

In respect of ITEMS 6&7, ‘Medium Term Financial Strategy and Annual Budget’ and ‘Setting of the Council Budget and Council Tax for 2023/24’, the recommendations in the report be replaced to read as follows:

The Council is advised to RESOLVE the Revised Medium (4 years) / long term (3 years) set out in Appendixes 1A, 1-2, 1-3.

Financial Strategy, as set out in Appendix 1A to this report, be agreed upon, comprising:

1. Revenue Estimates from 2023/24 to 2026/27 (4-year council) and then from 2028 /29 to 2029/30
2. The 2023/24 budget estimates give a net cost of services revenue budget for the Council of £17.595 million as shown in Appendix 1A to the Medium-Term Financial Strategy.
3. Given the Cost-of-Living crisis confronting Surrey Heath residents, the Council instructs the Chief Financial Officer and his team to adjust Items 6 & 7 to reflect the changes below,
4. The council provide a rebate of council tax levied by SHBC as set out below. The council rebate will be given back to the residents who reside in Band A to Band D for two years 23/24 and 24/25 only.

<u>2023/24</u>	Fraction used	Rebate value	No of Dwellings	Total Rebate
Band A	6/9	£4.66	675	£3,143.90
Band B	7/9	£5.43	2604	£14,149.86
Band C	8/9	£6.21	6329	£39,304.13
Band D	9/9	£6.99	10177	£71,100.94
Total Cost (Year 1)				£127,698.82
<u>2024/25</u>	Fraction used	Rebate value	No of Dwellings	Total Rebate
Band A	6/9	£4.80	682	£3,270.28
Band B	7/9	£5.60	2,630	£14,718.67
Band C	8/9	£6.40	6,392	£40,884.11
Band D	9/9	£7.20	10,279	£73,959.13
Total Cost (Year 2)				£132,832.18

This will give much-needed relief to our residents for two years when the cost-of-living crisis will be a burden on a segment of our society.

There will be no change to Bands E to H which will be charged the full 2.99%

There will be no change in Surrey County Council (SCC) or the Police and Crime Commissioner (PCC) precepts as these are not within this Council’s prerogative to change.

5. Impact of Inflation and Interest rates (appendix 1-1)

Prudently, this medium-term and long-term budget estimate has been adjusted to take into account, these official forecasts from the following institutions.

- (a) The inflation forecast which has been issued by the Office of Budget Responsibility (OBR)
- (b) The Interest rate forecast for the Bank of England (BoE) has been provided by Link Group, the Council's treasury advisors.
- (c) Both forecasts are for the period from 2022 to 2028. See Appendix 1-1, for the forecast chart.

In most instances in the past years, these institutions have been prudent. Hence, we have been further cautious in using it, by adjusting our forecast accordingly.

- a. We estimate the fall in inflation, is very realistic. Inflation is already showing signs of slowing down. We believe that the inflation will be less than 2%, around quarter 3 of 2024 and continue to fall below the BOE's target rate of 2 %
- b. Based on the above it is prudent to assume, that the BoE will be reluctant to increase the Base rate significantly. The base rate currently stands at 4 %, it may go up by a further 0.25 % to 0.5 %. (If at all). We believe any further increases will be counter-productive to the economic growth of the country.
- c. Based on the above we have revised the growth plan for the Council.
- d. We expect the rental income in respect of our Retail and Industrial properties will increase by a modest 5 % cumulative, from 24/25 but will flow through with a time lag of one year. The increase is shown from 25/26 and will flow through the forecast into other years. See investment and development Appendix 1-3
- e. The interest payments paid by the Council are also reduced by the following amounts.

