

Report Title:	<b>2023/24 Budget</b>
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Hilton, Cabinet Member for Asset Management & Commercialisation, Finance and Ascot
Meeting and Date:	Full Council – 21 February 2023
Responsible Officer(s):	Tony Reeves, Interim Chief Executive Adele Taylor, Executive Director of Resources and S151 Officer Andrew Vallance, Head of Finance and Deputy S151 Officer
Wards affected:	All

## **REPORT SUMMARY**

This report sets out the financial plans for the Royal Borough of Windsor and Maidenhead (RBWM) and its Net Budget Requirement and associated Council Tax level for 2023/24. Appended to the report are the various elements that form the basis of the budget, including:

- Appendix 1 – the Revenue Budget, including its funding, growth and savings affecting service budgets, proposed Council Tax and the Council’s reserves and balances position. This appendix also includes the overall Equality Impact Assessment for the Budget.
- Appendix 2 – the proposed Fees and Charges for 2023/24.
- Appendix 3 – the Capital Budget, including the Capital Strategy and the proposed Capital Programme.
- Appendix 4 – Treasury Management, including the Treasury Management Strategy which contains the counterparty lending criteria, the Minimum Revenue Provision and Prudential Code indicators.
- Appendix 5 – the proposed Pay Policy Statement as required by statute.
- Appendix 6 – the Proposed Pay Award for the year 2023/24.
- Appendix 7 – Feedback from Overview and Scrutiny Panels / Public Consultation.
- Appendix 8 – Equality Impact Assessments

This report summarises the main areas of financial risk impacting on the revenue and capital budgets and in respect of these risks sets out the assumptions that underpin the forecast position for the year.

## 1. DETAILS OF RECOMMENDATIONS

### Appendix 1 – Revenue Budget

#### That Council considers and:

- i) Approves the 2023/24 Net Budget of £108.075m, consisting of:
  - a. The proposed new growth in service budgets of £10.558m as set out in **Annex C to Appendix 1**;
  - b. The proposed new opportunities and savings of £10.923m as set out in **Annex D to Appendix 1**;
  - c. The associated contribution from Earmarked Reserves of £0.165m, and the level of contingency as £2.380m as set out in paragraph 5.29
- ii) Approves the calculations for determining the Council Tax Requirement for 2023/24 as set out in **Annex I1 to Appendix 1**, consisting of:
  - a. A Council Tax Requirement of £87.222m.
  - b. A Band D charge of £1,223.11 for the Royal Borough of Windsor and Maidenhead in 2023/24, reflecting an overall increase of 4.99%, based on:
    - i. A 2.99% increase in base Council Tax taking the charge to £1,060.73 for 2023/24;
    - ii. An additional 2% to reflect an increase in the Adult Social Care Precept which is proposed as £162.38;
  - c. The Special Expenses Precept increases by £1.03 (2.98%) to £35.60 for 2023/24 for the unparished areas of Windsor and Maidenhead in accordance with Section 35 of the Local Government Finance Act 1992, as set out in **Annex E to Appendix 1**;
- iii) Notes the following Precepts by partner organisations:
  - i. The Police and Crime Commissioner for the Thames Valley - £256.28 (para 5.19), as set out in **Annex I3 to Appendix 1**;
  - ii. Royal Berkshire Fire Authority - £78.95 (para 5.19), as set out in **Annex I3 to Appendix 1**;
  - iii. Parish Precepts as set out in **Annex I3 to Appendix 1**, as notified by the individual parishes.
- iv) Approves the allocation of the £152.201m Dedicated Schools Grant as set out in **Annex F to Appendix 1**, and delegated authority be given to the Executive Director of People and the S151 officer in consultation with the Cabinet Members for Finance and for Children's Services, Education, Health, Mental Health and Transformation to amend the total schools' budget to reflect the actual Dedicated Schools Grant levels once received;
- v) Approves delegated authority to the Grants Panel to award community grants (capital and Kidwells Trust) for the 2023/24 annual round and publish the decisions following the Grants Panel.

## **Appendix 2 – Fees and Charges**

**That Council considers and approves:**

- i) The Fees and Charges for 2023/24 as set out in **Annex A to Appendix 2**.
- ii) Delegated authority is extended to the Executive Director for People, in liaison with the Cabinet Member for Adult Social Care and Maidenhead, to set the Direct Payments Standard Rate.

