management, control and governance processes in place to manage the achievement of its objectives. The opinion for 2023/24 is due to be considered by the Standards and Audit Committee in May 2024.

- 2.4 The Council's committee system of governance and decision-making is supplemented by Member working parties where detailed proposals and new ideas can be thoroughly explored before recommendations come forward, including their financial impact. This includes the Property and Assets Task Force, set up in 2023/24 to support governance of the Council's property assets, and the management of its income-generating assets in particular. Mirroring this framework, are a number of Officer working groups, designed to support key themes within the Corporate Business Plan, including a Service Review and Transformation Group to support the delivery of efficiencies, and an Assets and Regeneration group to maintain focus on maintenance of the Council's assets, continued regeneration of the Borough, and optimisation of the major income stream flowing from the Council's commercial property portfolio.
- 2.5 The budget has been prepared within the terms of the Medium-Term Financial Strategy and in consideration of the key financial risks identified therein, particularly the effects of the current economic climate and high levels of inflation. The budget is built up from detailed returns by individual budget holders who have the knowledge of the costs, commitments and anticipated income for their areas, supported by their accountants. Member scrutiny is provided at individual committee level for fees and charges; by the Housing Committee for the Housing Revenue Account estimates; and the Corporate Management Committee for the General Fund estimates before the overall budget is considered by all Members at Full Council.
- 2.6 Finance briefing sessions were held for all Members in June and October, to provide an overview of local authority finances followed by a more detailed exploration of the Council's finances alongside the challenges to be addressed in its Medium-Term Financial Strategy and up-coming budget.
- 2.7 The Council continues to meet requirements to produce what has now become a suite of financial management reporting, including the budget estimates for both the General Fund and the Housing Revenue Account, the Medium-Term Financial Strategy, Treasury Management and Investment Strategies and Capital & Investment Strategy, which together form the framework for financial decision-making in the Council.
- 2.8 In addition, the Council has due regard to both statutory and non-statutory guidance including the Prudential Code for Capital Finance in Local Authorities, and related Investment Guidance and seeks to understand the effects of potential changes in legislation resulting from new Acts of Parliament, which may impact the way it manages its finances, such as the recently enacted Levelling up and Regeneration Act 2023 (see section 3).
- 2.9 A factor beyond the Council's control, but one which may create a perceived weakness in its financial arrangements, is the severe delays in local authority external auditing. At the time of writing this statement, the Council's audit for the years 2019/20 to 2022/23 are all outstanding. While there remains an underlying risk until such time as the audit profession is able to deliver to more appropriate timescales, this risk is mitigated by the Chief Financial Officer's sign off of the annual statements as a true and fair view of the Council's financial position, and by the robust financial controls mentioned in earlier paragraphs. The government and the

wider audit system are currently considering measures to address the audit backlog which may include statutory “backstop” dates by which prior year audits must be completed, or a disclaimer issued as to why the audit has not been completed. Progress on the adoption of such measures will be reported to the Standards and Audit Committee once confirmed.

- 2.10 I consider the financial management arrangements of the Council to be sufficiently robust to maintain adequate and effective control of the budget for 2024/25.

