

Committee: Cabinet

Date of meeting: 8 February 2023

Subject:	Revenue and Capital Budget and Council Tax 2023/24
Lead Officer:	Strategic Director & Deputy Chief Executive Head of Finance
Portfolio Holder:	Leader – Councillor C.R. Sadler Finance & Resources – Councillor M. Rollings
Link to Council Priorities:	All
Exempt information:	None
Delegated status:	For Recommendation to Council on 22 February 2023
Key Decision:	N/A

Executive Summary:

The Council has a strong track record of financial management and plans are in place for service transformation and modernisation to make the Council financially sustainable in the medium to long term. Like most local authorities, EBC faces continuing financial pressures due to, limited government funding, the current economic crisis including high inflation, increasing energy costs and some residual financial impact of the pandemic.

Our vision 2030 is ambitious and exciting and sets out how we will achieve a sustainable, thriving Elmbridge driven by the power of our community. This will ensure we continue to be the best place to live, work and do business in.

The Council wide Transformation Programme, established in 2022 focusses on three key themes: Sustainable Elmbridge, Putting People first and Thriving and Resilient Elmbridge. A number of these projects are moving forward and will help us shape the future of our Borough, one that will help us meet our 2030 Vision and be a financially sustainable Council. To help achieve our vision and continue to deliver our high-quality services, the Council will need to reduce costs and increase the income we generate whilst still focussing on the need in the borough.

The budget report presents a balanced budget for 2023/24, which is sustainable and responsible, with the confidence that the Council will have the funding to deliver services into the future.

To consider and recommend to the Council the 2023/24 budget and the Borough Council's element of the overall Band 'D' Council Tax to apply for 2023/24. To update Members on the Local Government Finance Settlement and other developments affecting the Council's Medium-Term Financial Strategy (MTFS).

The information in this report is based on the provisional Finance Settlement for 2023/24 issued in December 2022. While the Council is able to present a balanced budget for 2023/24, this assumes delivery of savings, achievement of income and the use of reasonable level of reserves as set out in the budget.

It is recommended that:

Cabinet recommends that Council:

- (a) Approves the net revenue budget requirement to provide services be set at £24,144,080 (net budget before interest income on balances) for 2023/24 (Appendix A), subject to confirmation of the Final Local Government Financial Settlement.
- (b) Approves the use of £1.005 million of Revenue Reserves in total, of which £483,000 from the Business Rates Equalisation Reserve and £522,000 from specific reserves to meet the legal requirement to have a balanced budget for 2023/24.
- (c) Approve a Council Tax of £243.35 for a Band D Council Tax for 2023/24, which represents a £7.05 per year increase or 2.98%. This is a rise of under 14 pence a week compared to the 2022/23 Council Tax precept.
- (d) Approves the total council tax funding requirement be set at £18,330,190 (after allowing for government grants and Collection Fund support) for 2023/24.
- (e) Approve the additional spending pressures as set out in paragraph 4.5.
- (f) Approve the Fees and Charges increases as set out in Appendix F1 & F2 and summarise in paragraph 4.7.
- (g) Approve the income and savings as detailed in paragraph 5.1.
- (h) A £2,000 flat payment pay award to be added to all scale points for 2023/24 for employees on the Council's local pay scheme, effective 1 April 2023.
- (i) Approve an additional contribution of £250,000 from the 2022/23 interest earned, increasing the cost-of-living crisis fund to £500,000.
- (j) Approve the Capital Programme (Appendix H) including the additional projects detailed in section 12, including new Capital Bids of £1.6 million which will help the Council's commitment to become carbon neutral by 2030.
- (k) Approve the Medium-Term Financial Strategy and the Statement of Reserves (Enclosure 1 and Appendix G).
- (l) the Pay Policy Statement for 2023/24 be adopted as required under the localism act 2011 (Appendix K).

Report:

Financial landscape and Budget Context

The Council is required to set a balanced budget in advance of each financial year. the budget and council tax would be approved at full council on 22 February 2023.

The Council has a strong track record of financial management and plans are in place for service transformation and modernisation to make the Council financially sustainable in the medium to long term. Like most local authorities, EBC faces continuing financial pressures due to, limited government funding, the current economic crisis including high inflation, increasing energy costs and some residual financial impact of the pandemic.

Members have agreed plans to deliver the required budget reductions and to rebuild Council's reserves over the medium to long term to meet the commitment made at full council to:

- Reduce expenditure on discretionary services by focussing on outcomes and need: and
- Rebuild reserves to pre pandemic levels by 2030.

The transformation programme was implemented to eliminate the structural deficit in the budget and the work has commenced on this including phase one savings being included in the budget.

Local Government budgets have been reducing since 2010 and the Council has achieved significant efficiencies and additional income already.

Whilst some additional funding has been made available for Councils as part of the provisional settlement, it is insufficient to meet our forecast cost growth or future pressures. Even given the extra funding, the next few years will remain very tough for councils, with significant savings required to achieve balanced budgets.

The budget recommends a council tax increase of £ 7.05 per annum for a band D property which translates to a 2.98% increase, much lower than the current inflation level. Modest council tax increases will ensure that there is money in the base budget to fund vital services in the future.

The "fair funding" review of local government finance has been continuously delayed, meaning that most of the data on which our funding is based is now at least 10 years old. The Council's approach to achieving budget reductions is to make savings in a planned way, using our reserves responsibly to avoid the crisis cuts which many authorities have (and are) facing. This is our "managed reserves" strategy which puts us in a strong position poised to face the challenges that lie ahead. Our approach leaves us in the fortunate position of starting 2023/24 in a financially resilient position and will help us plan the reductions we need in the medium term to address the structural deficit that members have committed to address.

With prudent management of its finances and a cautious approach, the outturn for the current year is forecast to be favourable. In addition, careful management and planned use of the reserves places the council in a strong financial position.

The budget report presents a balanced budget for 2023/24, which is sustainable and responsible, with the confidence that the Council will have the funding to deliver services into the future. However, the increased cost of living, global financial uncertainty and government policy changes mean the council continue to face challenges to our financial position in the coming years.

2. DEVELOPING THE GENERAL FUND REVENUE BUDGET

2.1 Medium Term Financial Strategy

The Council's Financial Strategy (Enclosure 1) sets out the Council's approach to financial management and provides the basis for the delivery of the Council's vision and priorities.