## **Appendix 3 – Capital**

**That Council considers and approves:**

- i) The Capital Strategy 2023/24 – 2025/26 as set out in **Annex A to Appendix 3** of this report. A draft was considered by Audit and Governance Committee on 20th October 2022.
- ii) The consolidated Capital Programme for 2022/23 – 2025/26 in **Annex B1-3 to Appendix 3** of this report, including previously approved schemes and proposed new schemes as set out in **Annexes B4 & B5 to Appendix 3** of this report.
- iii) Capital programme slippage to date from 2022/23 to 2023/24 as detailed in **Annex B6 to Appendix 3**.

## **Appendix 4 – Treasury Management**

**That Council considers and approves:**

- i) The Council's Treasury Management Strategy for 2023/24 as set out in **Appendix 4** of this report, including
  - a. The proposed Lending Counterparty Criteria;
  - b. the continuation of the current Minimum Revenue Provision Policy for 2023/24.A draft was considered by Audit and Governance Committee on 20th October 2022.
- ii) The Council's Treasury Management Policies as set out in **Annex B to Appendix 4** of this report;
- iii) The Council's Prudential Indicators as set out in **Annex C to Appendix 4** of this report

## **Appendix 5 – Pay Policy Statement**

**That Council considers and approves:**

- i) The Council's updated Pay Policy Statement Strategy for 2023/24 as set out in **Appendix 5** of this report.

## **Appendix 6 – Proposed Pay Award**

### **That Council considers and approves:**

- i) Pay awards of 4% from 1 April 2023, and 3% from 1 April 2024, for all staff paid on RBWM local pay scales.
- ii) An increase in Members' Allowances of 4% from 1 April 2023, and 3% from 1 April 2024, in line with the employee pay award, as required by Section 17 of the Members' Allowances Scheme.

## **Appendix 7 – Feedback from Public Consultation/Overview and Scrutiny Panels**

### **That Council considers and has due regard to the contents of Appendix 7.**

## **Appendix 8 – Equalities Impact Assessments**

### **That Council considers and has due regard to the contents of Appendix 8.**

## **2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED**

- 2.1. The policy and financial context for setting the budget is set out within the Medium Term Financial Policy, which was approved by Cabinet in July 2022.
- 2.2. The statutory process for setting the budget is that this budget has been recommended by the Cabinet to the Council, at its meeting on 9<sup>th</sup> February 2023. This report provides a realistic budget based on estimates and analysis of current and future levels of activity at a service level and ensures that the corporate plan and service delivery priorities of the Council can be achieved, whilst securing financial sustainability. This budget also enables the continuation of quality services for residents and provides excellent value for money.
- 2.3. There are a variety of elements within the budget that the Council is required by law to agree, such as the Council Tax charge and the Minimum Revenue Provision. In addition, due regard is required for the various implications of the proposals within the budget as well as considering the Equalities Impact Assessments. This report ensures compliance with the regulations.

## **3. KEY IMPLICATIONS**

**Table 1: Key implications**

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
General Fund Reserves Achieved (£m)	<7.900	> 7.900, < 12.000	> 12.000, <15.000	> 15.000	31 May 2024

