

General Fund Revenue Budget 2023/24, (Amanda Fahey, Assistant Chief Executive)

Synopsis of report:

To present budget estimates for the Council's General Fund Revenue Account 2023/24 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 2023/24 alongside an updated budget for the current financial year, 2022/23. 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 2023/24.

Also included in the estimates, is an amount for the anticipated pay award for 2023/24 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 F for Members' consideration.

Recommendations:

- 1) To recommend to Council the approval of:
 - a. the Revised Budget for 2022/23 and Budget Estimates for 2023/24, including growth items, as set out in the report and at Appendices B, C and E
 - b. an increase to the Band D Council Tax level of 2.99% (£5.37) from £179.55 to £185.92
 - c. The revised minimum threshold for the General Fund Working Balance of £5m
 - 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 F

1. Context and background of report

- 1.1 This report deals with the Revenue Budget for the Council, setting out its 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 in December 2022 and recommended for consideration by Council in February.
- 1.3 Since production of the MTFS, more information has been released about future funding from central government, pay negotiations have commenced, detailed budget returns from budget holders have been collated, fees and charges for the coming year have been set by the relevant Committees and a set of growth proposals has been pulled together as part of the business planning cycle. The financial forecast that was included as part of the Strategy report, has therefore been refined and updated in light of this data, to produce the draft budget for 2023/24 presented in this report.
- 1.4 It is not intended to repeat all of the contextual information that was set out in the MTFS, but to focus on any changes to the budget figures, provide detail of the proposed revenue growth, 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 new budget, 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.
- 2.2 Known changes to the budgets are also built in from decisions taken by others such as the impact of Surrey County Council not renewing the agency arrangements with Districts and Boroughs for the provision of on-street parking enforcement. Assessments of the impact of inflation on costs and income are included as are unavoidable changes such as the upcoming increases in the costs of external audit, for example.
- 2.3 Also built into these adjustments is an assumption about the staff pay award for 2023/24 which is currently subject to discussion with trade union representatives. The amounts included are a 3% pay award from 1 July 2023, alongside provisions for a one-off cost-of-living payment and the remodelling of the lower end of the pay scale to encompass the increase to the National Living Wage. 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.

- 2.4 It should be noted that this may not be the final agreed package and any change to these estimates 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.
- 2.5 The changes above result in the adjusted net expenditure lines for each Committee, on the updated Medium-Term Financial Forecast (MTFF) shown at Appendix A and are set out in detail at Appendix B.

Growth

- 2.6 In October, the Council approved its new Corporate Business Plan (“the Plan”) spanning 2022 – 2026 consisting of five key strategies:
- Climate Change
 - Empowering communities
 - Health and Well-being
 - Economic Development
 - Organisational Development
- 2.7 Each Strategy is underpinned by an extensive action list. Recognising that the Council does not have the resources to deliver all actions in the first 18 months of the Plan period, Member Working groups therefore identified the key initial actions to prioritise in the remainder of 2022/23 and 2023/24 and Corporate Heads of Service have worked with those guidelines to identify any growth required for inclusion in the budget proposals. Other growth bids may come forward over the life of the Plan as actions are developed, prioritised and costed. As recommended in the MTFS, alternative sources of funding will also be investigated wherever possible, to minimise pressure on the Council’s own resources while still allowing it to pursue its ambitions.
- 2.8 Additional strategic capacity, and support for Corporate Heads of Service in delivering the Plan, will be provided by the appointment of a second Assistant Chief Executive, as approved at December’s Corporate Management Committee, the costs of which have been incorporated into the adjustments to base budgets set out at Appendix B.
- 2.9 The updated MTFF shows two lines for growth: the first is for Revenue growth bids while the second shows the impact on the Revenue budget of the Capital growth requested in the Capital Programme.
- 2.10 Capital spending may have an impact on the Revenue Account when on-going resources are required to maintain or support the provision of the capital asset. For example, through additional staffing resources, on-going software and licence fees or maintenance requirements. Some capital growth may also have a beneficial effect on revenue resources by creating additional income. Proposals for Capital growth and the revised Capital Programme are set out in the Capital Strategy report. No additional borrowing costs have they been factored in to the MTFF.
- 2.11 All of the Revenue growth bids are listed at Appendix C, with additional detail set out for those items where further commentary was felt appropriate to aid consideration. Further detail on the Capital growth that has an impact on the Revenue account can be found in the Capital Strategy report.
- 2.12 In summary, the Revenue growth requested is as follows:

	Forecast	Forecast	Forecast
	2023/24	2024/25	2025/26
Growth bids	£000	£000	£000
Revenue growth	820	329	339
Revenue consequences of Capital growth	752	(4)	(12)
	1,572	325	327

- 2.13 It should be noted that a number of these Revenue bids are for survey works which, once completed, will be likely to result in future expenditure, as yet unquantifiable. This should be taken into account when considering the level of reserves available to the Council and potential future pressures on the MTFF. Conducting these surveys ensures that the Council has knowledge about the condition of its assets and is able to plan proactively for these works, such as for repairs and maintenance, in a measured way, reducing the need to react to emergency situations and avoiding potential costs of letting assets fall too far into disrepair. Examples in the growth list include a survey of all trees on council-owned land, and condition surveys for all operational sites.
- 2.14 Also included in the growth bids are a number of items that, should they be approved, will be funded from existing provisions within the budget. They do not therefore add to the total net Revenue spend but it is still necessary to seek approval for these items due to the potential opportunity cost for use of those existing budgets. Examples include Play Area remediation, the costs of which are intended to be met from the repurposing of the School Transport initiative budget which was agreed at Full Council in October 2022.
- 2.15 Some items are included in the growth bids for a decision in principle at this stage, with the budget only to be released on production for a more detailed report to the relevant committee. An example would be the provision for a further mini restructure in Assets and Regeneration. The service is currently carrying a significant number of vacancies. In addition, the team are currently working on an Asset Management Strategy, to be presented to Members in the coming months. Both of these factors provide an opportunity to ensure resources are matched to the priority areas of work coming out of the Corporate Business Plan and the Asset Management Strategy. This is particularly important given the level of commercial property income generated by the Council, the ambition for further regeneration of the Borough and the desire to maximise the benefits received from the existing portfolio.
- 2.16 Connected to the above issues are a number of growth items for the development of feasibility studies for potential development of sites in Addlestone and Egham, and to supplement existing feasibility budgets to allow for other sites to be considered. These provisions cover the initial stages of feasibility work, to provide the Council with better information on which to base decision-making on which schemes could be prioritised for inclusion in future capital plans. As with the conditional surveys mentioned earlier in the report, it is essential that the Council has sufficient information on which to base its capital spending plans, particularly in a challenging financial environment and with ever-tightening financial regulation. This growth is listed as part of the revenue consequences of Capital growth, however, while these costs are initially met from the Revenue budget, there may be a possibility of capitalising some of the costs should schemes progress to development in the future and capital resources are available to cover them.

Transfers to and from earmarked reserves

- 2.17 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;
 - 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

- 2.18 This section is explained in more detail in the Capital and Investment Strategy, and the Treasury Management Strategy. A key point is the increase in interest receivable on the Council's cash investments, due to increased interest rates. However, this is expected to reduce over the medium term due to a combination of future falls in interest rates and the consumption of cash reserves.
- 2.19 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 MTFE 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.
- 2.20 When considering the Revenue Budget proposals and the MTFE, 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.

Local Government Finance Settlement

- 2.21 On 12th December 2022, the government published a policy statement on the future of local government finance, confirming the government's policy intent for the next two years, providing greater certainty over funding, and allowing Councils to better plan their resources for the year ahead. The policy statement confirmed a proposed Core Spending Power (CSP) increase of around 9% in 2023/24 across local government, with a 3% minimum funding guarantee for all councils before any decisions on Council Tax rates are taken.
- 2.22 The policy statement also confirmed a further year of the existing New Home Bonus, but with no new legacy payments, a reduction in the Services Grant due to the reversal of previously announced increases to employers' National Insurance

Contributions, and the repurposing of the Lower Tier Services Grant to provide the 3% funding floor mechanism referred to above.