The key objectives of the Financial Strategy are to:

- Help ensure that the Council's financial resources are directed to support delivery of the Council's priorities and achievement of value for money.
- Illustrate the financial effects of existing financial commitments over the medium term, both revenue and capital, and to set the parameters for the Efficiency and Savings Strategy necessary to achieve a balanced budget.
- Look ahead to the longer term to help plan sustainable services within an uncertain external economic and funding environment.
- Strengthen the Council's financial resilience and manage volatility and risk, including maintaining an adequate level of Reserves.
- Secure, maintain and develop the Council's capital assets consistent with the Asset Management Plan.
- Maximise the Council's rental income from Asset Development to increase the Council's financial resilience and improve the overall economic wellbeing of the Council in line with the Property Acquisition and Development Strategy.

2.2 The General Fund Budget Strategy

Fundamental to the development of the budget and Medium-Term Financial Strategy (Enclosure 1) is an overarching Budget Strategy, the objective of which is a safe and sustainable budget which will deliver the policies and aspirations of the Council over the medium term. The strategy, which underpins the General Fund Financial Plan, is to:

- Adequately resource the Council's Statutory Services and the Corporate Policies as set out in the Council Plan.
- Reduce the reliance on reserves to provide ongoing service delivery by maintaining a balanced General Fund budget that is sufficient to meet the required expenditure.
- Reserves should only be used to fund one-off or time-limited investment that will deliver efficiencies, deliver the capital programme or improve service delivery.
- Reserves cannot be used as a substitute for permanent efficiencies or meet ongoing spending pressures.
- Maintain the General Fund Reserve at a level that is sufficient to cover its financial risks and provide adequate working capital.
- Maximise the Council's income by promptly raising all monies due and minimise the level of arrears and debt write offs, so as to optimise its treasury management potential.
- Use reserves wisely for investment to save initiatives that will improve the financial resilience of the Council.

- Actively engage local residents in the financial choices facing the Council.

These principles will enable the development of a budget that is sufficient to meet the Council's ongoing day to day business activities as well as progress its priorities contained in the Council Plan. Such clear linkages between financial and business planning are the cornerstone of robust management practices.

The budget for 2023/24 and the years that follow is developed by building onto the existing budget provision the anticipated increases for inflation and budgetary growth that is needed for service developments, legislative changes or statutory requirements; after which planned savings, growth in income and the use of reserves are reflected. It is difficult to project Government funding beyond 2024/25 until more details emerge from the Fair Funding Review.

2.3 The Council has to deliver its services within its approved revenue and capital budgets and must take on board the current and emerging issues and risks. This report is to enable Cabinet to consider and make recommendations to Council who approves the budget and sets the Council Tax level on 22 February.

2.4 The MTFs is updated annually to reflect the current economic climate and the financial environment. Enclosure 2 summarises some of these developments and includes:

- Government Spending Round 2023/24
- Government Policy Statements on 2023/24 and 2024/25
- Financial Settlement and Local Context for 2023/24
- Minimum Funding Guarantee
- Business Rates and the 2023 Revaluation

3. APPROACH TO BUDGET SETTING AND REVIEW PROCESS

3.1 The overarching priority is to continue to provide existing services and where possible and appropriate to improve them. This requires managers to continue to give careful consideration to operational practices, costs and deliver quality services cost effectively.

3.2 Finance officers and heads of service have reviewed actual expenditure in previous years against budget and identified areas of potential reductions in the current budget. Officers have also reviewed the income levels for the organisation and reflected any changes in volume and/or demand. The Council's concentrated focus on improving the rental income by investing in property has meant that a significant part of the revenue stream is from property rentals.

3.3 The Council's approach to setting the budget involves detailed consideration of financial risks, so that they can be factored into the budget decisions. Risks arising in the current year have also been considered in the budget setting process enabling the Council to move forward with increased confidence.

- 3.4 The proposals within this report will set out a balanced budget for 2023/24 with some reliance on reserves. There remain a number of risks that must be managed over the coming months and in the medium term, increased inflationary spending pressures and the reduction in income levels as a result of the Cost-of-Living crisis.

4. GENERAL FUND BUDGET AND COUNCIL TAX

General Fund Summary Budget and Budget Pressures

- 4.1 The draft 2023/24 General Fund summary budget is shown at Appendix A. A summary of the 2022/23 original estimate and the proposed budget for 2023/24, for each portfolio is detailed at Appendix B. A revised forecast for 2022/23 is attached at Appendix C. Appendices D1 to D9 show the portfolio breakdown of the 2023/24 proposed budgets.

Forecast Revenue Budget Outturn 2022/23

- 4.2 The Council's overall revenue forecast outturn for 2022/23 is based on the changes to the Councils budget position (Appendix C).

The forecast outturn shows a favourable position, compared to the 2022/23 approved budget. One of the main reasons for the favourable variance is the increase in interest earned (£1.5 million). As a result, it is planned to set aside £500,000 to a Cost of Living Reserve (an additional £250,000), £500,000 to the Interest Equalisation Reserve and an additional £150,000 to the Transformation Fund. After allowing for these contributions, the use of the Business Rates Equalisation Reserve will reduce by approximately £800,000.

Members will note that the Council has again been able to deliver services broadly within its budget given the unexpected pressures and expenditure and maintained its financial health, providing a level of assurance that the Council's financial management arrangements remain strong within the context of risks from the current wider financial environment.

Budget 2023/24

- 4.3 Significant factors in the movement between the original estimate for 2022/23 and the 2023/24 estimate are summarised at Appendix E.
- 4.4 Recognising the pressures on the 2023/24 base budget and the restricted level of funding made available by the Government, draft revenue budget proposals have been reviewed with a view to identifying opportunities for reducing the year-on-year increase in the base budget.

