



Corporate Policy & Resources Committee

16 January 2023

Title	Outline Budget Report 2023-24 to 2026-27
Purpose of the report	To note and make a decision
Report Author	<i>Paul Taylor Chief Accountant</i>
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Affordable housing Recovery Environment Service delivery
Recommendations	<p>Committee is asked to:</p> <p><i>To note the current projected Budget gaps set out in 1.20.</i></p> <p><i>To recommend:</i></p> <p><i>That the Council seeks to protect its council tax base over the four-year outline budget period by increasing the council tax by the maximum allowed by the Government limits.</i></p> <p><i>That Council utilise the Sinking fund Reserves to maintain the £10.8m income support for frontline services, affordable housing & regeneration programme.</i></p> <p><i>That the Council uses all of the initiatives in section 1.7 to 1.19, to close the forecast budget gaps for the years 2024-25 to 2026-27, as set out in the Medium Term Financial Strategy (MTFS).</i></p>
Reason for Recommendation	<i>Councils have a statutory duty to balance their budgets. It is important that we take a medium-term approach in ensuring that we can take action sufficiently early to ensure the Revenue Budget remains financially sustainable.</i>

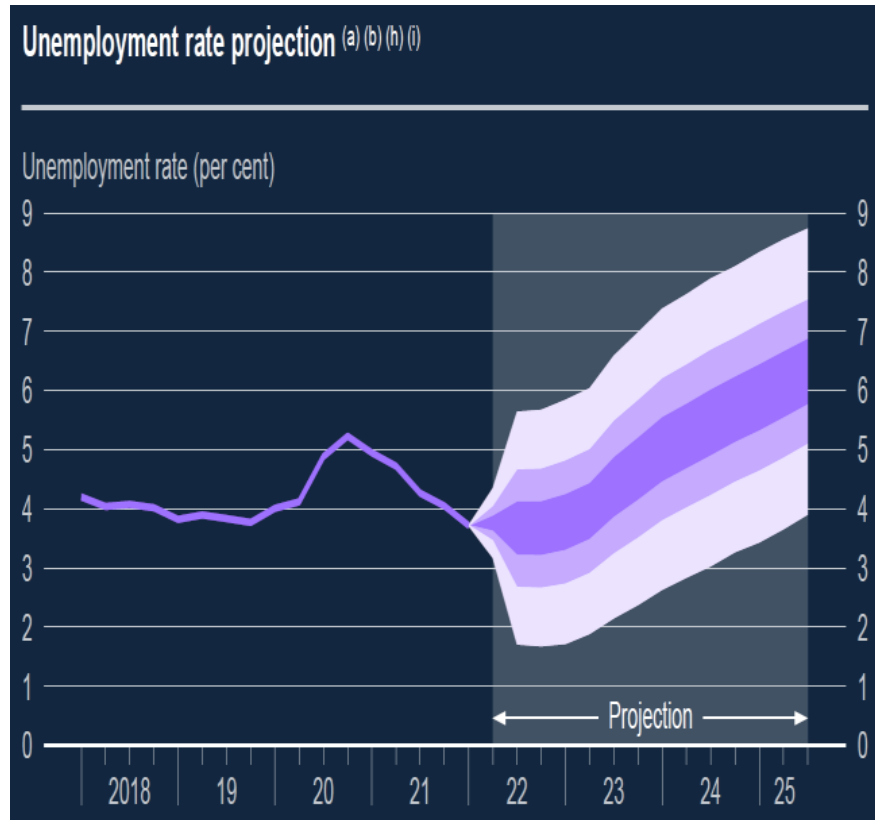
1. Summary of the report

- 1.1 Please note that this report is normally dealt with by this Committee in November prior to the council meeting in February, however, due to workload pressure this was deferred to this meeting.
- 1.2 Having emerged from the worst economic downturn in over 350 years, caused by COVID-19, the Council and the Borough will be coming to terms

with the impact of the Pandemic, with many issues from the last thirty months remaining unresolved for a few years to come.

- 1.3 Unfortunately, global events over the last twelve months, including the Russian invasion of Ukraine, Brexit and more recently the ongoing Cost of Living Crisis present major ramifications for the Borough exacerbated by these global factors, and is likely to have a more significant impact on the Council's finances in years to come, than the global COVID-19 pandemic. For the Council's budget position, the inflationary pressures associated with supply side issues of coming out of the pandemic are having a particularly significant impact on the Council's budget position over the Outline Budget period.
- 1.4 The existing issues mentioned below, are now further exacerbated by what has been labelled the cost-of-living crisis.
- 1.5 This means that the Council must have regard to these issues from a post COVID-19 recovery perspective and pending recessionary influences that will curtail recovery, increase costs, reduce income and therefore, where possible strong strategic policies to deal with these issues, must be implemented.
- 1.6 The vast range of issues to be considered include:
 - (a) The extent to which services' income such as car parking charges return to pre-pandemic levels, considering we are seeing changes to people's behaviour, for example, increased home working and online shopping. Have they permanently changed, and do they impact on the time any recovery may take?
 - (b) What will the impact be on our local economy in terms of jobs? Will the green shoots of a post pandemic recovery, as seen with the recent rise in recruitment numbers at Heathrow Airport, be slowed down or will the growth prospects for the Borough be reversed.

