

## 2022/23 BUDGET TARGETS AND FINANCE UPDATE

<b>Head of Service:</b>	Lee Duffy, Chief Finance Officer
<b>Wards affected:</b>	(All Wards);
<b>Urgent Decision?(yes/no)</b>	No
<b>If yes, reason urgent decision required:</b>	N/A
<b>Appendices (attached):</b>	Appendix 1: Minutes of Financial Policy Panel dated 07 September 2021 Appendix 2: Report to Financial Policy Panel dated 07 September 2021 Appendix 3: Budget Forecast

### Summary

This report recommends budget targets for 2022/23 and provides an update on financial planning as recommended by Financial Policy Panel.

### Recommendation (s)

#### The Committee is asked to:

- (1) **Note the recommendations of Financial Policy panel held on 7 September 2021.**
- (2) **Agree the proposed strategy for setting the 2022/23 budget as set in Section 4 of this report.**
- (3) **Agree that any additional new growth items supported by Policy Committees will need to be fully funded from existing budgets.**

## 1 Reason for Recommendation

- 1.1 The recommendations will provide a clear framework for officers to develop a balanced budget for 2022/23. Strategy and Resources Committee has agreed one of its key priorities for 2022/23 is to achieve financial stability for the Council.

## 2 Background

# Strategy and Resources Committee

## 21 September 2021

- 2.1 At its meeting on 07 September 2021, Financial Policy Panel received an overview of the Council's budget position.
- 2.2 Having considered the report, the Panel advises Strategy and Resource Committee to agree the recommendations within this report.

### 3 Long Term Budget Forecast

- 3.1 Appendix 3 comprises an update of the forecast budget position for 2022/23 along with indicative forecasts for the following eight years to March 2031.
- 3.2 The forecast indicates, excluding any new growth in expenditure that a level of savings of £1.6 million is needed to achieve a balanced budget over the next four year financial planning period.
- 3.3 Without making the savings the budget would move incrementally to a £1.6 million budget deficit by 2025/26. The general fund working balance would be almost fully utilised before that date.
- 3.4 The forecast position is dependent on the detailed assumptions used and the ability of the Council to make the necessary savings.
- 3.5 The following factors have been used to prepare the forecast:-

FOUR YEAR FORECAST: ASSUMPTIONS USED		<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>
	<i>BASE</i>	<u>Indicative</u>	<u>Indicative</u>	<u>Indicative</u>	<u>Indicative</u>
	<u>£000</u>				
General Inflation - prices	9,500	2%*	2%	2%	2%
Annual pay award	11,000	2%*	2%	2%	2%
Fees & Charges allowance: annual increased yield on discretionary charges	-6,600	3%**	3%	3%	3%
Interest rate used		0.5%	1.0%	1.5%	2.0%
Change in Retained Business Rates	-1,652	-14.0%	-32.5%	-13.7%	-16.1%
Increase in Council Tax income	-6,904	£5 annual increase on a band D equivalent property			

\* assumes annual pay increases of 2% and allows for unavoidable price inflation only

\*\* increase to parking charges are applied every 2 years

# Strategy and Resources Committee

## 21 September 2021

3.6 Assumptions have been made on the timing of potential significant changes to government financing as a result of the Fair Funding and the Business Rates Retention reviews. These include:-

3.6.1 New Homes Bonus

3.6.2 Retained Business Rate Income

#### 4 2022/23 Projection

4.1 Prior to the inclusion of any real growth in expenditure, the forecast shows a broadly balanced position for 2022/23 (small surplus of £7k). However, it is important to note that the balanced position for 2022/23 will require delivery of existing savings totalling £342k, that are already agreed within the MTFS, as shown in the following table:

Summary of Agreed Savings for 2022/23		£000
Bourne Hall	C & W	30
Review of Ewell Court House	C & W	10
Tattenham Corner Conveniences	C & W	12
Income from Commercial Property	S & R	112
Review of Waste Collection	E & SC	100
Review of Grounds Maintenance	C & W	67
Other minor savings		11
<b>Savings built into MTFS</b>		<b>342</b>

#### 5 Proposed Strategy for 2022/23 Budget

5.1 The Council is facing a great deal of uncertainty, and it is unlikely to have sufficient information to reliably predict the long-term impact of Covid-19 on Council services before the end of 2021/22. The Government's expected delay to the Fair Funding Review provides the Council with an opportunity to agree a budget for 2022/23 without the need for delivering any additional savings other than those already agreed within the current Financial Plan (which total £342k).

5.2 The Government's latest projection shows that GDP will increase by approximately 4% in the next twelve months resulting in a reduction of £350k in the Covid contingency down to £600k.

5.3 The Council should use this opportunity to start work on producing the long-term savings and reforms, such as reviewing the use of Council owned property, to deliver a sustainable long-term budget for the future.

5.4 The Council should also encourage and explore investment opportunities that can deliver long-term savings or sustainable income.

5.5 As with previous years, a review should take place of existing budgets to identify potential reductions in expenditure or increases in income.

# Strategy and Resources Committee

## 21 September 2021

- 5.6 The Council has agreed to undertake the following Strategic Asset/Service Reviews in the coming year;
  - 5.6.1 Bourne Hall
  - 5.6.2 The Museum
  - 5.6.3 Town Hall
  - 5.6.4 The Playhouse
- 5.7 It is hoped that at least some of these reviews will conclude with savings/efficiencies for the Council. However, as there is uncertainty until the reviews are actually undertaken, the current forecast position does not incorporate potential savings from these reviews
- 5.8 Strategy & Resources Committee are asked to agree this proposed strategy.
- 5.9 Furthermore, with the Council facing a projected budget deficit of £1.6m by 2025/26, the Committee is also asked to agree that any additional new growth items supported by Policy Committees will need to be fully funded from existing budgets.

## **6 Risk Assessment**

Legal or other duties

- 6.1 Impact Assessment
  - 6.1.1 Risk and legal duties are set out in the report to Financial Policy Panel at Appendix 2
- 6.2 Crime & Disorder
  - 6.2.1 None
- 6.3 Safeguarding
  - 6.3.1 None
- 6.4 Dependencies
  - 6.4.1 None
- 6.5 Other
  - 6.5.1 None

## **7 Financial Implications**

# Strategy and Resources Committee

## 21 September 2021

- 7.1 Financial implications are set out in the report to Financial Policy Panel at Appendix 2
- 7.2 **Section 151 Officer's comments:** It is important that the budget target recommendations be agreed in order to maintain the future financial health of the Council.

### 8 Legal Implications

- 8.1 Legal implications are set out in the report to Financial Policy Panel at Appendix 2
- 8.2 **Legal Officer's comments:** None arising from the contents of this report.

### 9 Policies, Plans & Partnerships

- 9.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.
- 9.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 9.3 **Climate & Environmental Impact of recommendations:** None
- 9.4 **Sustainability Policy & Community Safety Implications:** None
- 9.5 **Partnerships:** None

### 10 Background papers

- 10.1 The documents referred to in compiling this report are as follows:

#### **Previous reports:**

- Budget targets 2022/23 report to Financial Policy panel dated 07 September 2021

#### **Other papers:**

- Budget Book 2021/22
- Medium Term Financial Strategy 2020 to 2024