

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

<b>Business Critical Revenue growth</b>		<b>Revenue</b>		
		<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
<b>Service Area</b>	<b>Growth bid</b>	<b>£</b>	<b>£</b>	<b>£</b>
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
		<b>38,000</b>	<b>28,000</b>	<b>28,000</b>

<b>Other Revenue growth</b>		<b>Revenue</b>		
		<b>24/25</b>	<b>25/26</b>	<b>26/27</b>
<b>Service Area</b>	<b>Growth bid</b>	<b>£</b>	<b>£</b>	<b>£</b>
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	-
		<b>177,000</b>	<b>173,000</b>	<b>128,000</b>

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

- 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 MTFE 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 18<sup>th</sup> 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 15<sup>th</sup> 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.

<b>Change in core spending power</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£m</b>	<b>£m</b>
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
<b>Core Spending Power</b>	<b>9.968</b>	<b>10.463</b>
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.

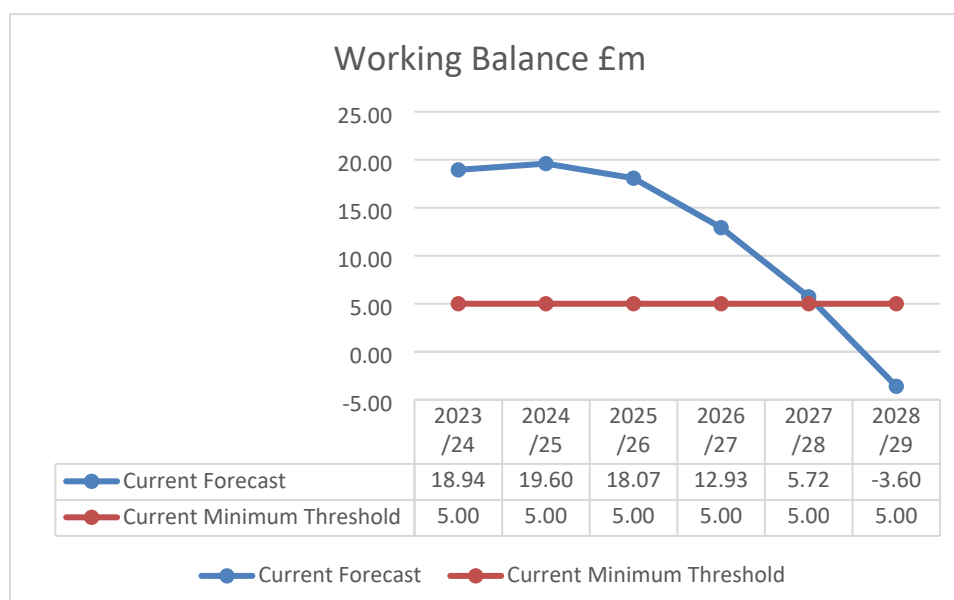
## **3 Budget Summary**

- 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
<b>Use of Working Balance as per MTFs report</b>	<b>1,672</b>	<b>67</b>	<b>4,299</b>	<b>7,061</b>
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)
<b>Use of / (contribution to) Working Balance - Scenario 2</b>	<b>1,672</b>	<b>(133)</b>	<b>2,049</b>	<b>5,761</b>
<b>Expenditure on Services:</b>				
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)
<b>Other changes:</b>				
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
<b>Updated MTFF</b>	<b>1,347</b>	<b>(651)</b>	<b>1,522</b>	<b>5,148</b>

- 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 MTFFS 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