ArlingClose, the Council's Treasury Management advisors provided the Bank of England's unemployment projections that forecast a sharp rise in unemployment over the next three years, as shown in the table below.



- (c) The labour market is expected to tighten further into 2023 from continued elevated recruitment difficulties due to the fall in size of the labour force before the slowdown in demand leads to a rise in unemployment and excess supply over the rest of the projection
- (d) Whilst the furlough scheme assisted residents to pay their bills as and when they fell due, during the pandemic, given the Cost of Living Crisis, particularly around food, electricity and gas prices, the Council should be prepared to see a reduction in council tax collection rates and increased demand for some services such as Housing Benefits or Housing Options. This will create a dual challenge of reduced revenues and increased costs, as residents struggle to balance their budgets and pay their bills on time.
- (e) Officers are not proposing any amendments to the current level of localised council tax support for our residents struggling to pay council tax.
- (f) Officers believe that the Council may see a rise in numbers of residents presenting themselves for Housing Options support.
- (g) The projected Council delays in developing our residential property schemes, continue to adversely impact on the Council's finances. The Council is currently incurring £170k per month in both revenue and capital costs and following the recent Bank of England Monetary Policy decision to increase the current Bank Base rate to 3%, Officers are forecasting that this will rise to £200k a month from January 2023. It could rise further still in April 2023 to £250k (£3m per annum), as the Council replaces short term (six to twelve months) borrowing agreed in December 2021 when the previous loans at rates agreed up to 12 months ago, when the base rate was

0.1%. It is therefore particularly important that the Council maintains momentum in its affordable housing residential delivery programme and advances schemes through Planning.

Officers are constantly reviewing our policy of capitalising borrowing costs in the light of these delays and section 4.8 of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in respect of borrowing costs, which could result in an additional £3.0m+ capital costs being written off to revenue costs. This is the equivalent of running our day centres for over six years and would greatly increase the Revenue Budget gap that council would need to close.

- (h) During the Pandemic, Officers assumed that the council tax collection rates for the previous years would be 97% and managed to achieve an improved performance of 98.5%, which as mentioned above, was greatly assisted by the furlough scheme. However, as the Country heads towards recession, based on the Bank of England and Office for Budget Responsibilities and erring on the prudent side it is recommended that the Council should adopt a 97% collection rate for 2023/24 and this should be monitored closely.
- (i) Whilst the Council welcomes the £1.48m 3% Core Spending Power grant, announced on 21 December, it has been allocated, together with the £1.2m for the following year 2024/25. This essentially just offsets the impact of the reduction in the Council's New Homes Bonus grant which dropped from £1.29m for 2021/22 to £101k in 2023/24.

Please note that the Department of Levelling Up., Housing and Communities (DLUHC), which is the central Government department responsible for local government faces the steepest real terms funding reduction of any Government department. Within local government resources will continue to be directed towards upper tier councils with adult care responsibilities, presenting a significant financial challenge for lower tier councils in sustainably delivering services.

- (j) Refreshing the Council's annual Reserves Strategy and consideration of some planned short term use of reserves as part of a longer-term strategy to balance our budget and maintain financial stability for the Council. At the end of 2021/22 the Council has £63m in predominantly Earmarked Revenue Reserves (ERR), which can only be used for the purpose council set them up for. This means that it would not be possible for Council to use the environmental Impact Reserve to fund an FTE role in, say, Car Parks.
- (k) Following the Council meeting on 20 October 2022, Officers were asked to review the earmarked reserves and provide an additional £200,000 to support key front-line services during the Cost of Living Crisis.

- (l) The funds flow from Knowle Green Estates Ltd. (KGE) to the Council has been delayed, as the proposed development at Thameside, Oast House, Victory Place, Ashford Multi Story Car Park, Benwell phase 2 have been delayed.

Further, the reduction from 666 apartments to 564 apartments due to the proposed height reductions, has reduced the potential income available to Spelthorne Borough Council by in excess of £90m, over the next 50 years. This is offset by savings in costs of approximately £23m, over the same period

The recent interest rate movements, which will be touched on further in the report, is forecast to have an adverse impact of over £91m in the next 50 years.

When combined with the additional £33m of costs to construct these developments, KGE is struggling to make these new developments viable and proposals will be presented to the Council for consideration at their Extraordinary Council Meeting in January 2023.

When these items are factored into the MTFs the budget deficit is further increased for future years and Council need to address how they intend to cover this shortfall of income and protect the residents of the Borough.

Pay Awards

- i) **2022/23**

The local Unison branch originally formally asked for a 4% pay increase for staff but accepted the Council offer of 2.5% for the lowest five grades and 2% for all other staff. Despite the national employers settling for an agreement for 2022/23 which is more generous (a fixed some of £1,925 per FTE equivalent to an average of 3.7% on Spelthorne grade) local Unison branch have confirmed that they do not expect a further uplift in 2022/23 to bring us in to line with the national settlement.

The 1.25% increase in national insurance employer's contributions which came into effect during 2022/23 (estimated cost to Spelthorne £181k) has been dropped by Government. However, the Other Services grant) from 2023/24 which was designed to partially offset, has been reduced for us to £88k.