- 4.5 As the budget setting process has evolved, several issues have emerged which have impacted, both positively and negatively, on our 2023/24 budget projections. Additional budget pressures have been identified, as have factors which contribute to our savings. Provisional budget pressures were reported to earlier Cabinet meetings and final details are set out below:

Analysis of Growth in MTFS

	August 2022 MTFS £'000	Estimate 2023/24 £'000
Contract Price Increases (Indexation)	1,200	1,638
Proposed cost of living Pay Award April 2023	850	713
NJC Pay Award 2021/22 and 2022/23 impact in 2023/24	510	438
Reduction in External Funding (SCC - Waste Recycling and Gate Fees)	300	160
Pensions Contribution -Triennial Valuation	150	196
Approved Growth		
Green Spaces Contract (Cabinet April 2022)	80	131
Waste Service - Urgent Action 5 April (Pay)	140	132
Transfer of On- Street Car Parking Function back to Surrey County Council		397
Other Growth		
Public Service Network Compliance (Additional software costs to meet enhanced government requirements for network security)	20	
Homelessness Costs		138
Increase in Cost of External Audit following Retendering		60
Cost of Cyber Defence and Insurance		76
Programme Manager Regeneration and Major Projects – New Post		85
Increase in Corporate Budgets Training and Development		35
ICT related Expenditure (software & licenses)		145
Water Safety Initiatives		30
Other		55
Total	3,250	4,429
Change since August 2022 MTFS		1,179

Movement in MTFS Assumption Due to:

Inflation and Pay	2,560	2,789
Other	690	1,640
	3,250	4,429

4.6 Grants to Voluntary Sector Organisations

Included in the proposed budget for 2023/24 are the grants given to various voluntary sector organisations by Elmbridge. In addition to providing core funding of nearly £450,000 every year, the Council also provides, in kind, support such as free or heavily subsidised rental accommodation, maintenance of buildings, discretionary rate relief, car parking and use of Council's facilities. The contributions to the voluntary sector represent 2% of the Council's net budget.

It should be noted that of the total grants payable Citizen's Advice Bureau, Esher and Citizen's Advice Elmbridge West receive the largest proportion, nearly 50% of the total grants.

4.7 **Fees and Charges**

Income from fees and charges is based on estimated demand and fees charged for various services. A limited review of current fees and charges was carried out which resulted in an increase in fees and charges for some services. It is good practice to regularly review the costs of providing services and any further proposals to review the fees and charges will be considered during the year.

The reviews will be carried out using the following principles contained in the Fees & Charges Policy approved by Council in February 2022:

- A thorough review of each fee is undertaken on a rolling basis so that all fees and charges are reviewed at least once over the life of the MTFS (for fees and charges that require a thorough review more regularly, the review is undertaken as frequently as deemed necessary). The fees should cover the cost of providing the service.
- The focus of the review being dependent on the fee being assessed and the level of concessions for the service.
- Develop an understanding of market, demand and internal cost drivers.
- To include benchmarking with local authorities and other relevant organisations.

4.8 **Fees and Charges Proposals**

The proposed Fees and Charges increases for Off Street Car Parking and Waste are set out in Appendix F. A summary of the proposed increase is:

4.8.1 **Car Parking – fees generated £177,000 (Appendix F1)**

Members will recall that Surrey County Council are taking the responsibility for On-Street Car Parking Enforcement back in-house from 1 April 2023. As a result, the Council will be left with costs of approximately £400,000 (£200,000 which relates to the cost from the enforcement activities of our contractor and the balance relating to staff and system related costs). The decision was made by SCC and Districts & Boroughs notified in September last year. EBC is expected to absorb the increased/retained costs as a result of this decision.

The proposals contained in this report, so far as charging for off-street car parking is concerned, are considered to be a proportionate application of the powers contained within the Road Traffic Regulation Act 1984 (specifically the power to make reasonable charges in section 33(1)). The report takes account of car parking demands in the local area, and competitive pressures. Any increased charges and/or revised charging periods would need to be formally advertised and Surrey County Council consulted, in order to vary the Council's Car Park Control Order.

The Council can use any surplus on On-Street Car Parking to fund services on environmental related activities. It must not set the charges as a budget saving however, the additional cost of the service from Surrey and the loss of activity makes it essential for the proposed 12.5% increase as set out in Appendix F.

Services of an Environmental Nature included in the 2023/24 budget:

	Budget 2023/24 £'000
Recycling	1,718
Refuse Collection	1,369
Street Cleaning	1,582
Public Conveniences	366
Recreational Open Space	1,815
Countryside	732
Total	7,582

4.8.2 **Waste Services (Appendix F2)**

The proposals set out can be summarized as:

- i) Increase in garden waste subscriptions - £40,000
- ii) Increase in bin charges generating an additional £291,000 and
- iii) Alignment of charges for bulky waste - £5,000.

In total this is £336,000 however, £100,000 has been allowed for a decrease in volumes based on our current activity levels and £236,000 has been included in the 2023/24 budget as additional income.

4.8.3 **Leisure and Culture**

The leisure and cultural fees have all been increased by inflation and will be reported to members separately through the member newsletter with the exception of the following new charges which are proposed to be introduced from 1 April 2023.

Cemeteries

Officers are proposing the introduction of 3 new charges which have been identified through benchmarking with other neighbouring authorities:

- Chapel Use: introducing a new charge of £110 towards running costs and staffing costs for cleaning and attendance for services. Annual estimated income £880.
- Interment Casket charge: A new additional charge of £100 on top of the normal interment charge for extra work involved during grave preparation. Annual estimated income £800.
- Memorial permit Renovation charge: £48.00 Administration charge to process the application and issue the permit. Annual estimated income £960.
- Total estimated annual income £2,640.

Green Spaces

It is proposed that two new charges are introduced in the areas below to help manage the Councils open spaces effectively:

- Circus non running days: As part of the charge for circuses, event organisers are permitted one day to set up, and one day to take down either side of the duration of their booking. Officers have increasingly found circuses overstaying this time without charge. A new charge of £397 per day would be levied to any operator overstaying their booking without prior agreement. This may generate up to £1,600 of additional income.
- Access charges: officers are receiving an increasing number of requests to provide access to properties for deliveries\ works across Council open spaces. A new £100 charge would regularise these requests and seek to cover officer time in preparing legal agreements, site visits and possible remediation works to the open space. Estimated annual income is £500

Total Annual Income £2,100.

4.9 2022 Pensions (Triennial) Valuations

The Fund carries out a formal valuation every three years in line with the Local Government Pension Scheme (LGPS) Regulations. The purpose of a valuation is to review the funding strategy in place to ensure it remains appropriate.

The Fund has reviewed the funding strategy for all employers as part of the 2022 valuation and the approach taken for the long-term secure employers is unchanged to that which has applied in previous years, specifically, the Fund will set contribution rates via operation of a formal contribution stability mechanism.