## 4. HEADLINE SUMMARY

- 4.1 The Revenue Budget along with the Capital Programme represents considerable investment in the Royal Borough. Future spending plans are set against clear policy objectives from the Corporate Plan, under the banner of 'creating a sustainable borough of opportunity and innovation', of continuing to protect the most vulnerable in the community, and investing in the future economic development and regeneration opportunities while increasingly ensuring that the Council recognises its commitments with regard to climate resilience and its overall environmental impact.
- 4.2 The Council is facing a significant financial challenge. Like many councils, it is experiencing growth in demand for services. However, the position for the Royal Borough is more acute than other councils, due to its low level of reserves, one of the lowest Council Taxes in the country outside of London, coupled with increasing costs and levels of borrowing, in addition to demographic demands. The reserves are now adequate to cover current risks, but may be insufficient to cover significant issues that might occur and, most importantly, as one-off sources of funding can only ever be used to smooth problems out and not deal with additional recurring expenditure. There are further uncertainties around the future of local government funding, including the impact of Central Government's "Levelling Up" agenda as well as the financial and resourcing implications of Adult Social Care reform to still come in the coming years. There are other potential risks that need to be considered, including the impact of inflation that although have been addressed within the proposed budget, there is a risk of further impacts to come. The Council therefore needs to balance the affordability of its services and ensure that service users meet the cost of the services they receive where they can afford to do so.
- 4.3 The implications of the Covid-19 pandemic have continued this year, as well as impacts from the war in Ukraine and the increased cost of living. These events are causing significant demand on services, particularly in the Revenues and Benefits section. Pressure is also felt in the Adult Social Care section where there is a need to facilitate timely discharge from hospital back home or to other care provision to relieve pressure on the NHS. The impact has also been felt through the substantial loss of income the Council can usually rely on, such as car parking income.
- 4.4 The Council has therefore again reviewed all aspects of the budget and has identified substantial new cost pressures together with investments to improve services or reduce costs, amounting to £10.558m, along with saving and budget reduction opportunities amounting to £10.923m. The Council is committed to protecting the most vulnerable in our community and has protected these services. Whilst investment in a small number of services has reduced, the impact is judged to be small. Opportunities to review income budgets have also been taken and any increase in income generation is included within savings and budget reductions
- 4.5 The Council is proposing to increase Council Tax by the permitted 4.99% within the referendum criteria (including the Adult Social Care precept). This will generate an additional £4.2m which enables the Council to set a balanced budget for 2023/24. The medium term financial plan assumes similar core council tax rises across the life of the medium term, including an Adult Social Care precept.

### **Structure of the report**

- 4.6 This report summarises the significant elements that form the Council's budget, covering both revenue and capital. The following eight appendices provide greater detail:

**Table 2: Structure of the report**

Appendix	Details
1	Revenue Budget, including its funding, growth and opportunities affecting service budgets, proposed Council Tax and the Council's reserves and balances position. This appendix also includes the overall Equality Impact Assessment for the Budget.
2	Fees and Charges for 2023/24
3	Capital Budget, including the Capital Strategy and the proposed capital programme
4	Treasury Management, including the Treasury Management Strategy which contains the counterparty lending criteria, the Minimum Revenue Provision and Prudential Code indicators
5	Pay Policy Statement
6	Proposed Pay Award
7	Feedback from Public Consultation/Overview and Scrutiny Panels
8	Equalities Impact Assessments

4.7 In addition, there are a number of Annexes to these appendices, including:

**Table 3: List of Annexes**

Appendix	Annex	Details
1 Revenue Budget	A	Medium Term Financial Plan
	B	Budget by service
	C	Departmental growth
	D	Departmental savings
	E	Special expenses
	F	Dedicated Schools Grant
	G	Budget Equality Impact Assessment
	H	Changes from Draft Budget
	I1	Council Tax Determination 2023/24
	I2	Council Tax by Parish
2 Fees and charges	I3	Parish, RBWM & Other Major Precepts
	A	Proposed Fees and Charges
	A	Capital Strategy
3 Capital	B1-3	Proposed Capital Programme Summary
	B4	Major Schemes
	B5	Proposed Capital Programme Detail
	B6	2022/23 Slippage carried into 2023/24
	A	Treasury Management EQIA
4 Treasury Management	B	Treasury Management Policies
	C	Performance Indicators
	D	Cashflow Forecast
	E	Economic Outlook
	n/a	
5 Pay Policy	n/a	
6 2023/24 Pay Award	n/a	
7 Consultation Feedback	A	Overview & Scrutiny Panel Minutes
8 EQIAs	n/a	

## 5 2023/24 REVENUE BUDGET – APPENDIX 1

### **Council priorities**

- 5.1 The Revenue Budget covers the day-to-day expenditure for the Council to deliver its priorities. RBWM has a new corporate strategy agreed by Council in December 2021. The budget represents the financial resources to deliver the strategy. During 2023/24 as the delivery plans continue to crystallise for all aspects of the corporate strategy, the Medium-Term Financial Strategy will be refreshed to ensure there is a close alignment between these two integral strategies.