2023/24

The local Unison branch have formally requested that the pay award be restricted so that each FTE received the equivalent of £1,925 per annum, which equates to an average aggregate pay award of 3.54%, across the Council.

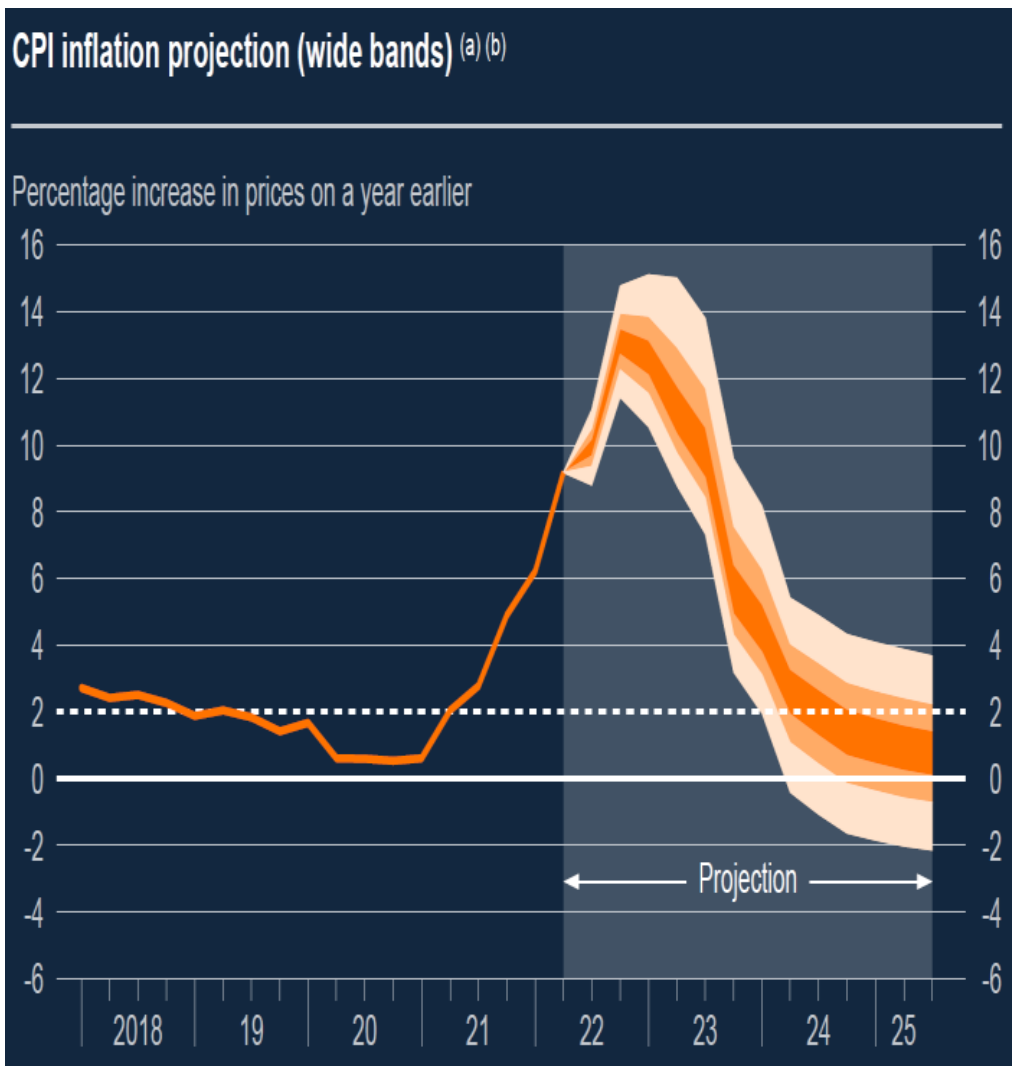
By structuring the pay award in this manner, the percentage increase is approximately 10% for the lower grade members of staff and just under 2% for our highest-grade members of staff.

- (m) **Pensions** - Local Government pensions are subject to a triennial valuation every three years. The latest one reflects the position as at 31 March 2022 and due to the increased number of FTEs joining

the scheme, despite the pension fund overall performing well this has increased the Council's employer pensions contributions for the period 2023/24 to 2025/26. The Outline Budget projections has reflected the £500k increase in employer contributions for 2023/24 (previously anticipated this would be an extra £333k per annum), together with the incremental increases for the following three years.