- 2.23 A number of grants are to be consolidated within the Finance Settlement, whilst retaining their existing allocations. These are the Independent Living Fund; Natasha's Law (food allergen labelling); Council Tax Support administration subsidy; and the Council Tax Family Annexe Discount, only the last two of which apply to Runnymede. It should be noted that previously when grants have been rolled into the Funding Assessment, they have, over time, been lost as individual grant lines and been rolled up in the total funding, leaving councils unable to separate out the different funding element. It remains to be seen if this is the eventual fate of these specific grants.
- 2.24 The so-called negative revenue support grant will continue to be eliminated for 2023/24.
- 2.25 A bespoke council tax referendum principle of up to 3% or £5, whichever is higher, was confirmed for shire districts such as Runnymede for both 2023/24 and 2024/25, although as highlighted in the MTFs, this provides relatively little additional flexibility to Runnymede, given the previous maximum levels of up to 2% or £5. A 2.99% increase to the existing Band D level equates to an increase of £5.37 which, once multiplied by the tax base of 34,864.6 provides less than £13,000 additional income when compared to the previous £5 maximum.
- 2.26 The policy statement also confirmed the freezing of the business rates multiplier at 49.9p for 2023/24. 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, and the increase in baseline funding levels, will be aligned with CPI.
- 2.27 Business Rates Pools for 2023/24 will continue and the effect of the Business Rates Revaluation exercise and the transfer of some large properties from local lists to the central list, will be negated wherever possible so that Councils are no better or worse off than they would have been if these changes had not occurred.
- 2.28 While the government had previously committed to carrying out a Review of Relative Needs and Resources and a reset of accumulated business rates growth, it is now confirmed that these will not be implemented in this Spending Review period (up to the end of 2024/25). This has a positive effect on the previous medium-term forecast for Runnymede, moving back the dates from which growth baselines will be reset and allowing for the potential of gains from business rate pooling to be extended for a further year.
- 2.29 The Provisional Local Government Settlement, providing detailed funding allocations on a council-by-council basis, was released on 19th December 2022 and the figures are included in the draft budget and updated medium-term forecast. The four-week consultation period runs to 16th 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 A potentially significant new funding stream is expected to be introduced in 2024/25, subject to the delivery of the Extended Producer Responsibility for packaging (pEPR) scheme. This scheme aims to move the cost of managing packaging waste from households, community recycling centres and litter bins, from local authorities to

producers. The government has announced a review of the funding of lower tier councils, given the potential impact of this new funding on the relative needs and resources of individual councils. This is planned to take place ahead of 2024/25, alongside a review of the future of the New Homes Bonus and therefore still provides for some considerable uncertainty over future funding levels.

- 2.31 Funding for Homelessness Prevention has been confirmed for 2023/24 and 2024/25 Runnymede's allocations are £358,712 and £364,103 respectively, with an additional top-up amount of £55,920 to cope with Winter pressures in the current year. The Homelessness Prevention Grant is ringfenced to ensure local authorities can focus on preventing homelessness as well as funding the provision of temporary accommodation, and to continue to embed the changes required through implementation of the Homelessness Reduction Act.

Council Tax

- 2.32 As mentioned earlier in the report, under the draft Council Tax Referendum Principles, any increase to the tax level for Shire Districts will be considered excessive, and therefore trigger a referendum, if the increase is 3% or more, and greater than £5. This means that the maximum permissible amount that the Council could apply, is a 2.99% increase, which equates to £5.37 for the average Band D property, before any discounts or exemptions are applied. This provides around £187k of additional income to the Council.
- 2.33 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 unprecedented inflation. 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.
- 2.34 As part of the Provisional Settlement the Government also announced funding for 2023/24 via a Council Tax Support Fund. This funding is designed to allow councils to deliver additional support to those households already receiving council tax support, whilst also providing some flexibility to determine a local approach to supporting other vulnerable households in their area. Runnymede's allocation is £79,433.
- 2.35 It is possible that following the consultation on the Provisional Local Government Finance Settlement and the associated referendum principles, that the referendum trigger limits may be altered. Shire Districts who may benefit little from increasing the flexibility from 2% to 3%, may request consideration of increasing the £5 limit. In the event that the referendum triggers are amended as part of the final Settlement, the Council commits to maintaining its increase at the current proposed rate rather than placing any further burden on its taxpayers.

3 Budget Summary

- 3.1 All of the above factors culminate in the production of the updated MTFE at Appendix A and the detailed budget proposals at Appendix E.
- 3.2 The updated MTFE shows a much more favourable anticipated outturn position for 2022/23 when compared to that reported in December, largely due to a drawdown of £2.225m from the Business Rates Equalisation Reserve. This drawdown, which

brings the business rates income flowing through to the general fund back up to the budgeted position for the year, accounts for the bulk of the movement between the previously reported £1.888m use of working balances to a £0.479m contribution to balances for the current year. While this is in line with the purpose of this reserve, and further smoothing may be applied in subsequent years, this does not address underlying budget pressures and should not be seen as ongoing solution.