Year	Base budget adjustment
2024/25	No drop – time lag on loans
2025/26	100,000
2026/27	200,000
2027/28	200,000
Total base adjustment	500,000

- 6. To agree on the unavoidable service pressures and budget growth of £5.337 million in years 23/24 shown in Appendix 1A. Further analysis is provided for other years from 24/25 to 29/30 in appendix 1-2
- 7. To agree on the revenue efficiencies of £2.348 million for year 23/24 and the rest of the forecast, 24/25-29/30 are shown in Appendix 1-3 and in detail to the Medium / Long Term Financial Strategy.
- 8. To agree to Items (d) – (e) set out as previously.

Capital Receipts and Reductions in loan repayments and Interest.

We have taken into account capital receipts for the sale of some assets.

We expect the following MRP amounts to flow through our projections,

25/26	£60k
27/28	£60k
28/29	£60k
29/30	£60k

Based on the assumptions of – no more capital borrowing, the receipts are used to pay off debt.

If there is a need for borrowing in the future for some undefined capital project, we have not provided for this in the MTF.

Long-Term Projections (27/28-29/30)

We have incorporated the above years to draw attention to showing the depletion in General Funds from 27/28 onwards.

We have concluded that the Council needs serious structural changes.

The change needs to commence as soon as the new Council is elected.

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Revenue Budget Estimates		(all values in £'000)							
Net cost of services	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Notes	
Opening budgets	14,606	17,595	16,158	15,645	15,920	16,373	16,896	1	
Environment and Community	7,757	8,163	8,439	8,492	8,986	9,673	10,393		
Finance and Customer Service	1,903	2,240	2,245	2,120	2,125	2,125	2,130		
HR, Performance and Communications	3,665	3,808	3,811	3,814	3,818	3,821	3,824		
Investment and development	(1,361)	(929)	(1,466)	(1,766)	(2,083)	(2,416)	(2,767)		
Legal and Democratic Services	1,392	1,522	1,442	1,442	1,442	1,442	1,442		
Planning	1,250	765	765	765	765	765	765		
Corporate Inflation		2,027	921	778	867	962	1,108	2 & 3	
Growth (see Appendix 1-1)	5,337	1,661	1,920	2,128	2,109	2,301	2,286	4	
Efficiencies (see Appendix 1-2)	(2,348)	(1,071)	(1,512)	(1,075)	(789)	(816)	(843)	5	
Restated budgets									
Environment and Community	8,163	8,439	8,492	8,986	9,673	10,393	11,148		
Finance and Customer Service	2,240	2,245	2,120	2,125	2,125	2,130	2,130		
HR, Performance and Communications	3,808	3,811	3,814	3,818	3,821	3,824	3,827		
Investment and development	(929)	(1,466)	(1,766)	(2,083)	(2,416)	(2,767)	(3,136)		
Legal and Democratic Services	1,522	1,442	1,442	1,442	1,442	1,442	1,442		
Planning	765	765	765	765	765	765	765		
Corporate	2,027	921	778	867	962	1,108	1,054		
Total Net Cost of the Provision of Services	17,595	16,158	15,645	15,920	16,373	16,896	17,230	6	

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Notes
Funded by								
Council Tax	9,533	9,916	10,214	10,522	10,839	11,165	11,501	7
Business rates	2,657	3,247	1,249	1,274	1,299	1,325	1,352	8 & 9
Collection fund surplus/(deficit)	114							10
<u>Non-specific government grants</u>								
New Homes Bonus	715							11
Support Grant (rolled in)	78	78	78	78	78	78	78	12
Service Grant	63	63	63	63	63	63	63	13
Rough Sleeping initiative								14
Homelessness Prevention	326	330						15
Special expenses	190	192	194	196	198	200	202	16
	13,676	13,826	11,798	12,133	12,477	12,831	13,196	17
Summary								
Net cost of services	17,595	16,158	15,645	15,920	16,373	16,896	17,230	
Funding	(13,676)	(13,826)	(11,798)	(12,133)	(12,477)	(12,831)	(13,196)	
<u>Use of earmarked reserves</u>								
Interest equalisation reserve	(2,000)	(1,000)	(500)					18
Other earmarked reserves			(1,000)	(2,000)				19
Contribution (from)/to reserves and balances	(1,919)	(1,332)	(2,347)	(1,787)	(3,896)	(4,065)	(4,035)	20
Reserves and balances								
<u>Opening balances</u>								
General fund	9,215	7,296	5,964	3,617	1,830	(2,065)	(6,130)	
Earmarked reserves	38,582	36,582	35,582	34,082	32,082	32,082	32,082	
<u>Closing balances</u>								
General fund	7,296	5,964	3,617	1,830	(2,065)	(6,130)	(10,165)	21
Earmarked reserves	36,582	35,582	34,082	32,082	32,082	32,082	32,082	22