- (n) **Full Time Equivalent (FTE) Growth** – Council has been concerned about the growth in FTE roles over the years and is undertaking a route and branch review of the Council's staffing structure and requested that in view of the forecast budget deficit set out in 1.21 below, only growth bids for FTE roles that were either fully funded or statutorily required will be permitted in the Service Plans and Budgets for 2023/24.
- (o) **New Spelthorne Leisure Centre** – Again, this has been subject to increased inflationary build costs and once it is constructed is unlikely to fully cover its costs once it becomes operational in 2024. This has been reflected in the Outline Budget projections.
- (p) **Additional Statutory Duties** - we also need to be mindful of the potential for additional statutory duties and requirements being imposed on Councils during the Outline Budget period, a potential example could be the proposed waste management changes such as universal green waste collection being proposed by DEFRA in a few years' time which could have a significant cost impact on our refuse collection arrangements. The Provisional Funding Settlement and the Statement of Principles issued by the Government has indicated that there will be additional funding for the Extended Producer Responsibility regime for lower tier councils in 2024/25 but at this stage it is unclear what form that funding will take and to what extent that will offset initial additional costs.
- (q) **Inflation** – The rapid rise in inflation over the last fourteen months has had a significant impact on the Council's finances, and as can be seen the Bank of England are forecasting a sharp rise ahead, through to mid-year 2023 and then it is anticipated inflation will fall, which is borne out by the Medium Term Financial Strategy in section 1.20 below.

The vast majority of the increase and subsequent fall in CPI inflation reflects the impact of external factors domestic price pressures rise further this year, as wage growth strengthens, and companies increase their selling prices reflecting their sharp rises in costs Inflationary pressures subside in the second half of the forecast period, as the increasing degree of economic slack and lower headline inflation also reduce the pressure on wage growth



(r) The above list is not exhaustive.

1.7 Opportunities

Not only will there be challenges, but there will also be opportunities including:

1.8 **Partnering** – Over the last few years, SBC have been partnering with other councils to ensure that the emphasis is on service delivery, rather than additional administration or supervision. These include:

- (a) Counter Fraud – with Reigate & Banstead Council
- (b) Spelthorne Personal Alarm Network – with Mole Valley District Council
- (c) Family Support - with Elmbridge and Epsom and Ewell Borough Councils and Surrey County Council
- (d) Insurance – Sutton LBC early indications are that a potential £50k cashable saving per annum will be achievable

These are just a few of the successful partnerships the Council are involved with locally for the benefit of our taxpayers.

Following the recent change of S151 Officer at Mole Valley District Council Officers have recommenced discussions about combining the Finance Teams of the two Councils, to improve resilience, aid recruitment and deliver

efficiencies, particularly around Integra. Other services could also be combined, and Officers are considering this as part of a wider project.

Should the Council look to outsource some of its services to other Councils, alternatively, should Spelthorne Borough Council establish itself as an outsourcing shared service? In the context of the financial challenges all councils are facing and uncertainties around the future of local government in Surrey it is particularly timely to look at these opportunities.

- 1.9 **Investment Properties** – there have been a number of unplanned external challenges that have recently impacted on the Council's income streams, namely the war in Ukraine and the UK Government's decision to freeze all the UK assets of certain Russian nationals, which has resulted in the Council taking action to foreclose on a lease, and as the property will be empty, to take the opportunity to improve the infrastructure within the building to attract a new tenant. The refurbishment costs and the void period will see income from this property fall by just over £4m.

Following extensive negotiations with an existing tenant, at another property, they have finally decided to terminate their lease in December 2022 and whilst there is an option to relet some or all of these units, which will be shortly discussed by Council. Once a decision is known, Officers will reflect that in an updated MTFS forecast.

Until then, Officers are exercising caution and taking a worst case scenario for reduced rental income and landlord costs.

Officers were aware of both of these situations and the likely adverse impact on cash flow in 2022/23 and 2023/24 and recommended that Council, invest an additional £2.5m in the sinking fund to contribute towards the short fall of the above, from the 2021/22 Outturn report, which was approved.

It is also clear that for 2023/24 and 2024/25, based on the worst case scenario, the Council will have to fall back on its sinking fund reserves, due to these unplanned situations, which was why they were established in the first place.

The recent sinking fund review modelled the likely impact on future cashflows and are forecasting that over the next 45 years, the Council will invest a net £3.5m per annum into the Council's sinking fund to cover unplanned emergencies, such as, warfare, together with providing sufficient fund to ensure that the Council still receives a £10m contribution towards front line service delivery, affordable housing and regeneration programmes.

The modelling indicates that in 45 years' time the aggregate sinking fund balance will be in excess of £200m, with the vast majority of loans for investment assets almost paid off.

Noting that the Corporate Policy & Resources Committee will receive an updated Sinking Fund Policy for review on 20 February 2023.

- 1.10 **Invest to save** – are there any opportunities for Committees and officers to invest in 2023/24 to deliver savings in subsequent years, and MAT has requested that based on the success of home working during the pandemic, Officers look at our long strategy for hybrid working and available technology.

There are several other initiatives that fall under the invest to save category that Officers will be looking to deliver cashable savings of £200k per heading over the next 4 years.

1. Procurement savings
2. Cost savings
3. Business Improvement
4. Green Initiatives.

On the basis that each area delivers the cashable savings expected that equates to £800k, over four years.