3.3 The forecast for 2023/24 has significantly deteriorated from the near balanced position under the previous forecast to one showing a deficit of some £3.9m. The key reasons for this change can be summarised as follows:

- Proposed Revenue growth of £1.57m
- Inclusion of estimated pay award above previous levels of £1.4m
- Inclusion of ACE post £150k
- Reduced income projections for carparking £315k, Green waste and trade waste £80k,
- Costs of handing back agency agreement for On-Street parking enforcement to SCC £140k
- Changes to commercial income projections and property maintenance costs £1.1m (offset in part by planned use of reserves)

Offset by:

- Reduction in borrowing costs of £880k
- Additional grant income under the provisional settlement £700k

3.4 For 24/25, the deficit is forecast to be £1.7m. The main changes between years are due to favourable movements including:

- a number of one-off growth costs falling out of the budget after 2023/24 including the potential one-off lump sum pay award. Together these reduce expenditure by £2.22m.
- An upturn in commercial income due to lower anticipated voids and increased income £1.378m
- Increased income from business rates £1.15m

Offset by:

- Reduction in interest receivable on cash investments £0.9m
- Increased borrowing £0.968m
- Reduced grant income £0.185m

3.5 The final year of the forecast sees the budget gap increasing by £3.5m to £5.2m, largely due to:

- Further reductions in interest receivable as interest rates fall and cash balances are utilised £0.6m
- Reduction in central funding of £0.9m (withdrawal of NHB & minimum funding guarantee)
- Reduction in business rates income due to the resetting of baselines
- Additional borrowing costs of £0.6m

3.6 The preceding paragraphs highlight that the Council's overall financial position will vary considerably due to the effect of its own internally generated income streams, changes to central government funding and income from the business rates retention scheme. The updated MTFE shows a large budget deficit of almost £4m in 2023/24, and while it may be appropriate to cover this in the short term from a draw on

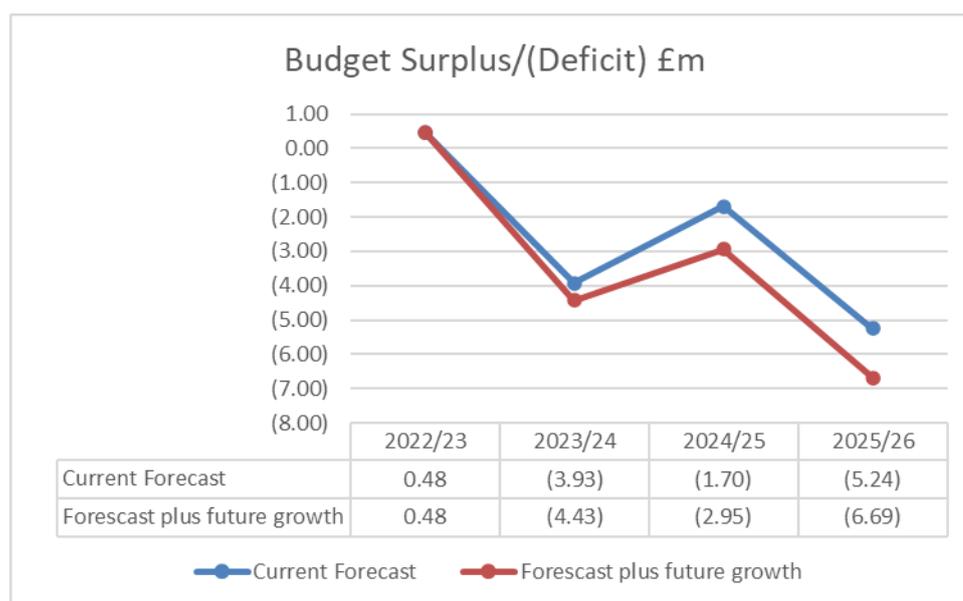
reserves, particularly where it is anticipated that Council income-streams will bounce back in the following year, there is no mistaking that there is an underlying budget deficit that needs to be addressed. Plans for addressing this deficit are set out in the Medium-Term Financial Strategy.