Notes***Figures shown in £'000 - all budgets will be loaded as exact numbers***

- 1 These represent the base budget after adjusting for one-off growth and savings
- 2 Annual inflationary pressures across the Council
- 3 These will be allocated to services when budgets are loaded
- 4 Service budget growth required to maintain services to residents and businesses
- 5 Service efficiencies identified that result in no decrease in the level of services to residents
- 6 Includes all service expenditure and income netted off
- 7 Uplift in line with Government assessment of core spending power
- 8 Central government business rate reset not anticipated before 2025/26
- 9 No additional tariff ('Negative RSG') built into the model following financial settlement
- 10 Fluctuates year on year based on collection rates. Only confirmed figure is for 2023/24.
- 11 As per the Local Government finance settlement for 2023/24
- 12 As per the Local Government finance settlement for 2023/24 and forecast based on current projections
- 13 As per the Local Government finance settlement for 2023/24 and forecast based on current projections
- 14 No grant figures announced yet
- 15 As per the Local Government finance settlement for 2023/24
- 16 Assumed growth of 2% per annum based on tax base and precept rises
- 17 Total funding to support the revenue budget
- 18 Budgeted drawdown of earmarked reserve to support service expenditure
- 19 Budgeted drawdown of earmarked reserve to support service expenditure
- 20 Represents the annual draw on or contribution to balances
- 21 Estimate of balance on general fund based on budget projections
- 22 Estimate of balance on earmarked reserves based on budget projections

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(all figures in £'000 - exact budgets will be loaded)

Service and Bid name	Amount in year						
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Environment and Community							
Runnymede Borough Council Service Level Agreement	252						Correction of previous budget
Community Services Gas inflation	2	2	2	2	2	2	2
Community Services Electricity inflation	2	2	2	2	2	2	2
Runnymede Borough Council recharge	11						
Emergency Planning SCC SLRF	2						
JWS CMO : Wage Inflation	31	32	32	33	34	34	35
JWS financial mechanism	1	1	1	1	1	1	1
JWS Core contract inflation	488	508	528	549	571	594	618
JWS variable contract inflation	328	341	355	369	384	399	415
Pest control demand reduced	3						
Dog Control contract increase	1	1	1	1	1	1	1
Licences reduction in demand	3						
Funded by UKRS	5						
Car Parks electricity inflation	14	15	15	15	15	16	16
Parks electricity inflation	4	4	4	4	4	4	4
Parks electricity inflation	2	2	2	2	2	2	2
Parks Gas inflation	2	2	2	2	2	2	2
Parks grounds maintenance inflation	15	16	16	16	17	17	17
Trees additional safety works	15						
Roundabouts cutting contract removed	7						
Grass cutting contract removed	93						
Public Conveniences utilities inflation	1	1	1	1	1	1	1
Lightwater Country Park utilities inflation	2	2	2	2	2	2	2
Lightwater Country Park increased tree surgery	3	3	3	3	3	3	3
Frimley Lodge Park utilities inflation	12	12	12	12	13	13	13
Frimley Lodge Park increased tree surgery	3	3	3	3	3	3	3
Bike Hub business failure	5						
Taxi Licensing - reduced licences	15						
Theatre - timesheet hours increased living wage	6	6	6	7	7	7	7
Ian Goodchild Centre utilities inflation	42	43	43	44	45	46	47
Theatre utilities inflation	5	5	5	5	5	5	5
Total Environment and Community Growth	1,373	998	1,035	1,073	1,113	1,155	1,198