- 1.11 **Digital Transformation** - The Council has a digital transformation programme and has recently appointed a digital transformation programme manager. The Council will explore opportunities to deliver services more efficiently using technology. However, it will ensure that services remain accessible to those who are less digitally literate. The Council will also explore opportunities to reduce the number of software applications it is paying for by seeking to better align and integrate applications and quantify the cashable savings for 2023/24 and beyond.
- 1.12 **Knowle Green Offices** - Explore how the Council can maximise the opportunities created by the hybrid working era and reduce the overall running costs for the current office.
- 1.13 **New Corporate Plan** – This will be a key priority for the Council to evolve, post the May elections, the current Corporate Plan to ensure that all cost of services are aligned to deliver the strategy established by Council.
- 1.14 **Centros (Council financial system)** – Following a smooth transition from Integra our previous Enterprise Resource Planning financial system to Centros in August the Council is beginning to see some of the opportunities materialise, including:
 - (a) **Budget setting process** – the data is already loaded into Centros and a variety of data sets have been made available to enable Officers to model different scenarios. Based on this approach, once Council agree the final budget in February 2023, the Finance Team will be able to produce all the relevant reports and update the system by the first week of March, saving at least three weeks in the process.
 - (b) **Business intelligence dashboards** – is an information management tool that analyses information and displays it graphically, which will also assist with data used in Council reports in conveying important messages.
 - (c) **Application Programme Interface** – enabling us to open our data for the development of apps for our services, Officers are already looking to see how we can establish interfaces with the Assets team to model sinking funds.
 - (d) **Mapping** – by introducing ‘maps’ for our standard internal external reports, once established, this will reduce the time taken to collate the report by over 95% in respect of Officer time.

- 1.15 **Empty property premia** – Following last year’s Council decision, Officers will be submitting a claim to Surrey County Council (SCC) to make use of their offer to spend their share of this income of related project in our Borough.
- 1.16 **Affordable Housing Delivery**- as stated above it remains particularly important that the Council maintains momentum of its affordable and keyworker programme otherwise it faces abortive costs which will significantly increase its Revenue Budget gaps. The Council therefore needs to continue to advance its schemes through the Planning process.
- 1.17 **International Financial Reporting Standard 16 – Accounting for leases** – the Council formally adopted this standard from 1 April 2022, as previously mentioned by Officers, where the Council has a right to use each asset costing over £10k, the Council must capitalise the cost of the asset in its balance sheet and depreciate it over its useful economic life, this will impact on the Estimate Capital Programme, rather than treat the lease payments, as rentals which are then charged to the relevant cost centre. The interest and maintenance element of such an agreement, will continue to be charged to the cost centre. This has no impact on cashflow. Officers estimate that this will save £472k over the two years 2022/23 and 2023/24.
- 1.18 **Current initiatives**
- Officers have several initiatives that they have been working on to drive efficiency, reduce costs or increase income, some have been mentioned separately in this report, particularly around partnering, and also including:
- 1.19 **An average 2.5% and 5% savings** – In the 2024/25 Budget Setting process, which will begin in June 2023, Group Heads will be asked to review their service plans and identify opportunities for achieving these two levels of savings, to assist with the projected deficits for 2024/25, 2025/26 and 2026/27, noting that some contracts have a few years to run and inflation increases already built in, as highlighted in the next section.
- 1.20 **Medium Term Financial Strategy (MTFS)**
- Continuing to refresh our medium-term financial strategy (MTFS) will help bring together all known factors affecting the Council’s financial position and its financial sustainability into one place. This should be as wide ranging as possible and include all the assets and liabilities on an organisation’s balance sheet. This is particularly important, and challenging, in the context of the significant additional uncertainties generated by the financial impacts of COVID-19, as mentioned above, some of which have yet to be fully felt. The Council also needs to understand the full impact of the Cost of Living Crisis as it unfolds, and take action, as it has done so, with utilising the Cost of Living and supplementary reserves amounting to £564k. It also allows the Finance team to balance the financial implications of objectives and policies against constraints in resources. This should in turn form the basis for Council’s decision making.
- A good MTFS should provide a clear and concise view of future sustainability and the decisions that need to be made to address any gaps in long-term financing. It forms the pivotal link to translate the organisation’s ambitions and constraints into deliverable options for the future.
- 1.21 Considering the above Officers are predicting that the Budget deficits for the four years ended 31 March 2027 will be as follows, as shown in Appendix A:

Medium Term Financial Strategy for 2023/24 to 2026/27							
11/01/2023							
				2023/4	2024-25	2025-26	2026/27
				£000's	£000's	£000's	£000's
Initial (positive)/negative imbalance before action				574	4,191	5,279	7,453
Opening budget (surplus)/deficit				0	574	4,191	5,279
In year movements (favourable)/adverse				574	3,617	1,088	2,174
Closing budget (surplus)/deficit				574	4,191	5,279	7,453

The current projected deficit of £574k for 2023/24, will need to be resolved and Council presented with a balanced budget at their meeting on 23 February 2023.

The later year gaps are largely due to a combination of inflation pressures, projected impact of Fair Funding Review and Business Rates reset and in 2026/27 further potential increase in employers' pension rates and a reduction in net income of approximately £1.25m from Knowle Green Estates Ltd, following the height restrictions imposed by Council.