Contribution stability mechanism

This contribution stability mechanism explicitly smooths out the contribution rate volatility inherent in a long-term defined benefit scheme such as the LGPS by limiting annual increases/decreases in employer contribution rate to a fixed

percentage of pay amount. As such, employers will 'underpay' during periods of challenging market conditions and 'overpay' when market conditions are more favourable i.e. the effect of short term variations in market conditions are averaged-out in the long-term when setting contribution rates

The main outcomes from the 2022 valuation are as follows:

- The contribution stability mechanism that each long-term secure employer currently participates in remains appropriate as a long-term funding strategy.
- To recognise employers' desirability for a freeze in the total level of cash contribution in 2023/24 (relative to 2022/23) the total contribution rate payable in 2023/24 by all long-term secure employers will be set so that the expected total cash contribution is unchanged to that expected in 2022/23. This leads to no change in the cash amount payable in 2023/24 but, assuming an increasing payroll, it does lead to a slight reduction in the total contribution rate when expressed as a percentage of pay.

This adjustment in rates can be applied at the 2022 valuation, given the positive current funding position, but employers should not expect this adjustment to apply following future valuations.

Asset values have improved significantly since the 2019 valuation however, the expected cost of future benefits (yet to be accrued) is now higher, due primarily to inflationary pressures. The net effect of these changes is slightly positive and so employers may see further reductions in contribution rates from 1 April 2024. A reduction in contribution rates (as a percentage of pay) does not necessarily mean a reduction in the total level of cash contributions payable to the Fund.

The inflationary pressures lead to an increase in the Primary Rate (i.e. the expected cost of future service benefits), however the element of total contribution expressed as a percentage of pay will remain unchanged over the 2023/26 period (with the difference falling part of the Secondary Rate).

The difference between the total contribution rate (as per the stability mechanism) and the Primary Rate is the Secondary Rate. The Secondary Rate payable is expressed as a monetary amount, and the calculation of this allows for expected future increases in payroll. Due to the assumption of increasing payrolls, monetary amounts will increase if total contribution rates remain fixed.

The process for setting rates at the 2022 for each long-term secure employer is outlined below:

1. Identify the current total contribution rate in payment (i.e., in 2022/23).
2. Asset Liability Modelling is used to determine the necessary change in the total contribution rate payable by the employer over the 2023/26 period, as per the contribution stability mechanism.
3. Calculate the Primary Rate for each employer at the 2022 valuation

4. Determine the Secondary Rate for each employer, based on the revised total contribution rates (as per the contribution stability mechanism) and the calculated Primary Rate.

The overall impact on Elmbridge is that the primary rate has remained unchanged at 17.1%, however after allowing for the reduced payment to Surrey Pension Scheme as a consequence of paying the secondary contribution in advance at the time of the 2019 valuation there is an increase of £196,000 compared to the 2022/23 approved budget.

We have been informed that there would not be a similar advantage in prepaying the secondary contributions to Surrey at this review as a result of the assumption being made in the calculation and the loss of interest on balances the Council would incur as a result of the pre-payment.

2025 valuation

Contribution rates for the period from 1 April 2026 to 31 March 2029 will be set as part of the 2025 valuation and the same funding principles, specifically around contribution stability, are expected to apply. Rates will be expressed based on each employer's payroll at that time. This means that total contributions rates (expressed as a percentage of pay) are expected to vary by no more than 1% of pay per annum from 1 April 2026. This is estimated to be £200,000 and has been included in the MTFS

- 4.10 The Council has declared a climate emergency and the 2023-26 capital bids includes over £1.6 million ranging from replacing the Council's fleet to loft insulation. In addition, £150,000 was approved in revenue expenditure as part of the 2022/23 budget (as well as establishing an earmarked reserve).

After the May 2022 elections, a Climate Change Portfolio and Portfolio holder was established. The total expenditure on climate change, excluding allocated costs is approximately £200,000 on the portfolio with an additional £40,000 being used to fund a post in the Property Maintenance and Asset Management Team.

4.11 Members' Allowances

The Independent Remuneration Panel met in the Autumn of 2022 and prepared a report on Members' Allowances. After consideration by group leaders the report will be presented directly to the Council on 22 February 2023. Group leaders are recommending that an increase in allowances of 3.5% is applied from 1 April 2023 at a cost of approximately £10,000 which has been included in the budget.

5. ADDITIONAL SAVINGS AND INCOME PROPOSALS

5.1 The budget proposals for 2023/24 are set out in the table below:

Savings and Additional Income Summary		£'000	£'000
Additional Community Services Income			(178)
Other Income Changes from Fees and Charges			(188)
Action Plan - Phase 1 Community Services			(110)
Corporate Savings Exercise			(357)
Fees and Charges Income (including Waste & Car Parking at Appendix F1 & F2)			(416)
Savings Agreed November 2021 for 2023/24			(628)
Savings not achievable (cumulative impact of 2022/23 and the 2023/24 savings)			540
Retendering Leisure Facilities (net of £100,000 included in Savings agreed in November 2021)	(220)		
Transfer to Earmarked Reserves for Energy Risk on Leisure Facilities	<u>50</u>		(170)
Vacancy Factor			<u>(350)</u>
Total Spending Savings/Income			<u>(1,857)</u>
Detailed breakdown of the figures above:			
Additional Community Services Income - Net			
Social Prescribing			(30)
Dementia Services (Net of savings agreed in November 2021)			(4)
Income Centre Meals			(40)
Transport			(185)
Community Alarms including loss of PA Housing clients			81
			<u>(178)</u>
Other Income from Fees and Charges			
Cemetery Income Volume Increases			(40)
Waste – Volumes of Replacement/New Bins			(62)
Additional Grant Income - Refugees			(19)
New grant income to fund Benefit Cap Coach			(43)
Other			(24)
			<u>(188)</u>
Action Plan - Phase 1 Community Services			
Meals on Wheels			(30)
Community Alarms			(40)
Dementia Services			(40)
			<u>(110)</u>

Corporate Savings Exercise (General Budget Reductions)	£'000	£'000
Parking Services		(22)
Environmental Health – Consultants		(20)
Traveler Encampments		(20)
Open Space Income		(10)
National Assistance Burials & Water Hygiene Inspection		(12)
Citizens Advice Bureau – Housing Advice Grant		(20)
Repair & Maintenance of Buildings		(52)
CCTV Contract		(10)
Taxi Vouchers		(18)
Contract Cleaning		(53)
Subsidy – Sports Hub		(19)
Environment Agency Contract		(14)
Hersham Hall Running Costs		(37)
Other		<u>(50)</u>
Total Corporate Savings		<u>(357)</u>
Fees & Charges		
Waste Income (garden waste etc)		(236)
Car Parking		(177)
Leisure		<u>(32)</u>
Total Fees and Charges		<u>(416)</u>
Savings not Achievable		
Staff Related		305
Other Expenditure		50
Grants		25
Fees and Charges		<u>160</u>
Total Savings not achievable		<u>540</u>

Vacancy Factor

A vacancy factor of £350,000 (2% of the cost of employees) has been included as a saving against staff costs reflecting a cautious amount resulting in delays in recruitment to vacant posts. This is a reflection of the current/future market and not a conscious effort to delay recruitment. The outturn for 2022/23 includes employee related underspends of over £1 million.