(all figures in £'000 - exact budgets will be loaded)

<u>Service and Bid name</u>	<u>Amount in year</u>							
	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	
Finance and Customer Services								
Increase in SCC LGPS contribution	202							Change in SCC LGPS policy
Council tax increase in properties		5		5		5		Cost of administration due to Taxbase growth
Additional Financial Accounting staff	125		(125)					Shortfall in staff to deliver final accounts
Customer feedback/improvement	20							To monitoring the Council's service to customers
Total Finance and Customer Services Growth	347	5	(125)	5		5		
HR, Performance and Communications								
Reduction in Community Safety income	9							
Increase in ICT licences costs	100							
Corporate Training budget correction	6							
Apprenticeship Levy pay increase linked to Payroll	3	3	3	3	3	3	3	
Total HR, Performance and Communications Growth	118	3	3	3	3	3	3	
Investment and Development								
Economic Development - 10% inflation on supplies	2	2	2	2	2	2	2	
Increase in Business Rates following revaluation	164							
Activity linked inflation (supplies and services)	5							
Reduction in property income (estates)	67							
St Georges utilities inflation	1	1	1	1	1	1	1	
St Georges reduced property income	13							
Ashwood reduced property income	194	(160)						
Theta Inflation adjustment	1	1	1	1	1	1	1	
Theta reduced property income	207	(150)						
Albany reduced property income	8							
Public Offices 30% Utilities Inflation (electricity)	23	24	24	25	25	26	26	
Regeneration of Park Street (HoF) - civic amenity centre	255	(255)						
Total Investment and Development Growth	939	(537)	29	29	30	31	31	

(all figures in £'000 - exact budgets will be loaded)

<u>Service and Bid name</u>	<u>Amount in year</u>						
	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>
Legal and Democratic							
Election equalisation funding		30					
One-off election cost in 2023/24	110	(110)					
Increase in Members allowances in line with staff award	23						
Total Legal & Democratic Growth	133	(80)					
Planning							
Planning Deepcut PPA Engagement of Contractors - reversal	(100)						Reversal of prior year one-off growth
Local Plan - Legal and Counsel fees - reversal of one-year growth	(100)						Reversal of prior year one-off growth
Total Planning Growth	(200)						
Corporate inflation							
Annual pay award - staff/increments and establishment reset	1,500	267	272	278	283	289	295 8% 23/24 then 2% annual increases - subject to approval
MRP	874	874	814	814	754	694	634 See Treasury strategy
Debt financing	In base budgets		(100)	(200)	(200)		
Impact of annual plan and Five-year strategy	125	125	125	125	125	125	125 Allowance for annual plan growth - drawdown as required
Council Tax support scheme	128	5	(133)				
Total Corporate inflation growth	2,627	1,271	978	1,017	962	1,108	1,054 To be allocated to budgets once agreed and loaded
	5,337	1,661	1,920	2,128	2,109	2,301	2,286

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(all figures in £'000 - exact budgets will be loaded)