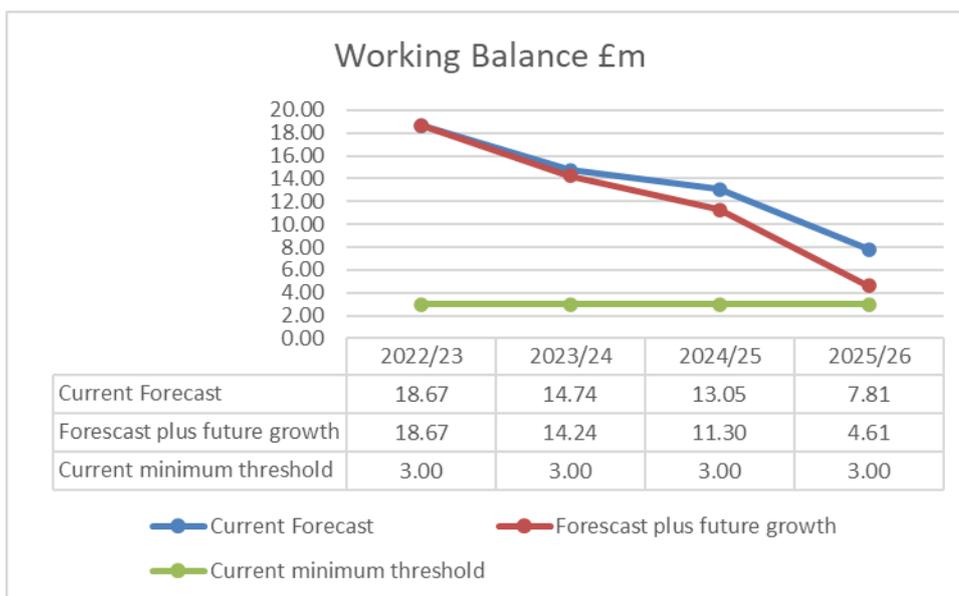
3.7 The MTFF shows the General Fund working balance reducing from £18.2m to £7.8m over the period of the forecast and as noted above, it would be appropriate to use reserves to meet some of the challenges placed on the Council by the current economic situation and consequential inflationary pressures. However 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.

3.8 Another key point to note is that while the 2023/24 budget builds in proposed growth, and the consequences of that growth in future years, the MTFF does not include any provision for growth in subsequent years, other than estimated inflation and pay growth. It is highly likely that there will be new growth items requested in 2024/25 or 2025/26, in addition to supplementary estimates requested during 2023/24 and beyond, to cover as yet unforeseen pressures.

3.9 As an illustration, the following chart demonstrates the effect on the budget deficit and on working balances if:

- £0.5m of Supplementary estimates were to be approved in each of 2023/24, 2024/25 and 2025/26
- £0.75m of new growth was approved in 2024/25 and 2025/26 and
- £0.2m of that growth was on-going.





4 Minimum Threshold for Reserves

4.1 The MTFS concluded that in light of the significant budget variations that may occur, particularly in a period of high inflation and potential economic recession, that it would be prudent to review the minimum threshold for the level of working balance to hold over the medium term. This is currently set at just below £3m.

4.2 While current balances are well above this level, it can be seen in the forecast that they may fall relatively quickly and potentially be below the minimum level by 2026/27. A review of key financial risks has been undertaken which supports the increase of the minimum threshold to around £5m. 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.

4.3 The revised calculation is set out at Appendix D.

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 F 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.

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.

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 Environmental, Sustainability, Bio-diversity implications

- 10.1 The Council's Corporate Business Plan, which is supported by its financial planning, includes its Climate Change Strategy. Staff resources are included in the budget and a provision for some expenditure is included within the growth items. This does not preclude further funding from being incorporated into the Council's budget plans as specific environmental, sustainability or bio-diversity actions are developed, and business cases are brought forward for consideration.

11 Conclusions

- 11.1 Appendix E of this report sets out the revised budget for 2022/23 and the proposed budget estimates for 2023/24 for recommendation to Council, including a provision for growth as detailed in Appendix C. The proposed budget is supported by the conclusions in the Chief Financial Officer's Statement at Appendix F and has been prepared in line with the Medium-Term Financial Strategy. The budget proposals include a recommendation to increase Runnymede Borough Council's share of the Council tax by 2.99% (£5.37) and to increase the minimum level of working balances to £5m to ensure sufficient on-going reserves are maintained to support future budget variations.
- 11.2 The budget proposals should be considered alongside the Capital and Investment Strategy, including draft Capital Programme, and the Treasury Management Strategy, and in the context of the Medium-Term Financial Strategy. In particular, the actions set out in the MTFS will be essential in ensuring that the underlying budget deficit is addressed and that reliance on reserves to close future budget gaps is reduced. Otherwise reserves may fall below the amended target level over the medium-term.
- 11.3 It is also essential that moving forward, resource is found within the Revenue budget to support future capital spending due to the scarcity of capital receipts, and the need for the revenue account to support capital spending either through direct contributions or to support borrowing for capital purposes.
- 11.4 It is recommended to approve the General Fund Revenue Budget 2023/24, including proposals for growth, the change to the minimum threshold for the working balance, and a 2.99% increase in Council Tax, for consideration by Council.

(To resolve)