2. Financial announcements and implications

- 2.1 **Council Tax** – In the Autumn Statement, the Chancellor announced that for 2023/24 and 2024/25, lower tier councils can increase their council tax bills by the higher of £5 on band D council tax or 3%. In comparison the maximum for 2021-22 for Spelthorne was £5 or 2.4% i.e., currently we have an additional 0.6% or £53k headroom. For Spelthorne £5 on Band D equates to 2.4% for 2023/24, to 3%, which equates to £6.30 and £6.49 for 2023/24 and 2024/25 respectively. In comparison upper tier councils such as Surrey County Council will be able to increase by 3% plus a further 2% for adult social care.
- 2.2 This would yield the Council an additional aggregate council tax revenue of £52,716 and £61,330 for 2023/24 and 2024/25 respectively.
- 2.3 In view of the short term challenges being presented by the Cost of Living Crisis, Officers are recommending that rather than reduce council tax, it charges the maximum and utilises the £264,000 to replace the £562,000 (Cost of Living Reserves) used in 2023/24 to fund and retain our essential services.
- 2.4 **Provisional Local Government Finance Settlement (PLGFS)** – this was announced on 21 December, this is possibly the latest notification received and Officers have processed and updated the information over the festive break.

The Statement of Principles issued by DLUHC earlier in December made clear that there neither the Fair Funding Review nor any business rates reset will be implemented before the next General Election. This therefore gives Councils at least two years of greater funding certainty. The likelihood is that such funding changes will not be implemented until 2026/27 as any new Government would be required to consult on impacts of funding changes.

Officers are expecting a “roll over” settlement, i.e., do not expect any significant funding methodology changes. It is now anticipated that the Fair Funding Review and Business Rates will slip to at least 2026/27- in the Outline Budget projections Officers have assumed a reduction of a third in the amount of business rates we retain from 2026/27 and the disappearance of New Homes Bonus at the same time. This is a factor as to why the last two years in the outline budget period are particularly challenging.

- 2.5 As part of the Provisional Funding Settlement the Government has rolled a number of specific grants into the Settlement, this has enabled the Government to ensure that every council now receives at least some Revenue Support Grant (RSG) whereas previously many such as Spelthorne were receiving nil RSG. Our allocation is £91k for 2023/24. The Government is indicating that RSG allocations will be uplifted annually to reflect inflationary pressures. This does mean that for the moment the threat of negative grant for Spelthorne has receded.
- 2.6 A position aspect of the Provisional Funding settlement was the announcement of a one off specific grant designed to ensure that all councils received at least a 3% increase in their core spending power (core spending power equals grant support plus assumed income raised from council tax). This has resulted in a £1.48m allocation for Spelthorne Borough Council. Whilst very useful this effectively offsets the impact of the Council’s New Homes Bonus allocation dropping from £1.29m in 2022/23 to £144k in 2023/24.
- 2.7 **Business Rate** – The business multiplier has been frozen for another year. The Business Rates Retention scheme is going to remain unchanged at 50% (this does not mean councils retain 50% of business rates but above a baseline they gain 50%) and that the associated baseline levels will not be reset for councils. There are some indications that the focus on Levelling Up by the Government may cause Government to reflect further on whether it wishes to move to a 75% Business Rates retention scheme. When the business rates baseline is reset, there is a risk for the Surrey councils as when the baseline was set in 2013-14 for the 50% retention system the Surrey Councils did relatively well. Business properties will be revalued every three years from April 2023.
- 2.8 For 2023/24, the Council is now included in the Surrey Business Rates Retention Pool scheme and potentially will benefit by approximately £450,000 in 2023/24.
- 2.9 **From 1st April 2023**, across England rateable values have been revalued. The Government will allow reductions to feed through immediately but has a transitional relief scheme to assist those ratepayers whose values and therefore bills are rising. We are working through analysis to understand the impact on the Council’s own properties.

The Government has announced an extension of the 50% discount on business rates for retail, leisure, and hospitality sectors with it providing 75% relief for 2023/24. This is clearly a response to the pressure’s businesses are now facing in light of the Cost of Living Crisis.