Service and Bid name	Amount in year				Further detail		
	2023/24	2024/25	2025/26	2026/27			
Environment and Community							
Windle Valley cleaning in line with 22/23	(0)						Actual figure for 2023/24 is £300
Reduction in costs JWS financial mechanism - recycling	(2)						
Reduction in costs JWS financial mechanism - recycling	(32)						
Increased income JWS Textiles recycling	(5)	(5)	(5)	(5)	(5)	(5)	
Increased income JWS financial mechanism - recycling	(6)	(6)	(6)	(7)	(7)	(7)	
Increased income JWS Bulk items	(16)	(16)	(17)	(17)	(17)	(18)	
JWS KPI income from Amey	(7)	(7)	(7)	(7)	(8)	(8)	
Increased income JWS Container	(9)	(9)	(9)	(9)	(10)	(10)	
Increased income Garden Waste	(164)	(167)	(170)	(174)	(177)	(181)	(184)
Reversal of one-year suspension of charges Garden Waste	(300)						
Increase fees and charges - Contract with SDK	(3)	(3)	(3)	(3)	(3)	(3)	
Dog control - Increase in fees	(0)	(0)	(0)	(0)	(0)	(0)	Actual figure for 2023/24 is £188
Clean Neighbourhood - increase in fees	(0)	(0)	(0)	(0)	(0)	(0)	Actual figure for 2023/24 is £228
Food safety - increase in fees	(2)	(3)	(3)	(3)	(3)	(3)	
Standby services - costs aligned to 2022/23	(3)						
British Armed Forces - funded by ARAP	(62)						
Car parks increased income	(115)	(117)	(119)	(122)	(124)	(127)	(129)
Car parks increased income for season tickets	(34)	(35)	(36)	(36)	(37)	(38)	(39)
Parks increased income	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Lightwater Country Park increased income	(0)	(0)	(0)	(0)	(0)	(0)	Actual figure for 2023/24 is £100
Frimley Lodge Park increased income	(16)	(17)	(17)	(17)	(18)	(18)	(19)
Places Leisure - management fee contract costs ending June 23	(25)						
Places Leisure management fee to Council	(28)	(320)	(573)	(162)			
Museum additional income	(0)	(0)	(0)	(0)	(0)	(0)	Actual figure for 2023/24 is £250
Taxi licensing reduction in costs due to less licences	(2)						
Theatre increased income	(14)	(14)	(15)	(15)	(15)	(15)	(16)
Star Chamber efficiencies - theatre	(16)						
Star Chamber efficiencies - licensing	(5)						
Star Chamber efficiencies - Homelessness	(10)						
Star Chamber efficiencies - pest control	(1)						Actual figure for 2023/24 is £500
Star Chamber efficiencies - dog control	(0)						Actual figure for 2023/24 is £100
Star Chamber efficiencies - clean neighbourhoods	(4)						
Star Chamber efficiencies - Community Services	(39)						
Star Chamber efficiencies - recycling	(45)						
Total Environment and Community service efficiencies	(967)	(721)	(982)	(579)	(426)	(435)	(443)

(all figures in £'000 - exact budgets will be loaded)

<u>Service and Bid name</u>	<u>Amount in year</u>				<u>Further detail</u>
	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	
Finance and Customer Services					
Postage franking cost reduction	(10)				
Total Finance and Customer Services service efficiencies	(10)				
HR, Performance and Communications					
Internship programme - reversal of one-saving in 2022/23	25				Single year saving in 2023/24 reversed and programme reinstated
Total HR, Performance and Communications service efficiencies	25				
Investment and Development					
Economic Development budget aligned with actual expenditure	(13)				
Asset manager - budget aligned to activity	(22)				
Asset manager - budget aligned to activity	(16)				
Asset manager - increased income from properties	(55)				
Asset manager - increased income from properties	(10)				
Vulcan Way - budget aligned to activity	(4)				
Vulcan Way - budget aligned to activity	(4)				
Vulcan Way increased income	(5)				
Trade City increased income	(40)				
St Georges budget aligned to activity	(3)				
St Georges increased income	(49)				
Ashwood - budget aligned to activity	(3)				
Albany - budget aligned to activity	(4)				
Albany - budget aligned to activity	(19)				
Albany - budget aligned to activity	(3)				
Albany - budget aligned to activity	(14)				
Albany - budget aligned to activity	(5)				
Albany - budget aligned to activity	(19)				
Albany increased income	(144)				
Public Offices increased income	(63)				
London Road - budget aligned to activity	(6)				
London Road increased income	(7)				
Assumption of rental growth		(329)	(346)	(363)	(381)
Total Investment and Development service efficiencies	(508)	(329)	(346)	(363)	(381)