### **Financial Climate and Funding**

- 5.2 For the last decade, funding for all local authorities has decreased significantly due to the austerity measures implemented by the Government following the financial crises in 2008. At the same time, demand for Housing and Social Care services has increased, placing significant pressure on budgets. As a result, many discretionary services across the country have been pared back to ensure statutory responsibilities are met, and savings amounting to around £70m have been delivered at RBWM as a reflection and response to these funding changes since 2010.

- 5.3 The Covid-19 pandemic has changed the shape of the needs and demands for services within our community and that has in turn increased costs in some areas but has also severely reduced councils' income. With the continued impact of Covid-19 remaining volatile, it is still difficult to predict the eventual recovery profile on both the national and local economy with any level of certainty given the ongoing need to respond to the changing impact of the pandemic on our services, our residents and local businesses. We have seen changes in behaviour for some services that may never return to pre-pandemic days, such as the increase of permanent hybrid working impacting on parking income for example. It is also highly likely that future funding levels will be constrained due to the increased national budget deficit, which could take some time to reduce.

- 5.4 The impact of higher inflation and interest rates adds further pressure to the finances. The direct impact on the Council is that higher inflation increases the cost of services and increases staff expectations of pay increases. High interest means the cost of borrowing to fund capital schemes increases. For our residents and businesses, they will be feeling similar pressures and this will also impact on the Council's finances overall, whether through changes in people's spending on discretionary services where we levy a fee or charge, through people needing increasing levels of financial support or impacts on our services such as housing and homelessness services.

- 5.5 Adding further uncertainty is the planned revamp of the funding mechanisms used to allocate grant to local authorities. The Fair Funding Review and review of the Business Rates Retention Scheme, initially started in 2016 and planned to be implemented in April 2019, has been postponed yet again, until at least 2025/26, but the timetable for engagement, consultation and implementation remains unclear.

- 5.6 As a result, the Local Government Funding Settlement was again a one-year settlement. The settlement included nearly £4 million of additional grant for 2023/24.

### **Budget pressures**

- 5.7 RBWM has a number of budget pressures that need to be considered as part of its budget and medium-term financial plans and any potential mitigations identified, where possible. They are driven by several factors including inflation, Covid-19, demographic changes and pressures beyond the Council's control.

- 5.8 Inflationary increases have also been applied to the Council's various contracts and this has been kept to a minimum where possible through negotiations with contractors. The Council is also proposing a 4% pay award for staff and Members. Further detail is provided in **Appendix 6**.
- 5.9 The table below summarises the service cost pressures that are reflected in the 2023/24 budget. These are in addition to the full year effect of those pressures included within the current budget. Further detail is provided in **Annex C to Appendix 1**.

**Table 4: Service Growth and Pressures**

<b>Service Growth and Pressures</b>	<b>£'000</b>
Chief Executive department	20
Adults and Housing	3,949
Children's Services	2,992
Governance, Law, Strategy and Public Health	386
Place	2,760
Resources	276
Corporate and Contingency	175
<b>Total growth and pressures</b>	<b>10,558</b>

**Savings Opportunities (including income generation)**

- 5.10 To mitigate the additional cost pressures, services are required to identify opportunities to save money and reduce budgets. This is achieved through a variety of ways including becoming more efficient, increasing income generation and ultimately reducing the service offering. The latter is avoided wherever possible.
- 5.11 Budget reductions of £10.923m are proposed. These are summarised below, with greater detail shown in **Annex D to Appendix 1**. An Equality Impact Assessment (EQIA) where relevant for a saving has been undertaken and these are included in **Appendix 8**.

**Table 5: Service opportunities and savings**

<b>Department</b>	<b>£'000</b>
Chief Executive department	2
Adults and Housing	4,397
Children's Services	3,081
Governance, Law, Strategy and Public Health	420
Place	1,903
Resources	991
Corporate and Contingency	129
<b>Total opportunities and savings</b>	<b>10,923</b>

- 5.12 These savings opportunities have been subject to review by the Council's Overview and Scrutiny Panels and a public consultation and engagement process. The comments and feedback from these are included within **Appendix 7**.

**Summary of the movements in the budget**

- 5.13 The Council Tax Requirement proposed for 2023/24 is £87.222m. The Service-related pressures which need to be funded sum to £10.558m, which are offset by savings



opportunities and budget reductions to the value of £10.923m. Greater detail is included within **Annex B to Appendix 1**.