3 Financial and Economic Environment, Risks and Assumptions.

- 3.1 As noted earlier, the budget has been prepared in consideration of the key financial risks identified in the MTFS including the current economic landscape and inflation levels. Assumptions have been made within the budget of the effect of inflation on costs and income projections, taking into account not only the rising costs of goods and services that the Council purchases but also the affordability of fees and charges to the ultimate consumer. The accuracy of these assumptions has an important interaction with the level of reserves it is felt appropriate to hold. No budget will ever be 100% accurate, as both costs and demand change over time, and it is essential therefore to hold a sufficient buffer to allow for variation in the estimates.
- 3.2 The budget includes a provision for pay award in July 2024 alongside remodelling of the pay scales to encompass the increase to the National Living Wage from 1 April 2024. This provision seeks a balance between rewarding staff appropriately while having due regard to the Council’s overall financial position. The final pay settlement will be subject to future negotiation and therefore the figures contained in the budget may need to be amended once the outcome is known.
- 3.3 The Provisional Local Government Finance Settlement has again provided a minimum funding guarantee, meaning that all Councils received an increase of not less than 3% in their core spending power. Uncertainty remains as to future funding, with the Review of Relative Needs still looming on the horizon, alongside the future for New Homes Bonus and the timing of Business Rates resets. However, the Council uses a range of sources to support its financial modelling and assumptions for future funding, in order to plan its resources for the future and make prudent estimates in its budget plans. The budget proposals do not include potential income to be received under the delayed Extended Producer Responsibility for Packaging Scheme as this is uncertain as to amount, timing and associated costs.
- 3.4 A modest amount of necessary growth has been included in the revenue budget. All growth proposals have been carefully considered and only recommended where they are deemed business critical or support Council priorities such as delivery of Climate Change action.
- 3.5 A moratorium on future growth has been included in the MTFS and where growth is unavoidable, the assumption will be that funding is met from external resource or via internal transfers rather than from working balances.
- 3.6 In respect of risk, the Council has reviewed its risk management processes this year, as part of its commitment within the Annual Governance Statement, alongside the development of an over-arching risk appetite statement and individual statement for each key risk category. It has developed a dashboard for risk reporting and put in place a commitment to report twice-yearly to the Standards and Audit Committee on risk issues. Risk management is an essential thread throughout the budget-building process as it allows reasonable estimates to be formed on the basis of knowledge

and evidence, the level of risk relating to each activity and the mitigation undertaken to lessen that risk.

- 3.7 The local government sector has seen risk management (including good governance and financial decision-making) come sharply into focus given the number of local authorities either declaring a s114 notice or raising concerns of future difficulties. Government's response has been to tighten legislative requirements and statutory guidance, such as its powers to intervene where a Best Value failure risk may be identified, and the introduction of the Capital Risk Metrics contained in the Levelling Up and Regeneration Act 2023. (LURA)
- 3.8 The Council has been engaging with DLUHC over the introduction of these measures as the high level of borrowing held by the Council make it an outlier when compared to others and therefore is likely to be caught by one or more of the metrics in the LURA. This positive engagement led to a review by CIPFA of the Council's debt and investment risk profile, the discussion of steps already in place or being progressed to mitigate risk, and ultimately to a set of agreed recommendations.
- 3.9 Following this review, the Council has received a non-statutory Best Value Notice, which is in essence a letter setting out the concerns of government about the risk that high levels of borrowing and reliance on a large commercial income stream may bring. Such notices are issued outside of the government's statutory powers of intervention and are, according to draft guidance issued by DLUHC, "usually appropriate for addressing failure, or risk of future failure, that does not appear systemic in an authority and where the authority has the willingness, capability and capacity to improve." Authorities that can demonstrate how they are addressing risk, and where DLUHC are confident that continuous improvement can be sustained without statutory intervention are more likely to be subject to these non-statutory measures.
- 3.10 The notice recognises the constructive engagement of the Council in this process and sets out its expectations of the Council in demonstrating this continuous improvement. The next step will be for Officers to develop the detailed programme response to the notice.
- 3.11 The budget proposals recognise the risks surrounding the generation of income through commercial property and seek to mitigate this through its management and governance processes, including the Property and Assets Member Task Force and the officer Assets and Regeneration group, its Asset Management Strategy, and its reserves which are used to maintain properties in a lettable condition and to manage fluctuations in rental income due to lease events e.g., when rent free periods are offered at the commencement of a tenancy.
- 3.12 While significant borrowing has been undertaken by the Council, and a large proportion of this has been for the purchase of investment properties, borrowing has also supported the Council's housing stock, the provision of leisure facilities and the regeneration of two of its town centres, providing residential accommodation, cinemas, restaurants and other leisure-based activities in addition to retail units.
- 3.13 Risk is mitigated through the approval of the annual Treasury Management Strategy and Capital and Investment Strategy, and through the formalisation of its moratorium on additional commercial investments, primarily for yield. Provision is made for the repayment of debt (minimum revenue provision) as well as for interest charges and all borrowing has been at fixed rate to avoid interest rate risk.

- 3.14 The level of working balances is determined via a risk-based approach ensuring a sufficient threshold is maintained to allow for variations in the budget estimates to be managed.
- 3.15 The programme of service review and savings, efficiencies and income generation initiatives provide further mitigation of financial risk and supports the overall financial sustainability of the Council.
- 3.16 I consider that these budget proposals take due regard to risk, including the financial and economic environment, and that the assumptions within the budget are reasonable and the estimates used are robust.