5.2 Consultation

Consultation on service priorities has occurred across all the services as part of the service planning and budget setting process.

6. THE LEVEL OF COUNCIL TAX AND REFERENDUM

- 6.1 As a result of the Localisation of Council Tax Support Scheme (LCTSS) the Council budget includes a grant of £3,000 payable to Claygate Parish to recompense them for the loss of 'D' band equivalents. It is proposed that this grant continues for 2023/24 given the relative impact this may have on the finances of the Parish. However, the government grant Elmbridge receives includes little or no funding from central government in relation to the LCTSS.
- 6.2 The LCTSS which replaced Council Tax Benefit in 2013, is normally subject to an annual review. A range of other assistance is also provided to the claimants including Discretionary Housing payments. Experience shows that the current scheme remains successful and has helped provide financial support (by lowering the Council Tax demands) over the last year. There are no plans to change the scheme this year, given the current uncertainty on the finances of the most vulnerable as a consequence of the impact of the Cost-of-Living Crisis. Although a review of the scheme was carried out three years ago ensuring that the scheme aligned to Universal Credit requirements, it is proposed that the scheme will be reviewed during 2023/24 to ensure it aligns with best practice, the needs of the residents and is affordable for implementation in 2024/25.
- 6.3 The Localism Act introduced a new chapter into the 1992 Act, making provision for Council Tax referendums to be held if an authority increases its Council Tax by an amount exceeding principle determined by the Secretary of State and agreed by the House of Commons. All these provisions are effective with respect to the setting of Council Tax for 2023/24 and the referendum limit for Borough Councils has been set at 3% or £5 whichever is the greater.

7. THE MAIN FINANCIAL RISKS FACING THE COUNCIL

- 7.1 The successful identification and management of risks is a key element in business and financial planning and in the delivery of those plans. This is done at an operational level through the risk management strategy and through detailed risk registers that are reviewed regularly and feature in the review of business plans. The consideration of key risks through the financial planning process and the level of reserves are an important part of determining how well placed the Council is in being able to deal with those risks.

The main risk to the Councils finances are the aftermath of Covid and the cost-of-living crisis, in particular on its income streams, the 2023/24 budget includes estimates of the income levels into each of the portfolios, any change to the assumptions on activity levels would have an impact on the actual levels of income achieved.

7.2 External Funding

In addition to the Central Government Grant and Housing Benefit Grant, Elmbridge has historically received grants funding of over £1 million from Surrey County Council which has been reduced to £0.8 million in 2023/24 but has now decreased by £160,000, as a result of the reduction in gate fee income. In addition, the Council provided an On-Street-Car Parking Management Service (an Agency arrangement) for Surrey County Council. The decision by Surrey to bring the service back in-house will cost Elmbridge

£400,000. Any reduction in external funding will have an impact on the future sustainability of these services. With the continued pressure on Surrey County Council's budgets, the grant funding source may be subject to additional reviews by the County Council in the future. If Surrey County Council decides to reduce the funding the Council may need to re-consider the provision of services which are currently funded by Surrey County Council grant. Many of their services were established on the basis that if the Surrey County Council funding should cease then so would the service.

7.3 New Homes Bonus

The New Homes Bonus (NHB) allocation for 2016/17 was the highest at £2,967,242 as the year 6 allocation. The New Homes Bonus is a reward for delivering additional homes. The allocation is based on the Council Tax of additional homes supplied and those brought back into use with a premium for affordable homes and was paid for 6 years.

In February 2013, Council agreed that the New Homes Bonus received should be used for Capital Expenditure benefiting communities, one-off initiatives and for Property Acquisitions.

As part of 2023/24 settlement the Government have announced £291 million (2022/23 was £550 million) was available for NHB nationally. The Council will receive £115,000 in 2023/24 (£1,028,000 for 2022/23), while the government has not introduced all of the measures in the 2015 consultation document (for example while retaining the right to withhold payments in the future at this stage it will still make full payment for new homes where the planning permission was as a result of an appeal) it did introduce a deadweight of 0.4% which still applies in 2023.

If the Government's intention is to incentivise housing growth, then a replacement scheme may be implemented for 2024/25 however, the amount of funding and the reward for Elmbridge is uncertain and it seems possible that the change in NHB will be in 2025/26 at the same time as the fair funding review.

8. COST OF LIVING PAY AWARD PROPOSAL

- 8.1 Elmbridge is not alone in experiencing difficulties with recruitment and retention. Substantial increases in the cost of living continues with Consumer Price Index reaching 10.5% in December. The cost-of-living increases and increases in utility bills etc. will impact on staff take home pay. A reasonable increase in pay is required to attract, recruit and retain staff as well as sustain morale and productivity of staff in their crucial role of delivering high quality services, particularly during challenging times. When considering the pay award careful consideration was given in making the benefit greater for those on lower salary bands.

Having considered the current and projected levels of inflation, pay awards in the last couple of years and the discussions taking place nationally, pay award of a flat payment of £2,000 applied to all scale points for employees on the Elmbridge Borough Council local pay scheme is recommended, effective 1 April 2023.

The proposed increase will range between 1.5% and just over 9% when applied to all salary bands.