(all figures in £'000 - exact budgets will be loaded)

<u>Service and Bid name</u>	<u>Amount in year</u>				<u>Further detail</u>		
	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>			
Legal and Democratic Services							
Star Chamber electoral registration	(3)						
Total Legal and Democratic Services service efficiencies	(3)						
Planning							
Star Chamber increase in Building Control Services fee income	(50)						
Star Chamber increase in Development Management fee income	(235)						
Total Planning service efficiencies	(285)						
Corporate Savings							
New Star chamber during 2023/24	(500)	(350)	(200)	(150)			
Additional managed vacancy factor from pay award	(100)						
Total Corporate savings	(600)	(350)	(200)	(150)			
Total Service Efficiencies including corporate savings	(2,348)	(1,071)	(1,512)	(1,075)	(789)	(816)	(843)

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Liberal Democrats (LD) Group – budget amendment

Section 151 Officer Comments:

In order for the Council to vote on the proposed amendment and for it to form part of the annual budget should the proposal be successful, the Council's Chief Finance Officer (Section 151 Officer) is required to provide a statement on the robustness of the budget estimates and adequacy of reserves; the specific requirements upon the Section 151 officer are contained in Section 25 of the Local Government Act 2003:

'... the chief finance officer of the authority must report to [a council making budget / council tax decisions] on the following matters:

- (a) The robustness of the estimates made for the purposes of the calculations, and
- (b) The adequacy of the proposed financial reserves.'

The Strategic Director Finance and Customer Services is the Council's statutory Chief Finance Officer (Section 151 Officer), and is confident that the estimates being presented by the administration have been based on sound knowledge of the costs and income, which will aim to deliver on the priorities within the Council's Five-Year Strategic Plan. This is stated in the main body of the report on this agenda item. The budget proposed under the amendment is very similar to the administration's budget proposed under this agenda item with a couple of notable exceptions:

- The introduction of a general Council Tax rebate for properties within Band A-D of the Council's Tax base.
- The extension of the Medium Term Financial Strategy by a further three years to cover the period of an annual budget for the financial year 2023/24 and indicative budgets for each of the following six years 2024/25 to 2029/30. This includes:
 - An assumption around future interest rates and a corresponding reduction in rates going forward
 - An assumption around the future minimum revenue provision based on expected capital receipts being used to pay of capital debt principal.
 - A projection of future rental streams for the property portfolio based on a five percent increase each year from 2025/26.

The Council Tax rebate scheme

It is the duty of the Chief Finance Officer to state if any proposal is not legal or puts the Council in an unsustainable financial position. Given the level of reserves the Council holds this proposal is legal and affordable over the next two financial years.

This proposal represents a cost to the Council as the Council will have to re-imburse the collection fund for any rebate given; it is effectively negating half of the increase in council tax income for the next two years to pay for local services, at a time when any increases are capped to a level well below the prevailing rate of inflation and the

Council is facing significant unavoidable increases in the costs associated with the delivery of local services, including contractual costs. There will be a small cost for implementing a rebate scheme.

The Council already provides nearly £3.5 million in highly targeted support to help those who are most vulnerable in the Borough, which is probably more effective than giving a blanket rebate, some of which will be going to residents who are relatively affluent.

The extension of the Medium Term Financial Strategy.

It is incumbent on the Council to set a prudent, and affordable budget for the next financial year. To give an indication of the future direction and sustainability of the Council it is advisable to provide a 'forward look' of the indicative potential pressures and receipts over the next few years. This is normally anything from two to four years' indicative budgets after the year that the annual budget is set for. Anything longer than this is based on too many variables, and as such is not generally accepted as prudent.

Whereas it is not possible to prove or disprove the assumptions in the alternative budget for the six year forward look, it is not standard or advisable practice to take the 'upside' view only.