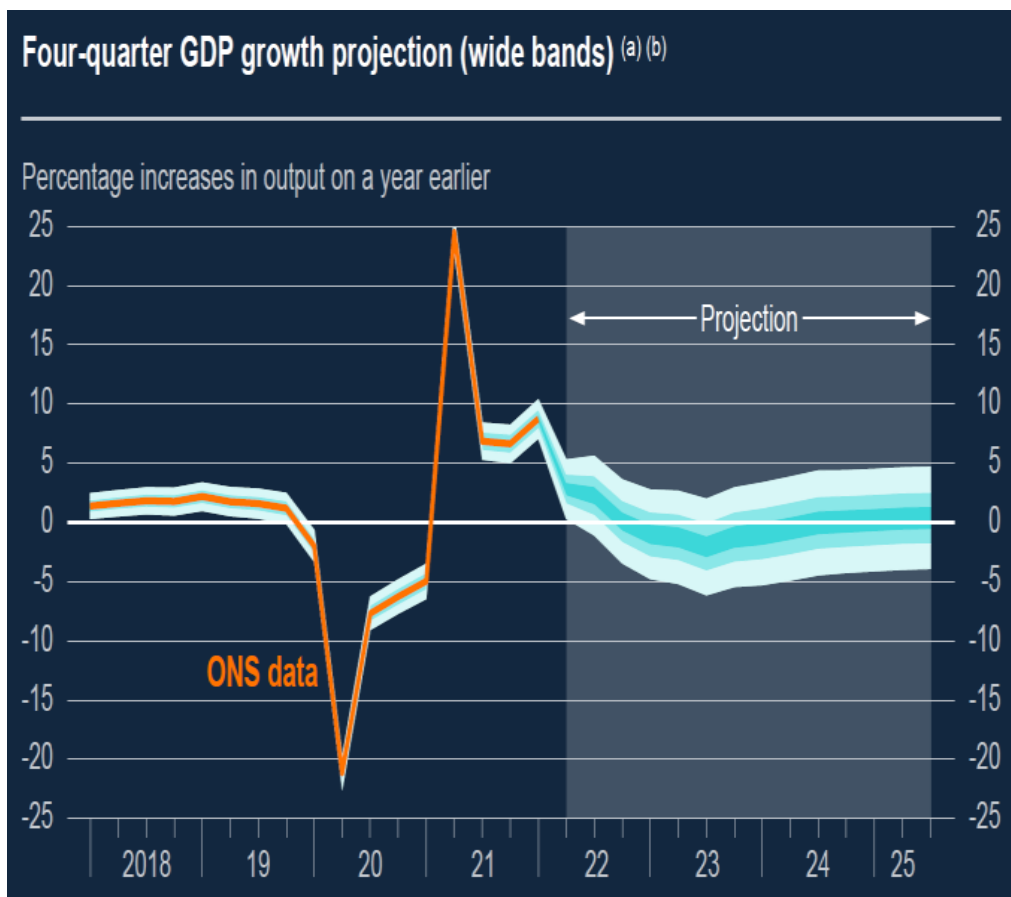
- 2.10 **New Homes Bonus Grant** – The PLGFS has announced that for 2023/24 the Council will receive £101,000 and a further £121,000 in 2024/25.
- 2.11 **International Financial Report Standard (IFRS) 16 Lease Payments** – as a result of implementing the above, the Council has received a one of revenue windfall adjustment in 2022/23 of approximately £400,000 as a result of capitalising the lease rental costs for our fleet of vehicles. This will be added to by approximately £72,000 in 2023/24, with the aggregate of £472,000 used to fund the budget deficit.
- 2.12 **Cost of Living Reserve** – as part of the Outturn Report for 2021/22, Council set aside £364,000 toward the cost of Living Crisis, and in October 2022, a further £200,000 was set aside to assist. Council will fully utilise the £564,000 to fund frontline services and provide additional support to our residents during the crisis.

3. Other considerations

3.1 Bank of England

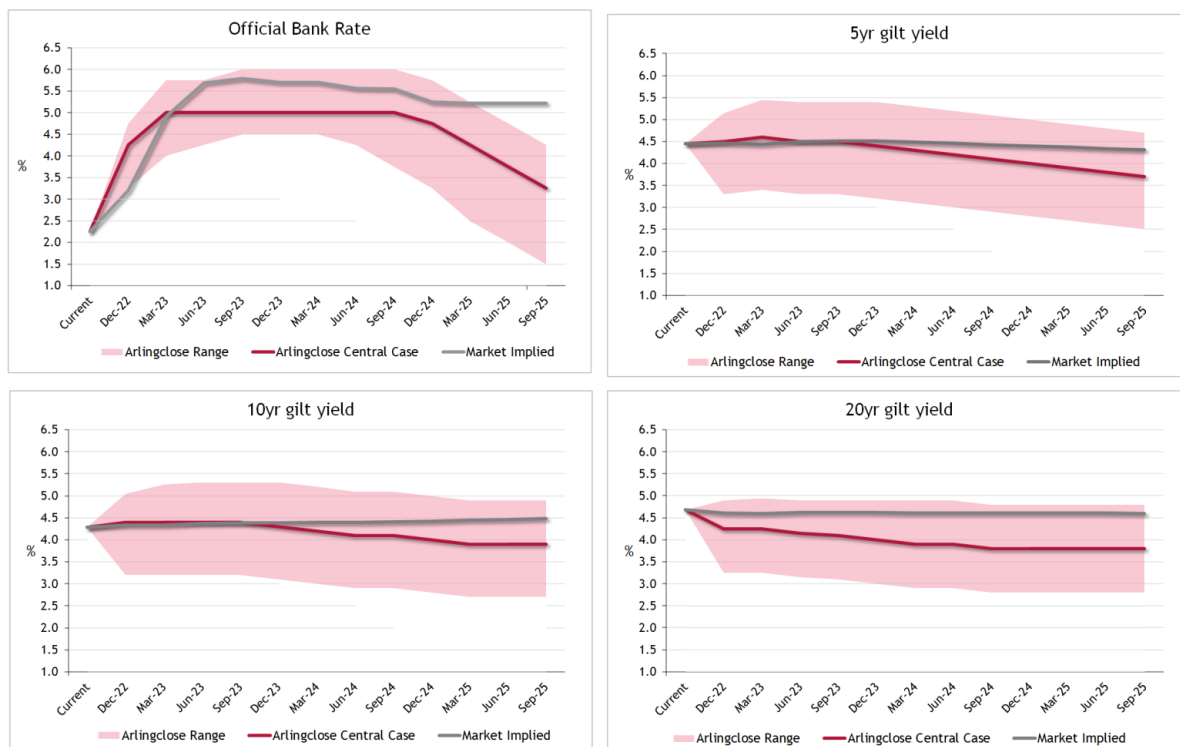
3.2 In addition to the charts above, the Bank of England produces regular updates and forecasts and shown below:

3.3 UK GDP



3.4 Real household post tax income is projected to fall sharply in 2022 and 2023 while consumption growth turns negative. The UK economy entered into a recession during the late summer in 2022, and it is predicted that this will continue for the whole of 2023.