- 5.14 It should be noted that some movement in services that directly receive government grants will be masked where the income matches expenditure. Examples include Public Health Grant, Better Care Fund, and other ring-fenced government grants.

#### **Changes from the draft budget**

- 5.15 The provisional settlement was better than forecast when the budget was set for consultation. Full details of how the settlement compared to our assumptions is set out in Appendix 1, Table 1.
- 5.16 As a result of the extra £3.539 million grant funding, and the public consultation on the budget (see Appendix 7), there have been a number of changes from the draft to the final budget. These are outlined in Annex H to Appendix 1.

#### **Income generation**

- 5.17 The majority of the Council's funding comes via Council Tax. The Council Tax Requirement is proposed at £87.222m. This equates to a Band D charge of £1,223.11 when divided by the 70,250 properties within the Taxbase. This represents an increase of £58.12 or 4.99% - in line with the referendum criteria. This is broken down into £34.83 or 2.99% for the general Council Tax element, and £23.29 or 2% for the Adult Social Care Precept.
- 5.18 In addition, the Council charges an additional precept where the Council delivers services specific to a particular area within the Borough. These are known as Special Expenses and are charged to the unparished areas of Windsor and Maidenhead. The charge for 2023/24 is raised by £1.03 (2.98%) to £35.60. Information on the breakdown of this is included within **Annex E to Appendix 1**.
- 5.19 The Royal Borough also collects precepts on behalf of the parishes and the police and fire authorities. At the time of drafting this report the fire precept had not been formally approved, but the indicative value is included within **Annexes I2 and I3 to Appendix 1**. Full details will be provided to Council should this value change.
- 5.20 RBWM intends to take advantage of any changes to the ability to charge a premium on Council Tax for long term empty properties and second homes contained within the Levelling Up and Regeneration Bill at the earliest opportunity available.
- 5.21 Income from local businesses is also received through Business Rates. £14.226m is forecast for 2023/24, which is a slight reduction on the current year and reflects changes that we are aware of. In addition, £1.600m will be required to mitigate the deficit on the collection fund. This will be funded from earmarked reserves.
- 5.22 The Council provides a wide range of services and the ability to charge for some of these services has always been a key funding source to support the cost of providing the service. Most fees and charges budgets are proposed to increase by inflation. The fees and charges were also considered by Corporate Overview and Scrutiny committee during January 2023. **Appendix 2** provides the full details of the individual fees and charges.

#### **Business rates reliefs**

- 5.23 The Council intends to continue, as in previous years, to maintain all locally controlled discretionary business rate reliefs for 2023/24.

## **Schools Budget**

- 5.24 The Dedicated Schools Grant (DSG) is made up of four blocks of funding: Schools, High Needs, Early Years and the Central School Services block. The Indicative Settlement for the Royal Borough for 2023/24 (including Academy schools) is £152.201m, an increase of £11.035m when compared to the 2022/23 Final Settlement.
- 5.25 The deficit brought forward on the Dedicated Schools Grant into 2022/23 was £2.047m. Significant pressure remains in the High Needs block though based on the current cohort of provision and early indications of future demand the deficit to be carried forward into 2022/23 is forecast to decrease to £1,850m, 1.3% of the total Dedicated Schools Grant. Where the Dedicated Schools Grant has a deficit, local authorities, in consultation with the local Schools Forum, are required to submit a recovery plan to the DfE.
- 5.26 **Annex F to Appendix 1** provides more detail about the Dedicated Schools Grant allocations and associated reserves levels.