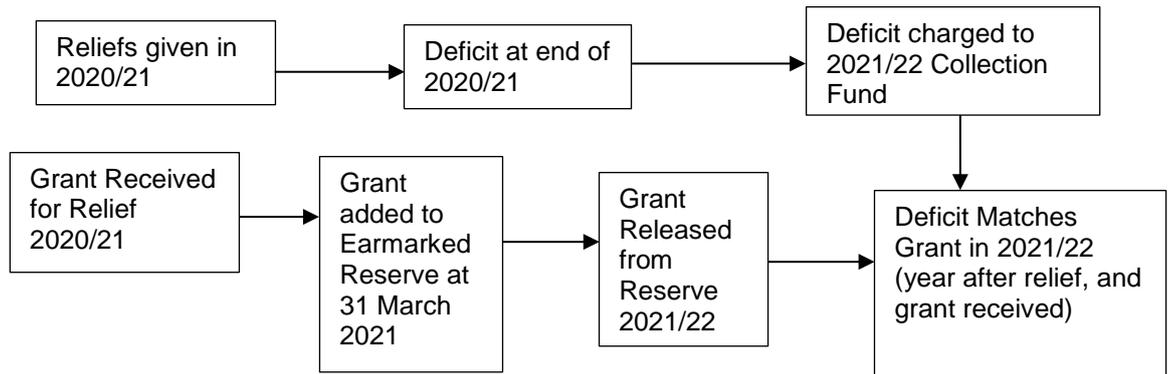
This will ensure that 96 % of our employees will receive an increase which is in excess of 3% and 65% of employees will receive an increase which is in excess of 5%. For example, those earning £ 30,000 and below will receive an increase that is 6.6 % and above and for those earning £50,000, it will translate to 4%.

- 8.2 Members are reminded that a guarantee was made that, should the national pay award exceed that of the local pay award, the local cost of living increase will at least match the national pay award.
- 8.3 As a result of the pay guarantee when the Council moved to local pay should the National Joint Council for Local Government (NJC) increase the pay structure above the Council's 2023 pay award, there would be an additional cost to the Council. Negotiations with NJC are ongoing at this time and no provision has been made in the Council's 2023/24 budget for any additional cost.
- 8.4 At Elmbridge, our ambition has been to project ourselves as an upper quartile employer with a clear rationale of recruiting and retaining the best. However, continuing low increases and the increase cost of living means that the Council is no longer paying consistently at the median to upper quartile level within its sector. This is further exacerbated by being geographically close to London Boroughs and not being able to match pay levels. The recommended pay award of a flat payment of £2,000 applied to every scale point, effective 1 April 2023 will go some way towards helping with the cost-of-living increases.

9. COLLECTION FUND

- 9.1 A Council Tax Collection Fund surplus of £1,367,334 (Elmbridge share after spreading the 2020/21 deficit is £122,642) for 2022/23. The element of the Council Tax surplus, which is attributable to Elmbridge, is equivalent to £1.86 for a Band D Property. This decreases the Elmbridge's Council Tax level, and is shown at Appendix I. This is the final year for spending the in-year deficit for 2020/21 of the 3 years.
- 9.2 As part of the Government's response to the pandemic a number of reliefs (reduction in business rate liabilities) have been announced. For both 2020/21 and 2021/22 these reliefs were announced after the Council's calculation of the Business Rates collectable had been completed.
- 9.3 In accordance with the legislation these reliefs create a deficit on the Collection Fund (because of the timing of the change) at the end of the financial year. These deficits have been compensated by General Fund grants from the Government.

9.4 When the deficit is released, it is matched against the grant received for example:



9.5 The Government also announced further reliefs for 2023/24, however these reliefs have been announced prior to calculating the business rates in 2023/24, while they will create a deficit in 2023/24, they will be matched against the grant received in 2023/24 and will not create a timing issue on 31 March 2024.

9.6 In addition to the reliefs the Government compensated billing authorities for 75% of the in-year losses on collection due to the pandemic, for Council Tax and Business Rates. The credit of £733,000 included in the General Fund Budget in 2023/24 is the last year of the three-year compensation for spreading the deficit (2021-2024)

9.7 Collection Fund Support – Government Grants Analysis from 1 April 2021

	£'000
Opening Balance 1 April 2022	9,811
Grant for 2022/23 Retail Relief for 2022/23 announced and included in NNDR1 2022/23	3,491
Used in 2022/23	
Covid Additional Relief Fund (CARF), announced December 2021, not in NNDR1 for 2021/22 (prepared in January 21)	(1,535)
Retail Reliefs announced March 2021, not in NNDR for 2021/22	(6,809)
Use of Grant for 2022/23 Retail Reliefs	(3,491)
75% Compensation for 2020/21 Loss in Collection for Council Tax and Business Rates to Match spread 2020/21 deficit	(540)
Funds Set aside for Difference between Compensation loss and actual loss (2022/23)	(193)
Total Used in 2022/23	<u>(12,569)</u>
Opening Balance 31 March 2023	<u>733</u>
Represented by	
75% Compensation for 2020/21 Loss in Collection for Council Tax and Business Rates to March spread 2020/21 deficit to be charged in 2023/24	(540)
Funds Set aside for Difference between Compensation loss and actual loss (2023/24)	<u>(193)</u>
Transfer to General Fund in 2023/24	<u>(733)</u>

At 31 March 2024 the balance on the reserve will be nil.

10. RESERVES

- 10.1 The Council has previously agreed that one of its key objectives should be to develop and maintain a medium-term financial strategy based on the achievement of a balanced revenue budget covering the period of the strategy. The Council holds reserves which need to be considered in the context of the need to protect the Council's good financial standing and in the context of the overall risks that the Council continues to face during a continued period of economic and financial uncertainty.
- 10.2 Councils are required to agree a budget that allows for a level of balances that provide a prudent reserve against possible eventualities and assurance that the future finances of the Council remain on a sound footing. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report on the adequacy of the proposed reserves which is included in the Medium-Term Financial Strategy (MTFS) in Appendix G.
- 10.3 The Council's existing policy is that an adequate level of general reserve is necessary to provide a sound level of prudence. This will play an important part in enabling the Council to respond positively to the fast-changing strategic agendas whilst being able to meet the financial challenges that are being faced. It also plays a vital role in being able to manage key financial risks effectively without immediate disruption to key frontline services.

10.4 The Revenue Reserves will be used to mitigate revenue budget risks the Authority faces during the year such as shortfall in income or increase in expenditure.

10.5 The movement in Earmarked Reserves for 2023/24 is analysed as set out below:

Reserves	£m	£m
Non-Statutory Reserves	2022/23	2023/24
Brought Forward 1 April	(19.1)	(19.4)
Drawdown Required to Balance the Budget	1.2	1.0
Capital Expenditure funded from Revenue Reserves	0.3	2.3
Net Other Movements	(1.8)	(0.9)
Non-Statutory Reserves Carried Forward 31 March	(19.4)	(17.0)
Statutory Reserves	(3.5)	(3.1)
Total (Appendix H)	(22.9)	(20.1)
General Fund	(4.0)	(4.0)

10.6 The 2023/24 budget includes a net use of reserves of £0.1 million for revenue purposes. In addition, £2.3 million of Capital Expenditure is funded from specific reserves. At the end of 2023/24 the Earmarked reserves position will be £17.0 million, a fall from the forecast opening balance of £19.4 million.