4 Level of Reserves and overall Financial Standing

- 4.1 As already noted, there has been an increasing focus on the financial sustainability of local government over the past few years, not least due to the upsurge in the number of s114 reports being issued, where Chief Financial Officers formally record the likelihood that the Council's expenditure will exceed its available resources. In addition, the audit regime is tightening, with an increased focus on the "value for money" conclusion where the auditor reports on the Council's use of its resources.
- 4.2 Regulatory requirements have also been amended, via the Prudential code for Capital Finance and associated Investment guidance, guidance on Minimum Revenue Provision, revised Treasury Management Code, the Financial Management code, Best Value intervention guidance and the Levelling up and Regeneration Act. 2023/24 also saw the introduction of the Office for Local Government (Oflog) which aims to provide authoritative and accessible data and analysis about the performance of local government and support its improvement. The data sets currently available on Oflog's Data Explorer tool show the Council's high comparative debt position but also its high levels of un-ringfenced reserves, another risk-mitigating factor. The tool however only presents data up to 2021/22.
- 4.3 As part of its policy statement on local government funding, the Government encouraged Councils to use their reserves to manage the inflationary pressures they are facing, and also set out an intention to better understand the quantum of reserves held at each authority. Much of this information is already returned via the annual statutory Revenue Outturn and Revenue Estimates forms that Councils are required to complete, and which already form the basis of CIPFA's Financial Resilience Index.
- 4.4 The Resilience Index is a comparative analytical tool that may be used to support good financial management and provide a common understanding of a council's financial position. The Index shows the Council's position on a range of measures associated with financial risk with a considerable focus on the level of reserves and movement on reserves, over a four-year period. This does however mean that the Index was severely impacted by the significant covid-related payments made to councils at the end of 2020/21.
- 4.5 As with the Data Explorer, the current Resilience Index only includes data up to 2021/22 and unsurprisingly, as it is based on the same source data, shows higher than average levels of risk around size of borrowing, and lower levels when considering the amount of, and use of, reserves. These financial risks are covered in the MTFS and in the budget, through risk mitigation measures described previously, including through the risk management and governance frameworks, the use of earmarked reserves and the prudent assumptions made about income and costs.

- 4.6 In addition to earmarked reserves for specific purposes, the Council holds a General Fund “Working Balance” to support the Revenue Account. The balance at the start of the current financial year was £20.3m. Without corrective action this is forecast to fall to £12.9m by the end of 2026/27, still some £7.9m above the current minimum threshold. Projecting the forecast for a further two years would see balances eroded completely during 2028/29, before factoring any outcomes of the savings programmes into the forecast. Using reserves to cover budget shortfalls in the near term, especially during a turbulent economic period, is an acceptable use of this contingency, but care must be taken not to be over-reliant on reserves. The Council must maintain a sufficient level of reserves moving forward to continue to support its financial sustainability into the future. To this end, the budget report recommends maintaining the minimum threshold for the working balance at £5m, whilst recognising that balances will fluctuate year on year.
- 4.7 I consider the level of reserves presented in the budget estimates to be adequate to support the on-going financial sustainability of the Council.

5 Conclusions

- 5.1 The Council continues to respond well to the challenging financial landscape in which it operates. The budget presented in this report provides a contribution to working balances in 2024/25. Forecasts for future years show the anticipated use of reserves to support its budget over the medium term before the outcome of the Council’s programme to generate net budget reductions is included and this picture shows balances being maintained above the minimum level through to 2027/28.
- 5.2 For as long as cost inflation outstrips increases in income and funding, the Council will always need to make efficiencies to maintain a balanced budget and avoid depleting its reserves. This will require Members and officers to continue to practice strong financial discipline, such as the avoidance of budget growth. One key pressure will be the delivery of capital schemes for which resources are limited. This may mean additional pressures on the Revenue budget to directly support new capital spending. The Capital Programme is therefore constrained in part due to the affordability within the Revenue account.
- 5.3 Taking all of the above into account, as the Council’s Chief Financial Officer, I am satisfied that the budget proposals set out in this report are robust and sustainable and that the level of reserves is adequate to address the financial risk facing the Council.

Amanda Fahey
Assistant Chief Executive & s151 Officer