## **Risks – Reserves and Contingency**

- 5.27 RBWM faces considerable financial risks that, if they arise, can have a potentially significant and immediate impact on its finances. To mitigate and smooth the impact on the budget, reserves and a contingency budget are held. However, these are currently at, or close to, the minimum levels required to protect the Council from these financial risks as well as potential service risks that it may also face. Although we are currently above the minimum level, this leaves little room for dealing with any in-year emergencies and still being able to remain sustainable. An optimum level would be to hold around 10-15% of the revenue budget in reserves to be able to deal with both general risks and issues. Consideration can be given to set aside reserves against specific areas of concern such as the potential continued increases in inflation currently being experienced, without having to make short-term decisions that may have longer term consequences.
- 5.28 During 2022/23, the Council made a risk-based assessment of the pressures that it is experiencing, including inflation, demographic pressures as well as the longer term impact from the pandemic. Budget estimates have been challenged initially through officer challenge sessions, followed by a challenge session from the lead cabinet members prior to the draft budget being produced in November 2022. The budget has also been subject to challenge and engagement sessions with residents, businesses and stakeholders to identify areas of risk and uncertainty.
- 5.29 A contingency budget is included every year in the budget which should only be used for unanticipated spend during the year. For 2023/24 this is £2.380m. The assumption is that anything unspent in each year would be added to the General Reserves which will improve the Council's financial sustainability going forwards. The contingency sum includes a demographic reserve, which for 2023/24 is £0.750m in recognition of the pressures that are being experienced by our demand led services. This is reviewed on a regular basis through the monthly budget monitoring.
- 5.30 The Council also holds reserves to mitigate against high risk / low likelihood events, including both specific earmarked reserves to smooth out the impact of some known or expected events as well as a general reserve to deal with unexpected financial shocks.
- 5.31 The level of general reserves is forecast to be at £10.082m on 31 March 2023, along with Earmarked Reserves (excluding schools, Public Health and Better Care Fund) of £5.704m. Across the Medium-Term Financial Plan, the assumption is that RBWM will

identify sustainable savings and therefore remain above the minimum level of reserves identified by the S151 Officer.

### **S151 Officer's Statement on the Robustness of the Budget and the Adequacy of Reserves**

- 5.32 The provisions of section 25, Local Government Act 2003 require that, when the Council is making the calculation of its Net Budget Requirement, it must have regard to the report of the Chief Finance (Section 151) Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.
- 5.33 **In section 3 of Appendix 1, the full report by the Executive Director of Resources (S151 Officer) can be found that provides the reasons for her views on both the robustness of the estimates as well as the adequacy of the reserves.**
- 5.34 **The Executive Director of Resources (s151 Officer) has assessed the proposed 2023/24 budget and considers:**
- a. **the estimates in 2023/24 to be robust subject to the risks set out in this report, including the recognition that there is greater volatility due to the impact of the pandemic on our resources; and**
  - b. **the level of reserves are adequate to cover unforeseen demands, but that it is imperative that the Council continues its strategy to increase its reserves over the short to medium-term.**

## **6 FEES AND CHARGES – APPENDIX 2**

- 6.1 The Council provides a wide range of services and the ability to charge for some of these services has always been a key funding source to support the cost of providing the service.
- 6.2 Overall the following principles have been used to review fees and charges:
- a) Charges should be broadly in line with other neighbouring councils – in some cases charges set by the Royal Borough are lower than neighbouring councils. Charges have therefore been reviewed to bring them into line with other councils.
  - b) Charges should reflect cost increases incurred by the Council; accordingly the majority of charges have been increased in line with estimated inflation.
  - c) Charges should recognise demand for the service – in some cases where income is falling, increasing charges can have a negative impact on overall income.
- 6.3 This year inflation is much higher than it has been in recent years. This feeds through to the Council charges when considering the second principle above. In December 2022 the Consumer Price Index (CPI) was 10.7% and the Retail Price Index was 14%. Most fees and charges are proposed to increase by the December CPI rate . Revisions to fees and charges have been consulted upon and considered at Corporate Overview and Scrutiny in January 2023.
- 6.4 The proposed Fees and Charges for 2023/24 are set out in full in **Appendix 2** and their impact is reflected within this report.