11. RISK MANAGEMENT

11.1 Given the uncertainties of the economic environment and the scale of the spending pressures, there are inevitably significant risks involved in delivering balanced budgets over the medium term. Key strategic risks are regularly reported to Council Management Board (CMB) and Cabinet, and the Annual Budget setting report contains a detailed review of the risks to the MTFS.

11.2 The areas of highest risks are represented by the continuing need to deliver significant reductions and efficiencies over the medium term. Robust and detailed plans will be required at an operational level to ensure that risks are mitigated, and savings are delivered. The risks in delivery and savings will be mitigated by robust monitoring and financial control through the budget monitoring process, with action plans required to find compensatory savings should budgeted savings become undeliverable.

- 11.3 The Council manages risk by maintaining adequate reserves to help ensure that the medium-term policy programme is sustainable. The Strategic Director & Deputy Chief Executive, as the Council's Chief Finance Officer, is required to state whether the reserves are adequate as part of the annual budget strategy process.
- 11.4 The successful identification and management of risks is a key element in business and financial planning and in the delivery of those plans. This is done at an operational level through the risk management strategy and through detailed risk registers that are reviewed regularly and feature in the review of business plans. The consideration of key risks through the financial planning process and the level of reserves are an important part of determining how well placed the Council is in being able to deal with those risks.

12. CAPITAL PROGRAMME

- 12.1 The 2023/24 budget process was based on a review of Capital Bids for new or ongoing Capital schemes that have been selected with the focus on affordability and the Council's priorities. The Council will only undertake Capital investment that is prudent, affordable and sustainable.
- 12.2 As part of the 2023/24 budget process, services submitted capital bids for consideration by Council Management Board. Successful bids have been submitted to Cabinet for approval. The capital bids are being funded from a combination of sources including capital receipts, S106 contributions, Community Infrastructure Levy (CIL), New Homes Bonus and other Earmarked Reserves.

The proposed capital programme reflects the Council's priorities, as follows:

- Infrastructure relating to climate change
 - Replacement of fleet in line with the Green Fleet strategy;
 - Improvement to the Environment;
 - Improvement to the Borough's parks and open spaces;
 - Investment in Health and Safety such as condition of buildings, electrical and mechanical works and energy efficiency measures;
 - Investment in ICT infrastructure and improvement in customer services.
- 12.3 The Council's Capital Programme consists of a number of projects to enhance or replace assets alongside a programme for the maintenance of our buildings. The funding of the Capital Programme comes from a variety of sources, for 2023/24 excluding the provision for Economic Development and Regeneration the sources are CIL and capital grants including S106 receipts (68%), Capital Receipts (20%) with the remaining funding (12%) from other sources including New Homes Bonus and other Revenue Reserves.
- 12.4 Cabinet is asked to recommend to Council the additional Capital Bids for 2023-26 (attached at Appendix I) for inclusion in the Capital Programme. The Capital Programme recommended to Council covers a three-year period which will be reviewed annually as part of the budget setting process. The bids include £1,619,000 relating to climate change projects as detailed below.

New Capital Programme Bids – Climate Change	2023/24 £'000	2024/25 £'000	2025/26 £'000
Green Fleet Strategy	460	134	428
Civic Centre – Replacement of Gas Fired Boilers	-	-	150
Centres for the Community – replacement of gas fired boilers	-	-	130
Centres for the Community – Loft Insulation	-	85	85
Centres for the Community – LED Upgrades	60	40	-
Civic Centre Replacement of Building Management System	15	-	-
Transport Depot – Installation of EV charging for fleet vehicles	32	-	-
Total	567	259	793

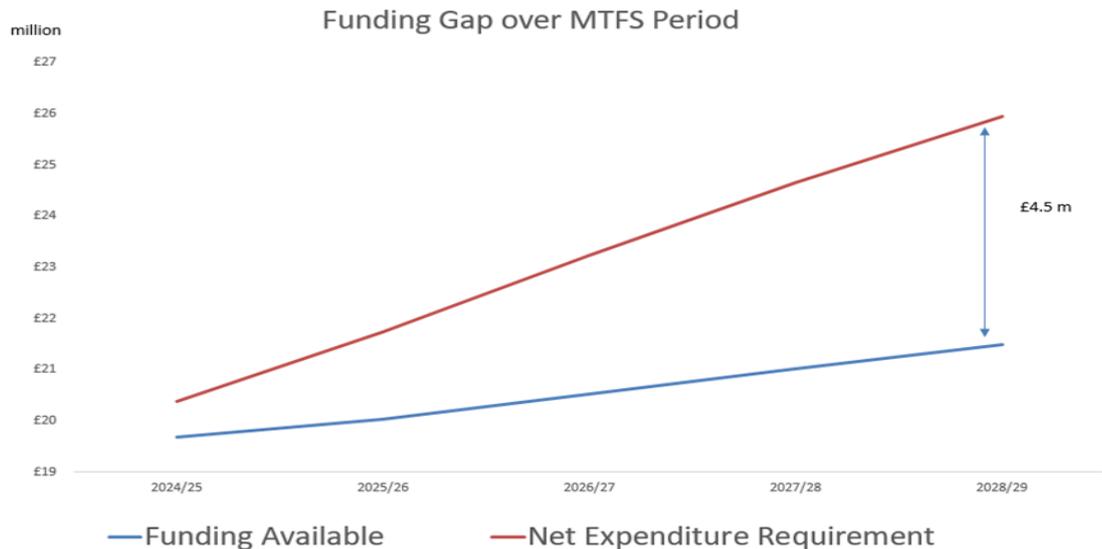
12.5 The Capital Programme includes a provisional allocation of £10 million in 2023/24, 2024/25 and 2025/26 for Strategic Asset Developments/Economic Regeneration and Residential Development in the Borough. Having a provisional allocation funded by borrowing, may allow the Council to borrow at a discounted rate should the Council want to borrow funds from the PWLB for projects primarily for Residential purposes.

12.6 The projects included within the Capital Programme to be funded from CIL (with the exception of those funded from the CIL maintenance) are provisional allocations. Bids will be taken to the respective Boards/Committees and reviewed individually. Should a scheme not be approved by a CIL board, other sources of funding will have to be approved before the scheme can be progressed.