3.5 Interest Rates



- 3.6 **Gilts** – the Public Works Loan Board (PWLB) is the Council’s banker, and, unlike personal mortgages which are linked to the Bank of England official base rate, the PWLB interest rate are linked to the 20-year gilt market, which as can be seen from the above forecasts from Arlingclose is less volatile that the base rate.
- 3.7 Over the last three years, the Council has managed to fix the 50 year PWLB interest rates at an average rate of 2.3%
- 3.8 Officers in conjunction with our advisors are currently forecasting a 50 year fixed term interest rate of approximately 4.5% and increase of 1.1% on the previous rate for 2024/25 and based on the calculation, many of the affordable housing projects due to be completed and passed to Knowle Green Estates (KGE), will not be able to take place, as this high interest rate, will renders the projects even more unviable for KGE.
- 3.9 As at 9 January 2023 the PWLB fifty year certainty rate for Council was 4.47%, which confirms the upward pressure on interest rates predicted by our advisors.
- 3.10 Officers will be monitoring the situation closely.

4. Other considerations

- 4.1 Based on the current MTFs projections as shown in 1.20 above, Officers are predicting a relatively small deficit budget for 2023/24 and significant deficits for the following three years, therefore, Council will have to plan carefully how

it manages the 2023/24 Budget, through the budget setting process to ensure that it can approve a balanced budget for 2023-24 in February and also has regard to medium term actions to address the projected deficits over the Outline Budget period..

- 4.2 As a result of building cash back Sinking Fund reserves, the Council is benefiting from a one off forecast increase in interest receivable of £500k as a result of the increases in Bank of England Base Rate.
- 4.3 The implementation of IFRS 16 Accounting for Leases has also provided a one off forecast Revenue saving of £472k.
- 4.4 The current growth bids for 2023/24 amounting to £868k will need to be carefully considered and by allowing them in 2023/24, this will impact on 2024/25 and beyond, therefore, between now and the first draft of the budget more refinement of these bids will be required, and this should increase the surplus available for Council.
- 4.5 As mentioned above, Officers have allowed for the maximum increases in Council Tax, based on the Autumn Statement (3% for 2023/24 and 2024/25) should council decide to implement a £5.00 (2.4%) increase, this would reduce the surplus by £53k and £61k for 2023/24 and 2024/25 respectively.
- 4.6 Alternatively, Council could consider putting these funds into an earmarked reserve to assist with the Cost of Living and inflationary pressures to protect key front line services to our elderly and vulnerable residents.
- 4.7 Officers have forecast that the Council will draw down the maximum amount from available earmarked reserves (Cost of Living & Sinking Funds) and they may wish to retain the funds in these reserves to deal with future issues.
- 4.8 The MTFs and assumptions made by Officers, provides Council with some options to consider, taking into account the projected future years deficit beyond 2023/24.

5. Financial implications

- 5.1 No material implications, other than those discussed above, noting that it is not an exhaustive list.

6. Procurement considerations

- 6.1 There are none.

7. Risk considerations

- 7.1 As set out in the report, focusing on opportunities to procure goods and services smarter should generate some opportunities to deliver financial savings.

8. Legal considerations

- 8.1 Councils have a statutory duty to set a balanced Budget. It is essential that the Council has plans in place to ensure the Council remains financially viable over the next few years.

9. Equality and Diversity

- 9.1 Any savings proposals impacting on service users will require an Equality Impact Assessment to be undertaken

10. Sustainability

10.1 There is the potential to align climate change objectives with budget sustainability reductions as reductions in energy consumption assist in easing pressures on the Revenue Budget

11. Timetable for implementation

11.1 September to October 2022, Officers present and discuss Service Plans with relevant Committee.

11.2 November 2022 – Officers collate Service Plans and feedback received from Committees and collate Outline Budgets

11.3 December 2022 – draft 2023/24 budget made available to Committees.

11.4 January 2023 – all Committees review and consider their consolidated growth and savings bids and submit list of bids to the Corporate Policy & Resources Committee for final short listing to feed into the final Detailed Budget for 2022-23.

11.5 Late January/early February 2023 - All councillor briefing

11.6 Early February 2023 – informal meeting with CP&R to review options to balance budget.

11.7 20 February 2023 – CP&R to meet to finalise the budget.

11.8 23 February 2023 – Council approves growth and savings bids as part of the 2023/24 annual budget debate.

12. Contact

12.1 P.taylor@spelthorne.gov.uk

Background papers:

Budget Briefing Presentation 21 June & November 2022.

Service plans 2023/24 submitted and discussed with each Committee September and October 2022.

Committee papers for their January meetings

Appendices:

Appendix A – MTFS 2023-24 to 2022-27