## **7 CAPITAL EXPENDITURE – APPENDIX 3**

- 7.1 Capital expenditure is incurred on major projects where an asset is created that will last longer than a year, for example, building a road or a bridge. This is treated separately to Revenue, although links very closely to it, as the cost of funding these large projects comes from Revenue (where prudential borrowing is undertaken)CPI rate.
- 7.2 The Council is now operating within its means and no new discretionary spending is included as an addition to the proposed Capital Programme, with new schemes either self-funded or essential to maintain service provision.
- 7.3 Appendix 3 sets out the proposed Capital Strategy (**Annex A to Appendix 3**) and the proposed Capital Programme for 2022/23 – 2025/26 (**Annexes B1-3, B4 and B5 to Appendix 3**).
- 7.4 The Capital Strategy as set out in **Annex A to Appendix 3** provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services; along with an overview of how associated risk is managed and the implications for future financial sustainability. It shows how revenue, capital and balance sheet planning are integrated. This strategy was considered at Audit and Governance Committee on 20th October 2022.
- 7.5 The Capital Programme (**Annexes B1-3, B4 and B5 to Appendix 3**), using this strategy, is prioritised into four key areas: Regeneration, Major Strategic Acquisitions, Efficiency and Operational. These are funded from either capital grants, developer contributions in the form of s106 & CIL, partner contributions, capital receipts or prudential borrowing; the cost of which is funded from the Revenue Budget.
- 7.6 The total Capital Programme for 2023/24 is £45.994m, of which the largest share (£14.156m) relates to ongoing costs of existing major capital schemes. New capital investment amounts to £20.107m. After taking into account funding from a range of sources, the net cost of the 2023/24 programme to be funded from borrowing is £22.702m.
- 7.7 The overall three-year Capital Programme will increase borrowing by £34.383m, of which the largest shares of £29.318m relates to schemes approved in previous years and prior year slippage of £3.665m.

## **8 TREASURY MANAGEMENT – APPENDIX 4**

- 8.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks.
- 8.2 Treasury management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a Treasury Management Strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. A draft of this report was considered at Audit and Governance Committee on 20th October 2022.
- 8.3 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The Authority has an increasing CFR, due to the capital programme

and minimal cash investments, and therefore expects borrowing to increase up to £218.6m over the medium-term.

- 8.4 The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow using short-term loans instead.
- 8.5 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the Security and Liquidity of its investments before seeking the highest rate of return, or Yield (SLY Principle).
- 8.6 The Treasury Strategy outlines the following, which need specific approval each year:
- a) Treasury Investment Counterparties and Limits;
  - b) Minimum Revenue Provision Policy
  - c) Prudential Code Indicators

## **9 PAY POLICY STATEMENT – APPENDIX 5**

- 9.1 The Localism Act 2011 requires Council to approve its Pay Policy Statement annually and to publish on its website the updated statement by 31 March 2023 for the year 2023/24. The Pay Policy Statement enables residents to understand the Council's pay policy for senior staff and how it relates to the salaries of the lowest paid. Its purpose is to provide transparency and enable residents to assess whether the salaries paid represent value for money.
- 9.2 The Pay Policy Statement, attached as **Appendix 5**, will come into effect once the Budget has been approved at full Council on February 21<sup>st</sup>.
- 9.3 The Pay Policy Statement has been updated for 2023/24 to reflect:
- The latest structure for 'Chief Officers' (the Council's most senior staff).
  - Revised employee numbers.

## **10 PROPOSED PAY AWARD 2023/24 – APPENDIX 6**

- 10.1 The Royal Borough operates a local pay agreement, whereby any annual pay award is determined by Council as part of the annual budget setting process in February.
- 10.2 The budget provision allows for a pay award of 4% in 2023 and 3% in 2024. This includes Optalis and Achieving for Children staff. In the context of no pay award made to employees in 2020 and the challenges faced by staff in 2020 and continuing in 2021 and 2022, it is recommended that a pay award of 4% is made for 2023, and for 3% in 2024.

## **11 INTERIM CONSULTATION AND ENGAGEMENT – APPENDIX 7**

- 11.1 A report on the public consultation is attached as **Appendix 7**. This includes summaries of public comments.

11.2 The minutes from Overview and Scrutiny Panels are attached as **Annex A**.

## **12 EQUALITIES IMPACT ASSESSMENTS – APPENDIX 8**

12.1 Equality Impact Assessments (EQIAs) were undertaken for any savings with potential equality impacts. These are attached as **Appendix 8**. They consider the impact upon individuals and groups with legally protected characteristics, and also include an assessment of impact related to socio-economic status. This is not a protected characteristic under law but has been included in the Equality Impact Assessment to enable a proactive consideration of the potential impacts to individuals living in socio-economic disadvantage.

12.2 An overarching Equality Impact Assessment has been carried out for the budget overall. This is attached as **Annex G to Appendix 1**. EQIAs related to specific savings are attached as **Appendix 8**. The overarching EQIA considers the potential cumulative impact upon certain groups and allows for a more contextual understanding of individual savings.