13. GENERAL FUND – MEDIUM TERM FINANCIAL PLAN

13.1 An updated General Fund Budget Profile, for the subsequent years of the current financial strategy period, is included in the MTFs in Enclosure 1. The figures shown for each year are based on forward projections derived from undertaking the detailed work in compiling estimates for 2023/24 and the outlook for local government finance.

13.2 Based on this working assumption, the potential budget reductions required over the medium term are estimated at around £4.5 million. This includes a provisional assumption of a 3% increase in 2024/25 and a 2% increase in the Borough element of the Band D Council Tax for the rest of that period.



£ million	2024/25	2025/26	2026/27	2027/28	2028/29
Net Expenditure	20.4	21.7	23.2	24.7	26.0
Funding Available	19.7	20.0	20.5	21.0	21.5
Forecast Budget Shortfall	0.7	1.7	2.7	3.7	4.5

14. **STAFFING BUDGET**

- 14.1 It is a requirement that the staffing budget of the Council is considered prior to the Council Tax being set for the forthcoming year. The estimated staffing establishment budget for 2023/24, as reflected within the budget is 350 full-time equivalent staff, an increase of 10 compared to the previous year. The increase in posts relate to the additional posts for Climate Change staffing and planned staffing reductions not being achieved.
- 14.2 Elmbridge is not part of the national agreement on pay and conditions.
- 14.3 In recent years the Councilors' allowances had been linked to the Officers pay award, however at the Council meeting in December 2020 the Council agreed that the allowances would remain unchanged for two years, Group Leaders will be recommending a 3.5% increase in line with the initial award to Officers (before the NJC increase) from 1 April 2023.
- 14.4 The total cost of salaries for the year, including employer's national insurance and superannuation payments, is estimated to be £18 million.

15. COUNCIL TAX

- 15.1 Under the Local Government Finance Act each billing authority and precepting authority must determine whether its relevant basic amount of Council Tax for the financial year is excessive. For 2023/24, the relevant basic amount of Council Tax of an authority is excessive if it's more than 3% or £5 above the 2022/23 Council tax. If an authority's relevant basic amount of Council Tax is excessive a referendum must be held in relation to that amount.
- 15.2 Included in the report is the recommendation that Elmbridge's Council Tax is increased by £7.05 (2.98%), an increase of 14 pence per week for a Band D property.
- 15.3 The overall Council Tax requirement is not only based on the level of Elmbridge's own budget but also that of Surrey County Council, Surrey Police and, to the relevant taxpayers, Claygate Parish Council.
- 15.4 Surrey County Council and Surrey Police are due to set their precepts in early February. It is anticipated that SCC will increase their Council Tax by £49 (2.99%) (2% increase in Adult Social Care and 0.99% in general Council Tax) Surrey Police by £15 (5%) for a band D property. Claygate Parish Council have set their element of the Council Tax for 2023/24, a precept of £50,374 (2022/23 – £50,445), resulting in a band 'D' Council Tax requirement of £14.15 (2022/23 - £14.15).
- 15.5 As a result of the government changes to Council Tax Benefits, the Council will receive funding for the effect of the reduction to Claygate Parish's tax base as an element of the Council's overall Formula Grant. In order to pass this funding to Claygate Parish, the Council will provide a grant of £3,000 (£2,800 for 2022/23) to Claygate Parish to compensate them for the overall decrease in funding levels. The grant has been included in the budget summary at Appendix A.
- 15.6 At the time of publishing this report, it is not possible to formulate a combined recommendation in respect of Elmbridge's budget and the precepts to be levied by the major precepting authorities in order to compile total provisional Council Tax levels within the Borough. These figures, if available, would normally be presented to the meeting of the Council to be held on 22 February, when precepts will have been issued by all of the precepting authorities.

Financial implications:

Financial and value for money implications are considered in the report. The proposed budget has been based on reasonable assumptions, taking into account all material, financial and business issues and risks at the time of preparation.

Given the level of risk and uncertainty in both local government and the national economic and political environment, coupled with ongoing uncertainty over future funding levels, retention of appropriate level of reserves will be essential, to provide financial resilience.

Environmental/Sustainability Implications:

The budget proposals include and support the Councils priorities, including its commitment to climate change.

Legal implications:

The Council has a legal obligation to set a balanced budget each year. Councils are not permitted to allow spend to exceed available resources which would result in an overall deficit. Sections 32 and 43 of the Local Government Finance Act 1992 also require Councils to have regard to the level of Reserves to meet estimated future expenditure when calculating the budget requirement. The budget proposals contained in this report have been drafted on the basis of this legislation. The Council Tax must be set by 11 March.

Equality Implications:

Decisions on changes to the Council's overall budget and the funding of services, clearly have the potential for quite complex and differential impacts on equalities and diversity. Where expenditure reductions are necessary, the Council seeks to maximise these impacts through protecting frontline services as much as possible and maximising the use of efficiencies and reductions to find required savings.

The Council is conscious that it delivers services to the most vulnerable and disadvantaged residents and for all relevant proposals Equality Impact Assessments are carried out to analyse the potential impact and to incorporate mitigation in their delivery.

Risk Implications:

Failure to set the 2023/24 budget in accordance with legislative requirements would expose the Council to significant reputational, financial and legal risks. Setting the Council Tax above the referendum limit would expose the Council to additional costs and significant reputational risk.

Community Safety Implications:

None for the purpose of the report.

Background papers:

Budget reports to Cabinet in September and November.

Provisional local government financial settlement 19 December 2022

Enclosures/Appendices:

Enclosure 1	Medium Term Financial Strategy (MTFS)
Enclosure 2	Background and Contextual Information
Appendix A	General Fund Budget Summary 2023/24
Appendix B	General Fund Budget Summary – 2022/23 Budget to 2023/24 Estimate
Appendix C	2022/23 Forecast Outturn – Major Variances
Appendices D1 – D9	Portfolio Budgets – 2023/24 Original Estimate
Appendix E	Major Variances – Original Budget 2022/23 to Estimate 2023/24
Appendix F1	Off-Street Car Parking Charges
Appendix F2	Waste Charges
Appendix G	Schedule of Revenue Reserves
Appendix H	Capital Programme 2022/23 – 2025/26
Appendix I	Capital Programme New Bids 2023/24 to 2025/26
Appendix J	Elmbridge Element of Council Tax Requirement
Appendix K	Pay Policy Statement 2023/24
Appendix L	Glossary of Terms

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