## **13 LEGAL IMPLICATIONS**

13.1 Section 30(6) LGFA 1992 provides that the Council must set its budget before 11 March in the financial year preceding the one in respect of which the budget is set. The setting of the budget is a function reserved to Full Council which will consider the draft budget which has been prepared and recommended by the Cabinet. Producing this budget and recommending it to Full Council for approval is part of the process that will ensure the Council meets its legal obligations to set a balanced budget.

13.2 Members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered as agreed and that new expenditure is contained within available resources.

## **14 RISK MANAGEMENT**

14.1 Given the level of financial uncertainty and current service pressures, there is clearly a risk that the current budget may prove difficult to deliver. This risk has been mitigated by ensuring that budget estimates are realistic and reflect current activity, along with known demographic and economic pressures.

14.2 A key risk for the Council is that its finances are not sustainable in the long term and it does not have adequate reserves to enable it to effectively manage the financial risk that it faces in the medium-term. The budget strategy sets out the steps that the Council needs to take to make its finances more sustainable. This includes the need to build its reserves to a more realistic level in the medium term. This budget continues that strategy.

14.3 The budget represents those financial resources that are available to deliver the newly updated corporate strategy and during 2023/24 as the delivery plans continue to crystallise for all aspects of the 5 year plan, the Medium Term Financial strategy will be refreshed to ensure there is a close alignment between these two integral strategies.

## **15 POTENTIAL IMPACTS**

- 15.1 This report contains proposals related to staff or service provisions and may involve changes to policy or service delivery. Equality Impact Assessments have been completed where appropriate and are attached as **Appendix 8**.
- 15.2 A full budget EQIA has been undertaken on the overall budget and is attached as **Annex G to Appendix 1**. Other EQIAs are attached as **Appendix 8**.

## **16 CONSULTATION**

- 16.1 Consultations on the various proposals in this budget took place with Corporate Overview and Scrutiny Panel. The feedback from this panel can be found in **Appendix 7**.
- 16.2 Similarly, the budget has also been subject to challenge and engagement sessions with residents, businesses and stakeholders to identify areas of risk and uncertainty. The feedback from this can be found in **Appendix 7**.

## **17 TIMETABLE FOR IMPLEMENTATION**

- 17.1 Residents will be notified of their Council Tax in March 2023. Budgets will be in place and managed by service managers from 1 April 2023.

## **18 APPENDICES**

- 18.1 This report is supported by seven appendices:
- Appendix 1 – Revenue Budget
  - Appendix 2 – Fees and Charges for 2023/24
  - Appendix 3 – Capital Budget
  - Appendix 4 – Treasury Management
  - Appendix 5 – Pay Policy Statement
  - Appendix 6 – Proposed Pay Award
  - Appendix 7 – Feedback from Public Consultation/O and S Panels
  - Appendix 8 – Equalities Impact Assessments

## **19 BACKGROUND DOCUMENTS**

- 19.1 This report is supported by the following background documents:
- MTF5 2023/24 – 2027/28 Report to Council September 2022.
  - Council Tax Base 2023/24 Report to Cabinet December 2022.
  - Draft Revenue Budget 2023/24 Report to Cabinet November 2022
  - Finance Update 2022/23 Report to Cabinet January 2023

## 20 CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputy)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer	24/1/23	31/1/23
Emma Duncan	Director of Law and Strategy / Monitoring Officer	24/1/23	31/1/23
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	Report Author	
Elaine Browne	Head of Law (Deputy Monitoring Officer)	24/1/23	
<i>Other consultees:</i>			
<i>Directors (where relevant)</i>			
Tony Reeves	Interim Chief Executive	24/1/23	30/1/23
Andrew Durrant	Executive Director of Place	24/1/23	27/1/23
Kevin McDaniel	Executive Director of People	24/1/23	25/1/23

Confirmation relevant Cabinet Member(s) consulted	Cabinet Member for Asset Management & Commercialisation, Finance and Ascot	Yes
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## 21 REPORT HISTORY

<b>Decision type:</b> Council Decision	<b>Urgency item?</b> No	<b>To Follow item?</b> No
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Report Author: Andrew Vallance, Head of Finance
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