

**MEDIUM TERM FINANCIAL STRATEGY (MTFS), GENERAL FUND, SERVICE PLANS,
BUDGETS AND PRUDENTIAL INDICATORS 2022-23**

Executive Summary

The General Fund Estimates for 2022/23 are presented for recommendation to Council. The provisional local government settlement was announced on 16 December 2021. Despite a 3 year settlement at government departmental level, local authority funding was only set for 2022/23. The provisional levels were similar to 2021/22, representing a further 'roll forward' of the existing arrangements, and a £800k improvement compared to the November draft budget where reductions in government support were envisaged.

Offsetting this there have been additional costs, most notably significant forecast increases in energy costs, together with some additional staffing costs and reprofiling of the savings forecast. The overall use of reserves to support services and provide against reductions in income as a result of the pandemic, has reduced from £8.2m in the base 2021/22 budget to £4m in 2022/23.

It is expected that income streams will increase over the next 2 years as the impact of Council investments and the recovery from the pandemic continue to improve the financial position. However, work will need to continue through the Council's Fit for the Future programme to reduce the underlying budget deficit recognising there will also be further service, and central pressures as the Council embeds improved corporate arrangements.

The net budget for the General Fund is £10.1m and the resulting Band D Council Tax figure for 2022/23 of £255.46, an increase of £5.00 (2%) compared to 2021/22. The increase is within the referendum limit flexibilities of 2% or £5 proposed by the Government in December 2021. When assessing the resources available to the Council the government assumes that Council tax is increased by the maximum amount.

The draft budget position was discussed at the Finance Task Group on 27 January 2022.

The Medium Term Financial Strategy (MTFS) will be updated in March alongside the Council's Corporate Strategy. This report provides details of the community engagement undertaken during 2021/22 and the outcomes and objectives on which the Corporate Strategy will be based and which have been used to inform the 2022/23 budget.

Recommendations

The Executive is requested to:

RESOLVE That

- (i) as detailed in paragraph 8.18 of the report, the parent company guarantee provided to Total Gas and Power to ensure Thamesway can supply energy to Victoria Square, be increased to £843,000;
- (ii) the Comprehensive Statement (Appendices 5a and 5b to the report) and the Overview and Scrutiny Committee's consideration of the Statement (section 4.21 of the report) be noted;

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- (iii) the response to the Comprehensive Statement (Appendix 5 to the report) be noted;
- (iv) the actions for the Council in response to the statement as highlighted in section 4.19 of the report be agreed and that these actions to incorporate the issues raised by the Overview and Scrutiny Committee highlighted in section 4.21:
 - a. *adopting a stronger strategic approach to the management of assets;*
 - b. *development of its commercial and strategic finance capacity and expertise in order to drive out the returns from our investments;*
 - c. *completing the review of Governance of Companies, the strategic alignment between the Council and Thameswey group (through the established business and financial planning framework) and the intelligent client capability retained within the Council. This review should address the specific risks highlighted for Thameswey Energy Limited (TEL) and Thameswey Milton Keynes Limited (TCMK);*
 - d. *strengthening the oversight of Town Centre management including the strategic management of the assets;*
 - e. *continuing to develop and strengthen the Medium and Long-Term Financial Strategy and the strategic management of reserves within this.*

RECOMMEND TO COUNCIL That

- (v) **the Revenue Estimates and Human Resource requirements for 2022/23 be approved;**
- (vi) **a Band D Council Tax for the Borough of Woking for 2022/23 of £255.46 be approved; and**
- (vii) **the Prudential Indicators at Appendix 3 to the report be approved, subject to any changes arising from consideration of the Investment Programme, revenue budgets and Final Government Settlement.**

Reasons for Decision

Reason: To recommend that Council approves the resources necessary for the provision of services and raises the necessary revenue through the determination of Council Tax for 2022/23.

The Executive has authority to determine recommendations (i) to (iv) above; (v) to (vii) will need to be dealt with by way of a recommendation to Council.

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Background Papers: None.

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Medium Term Financial Strategy (MTFS), General Fund, Service Plans, Budgets and Prudential Indicators 2022-23

1.0 Introduction

- 1.1 This paper provides an update on the Medium Term Financial Strategy, and sets out the draft General Fund budgets and reserves (Appendices 1-2) and Prudential Indicators for 2022/23 (Appendix 3).
- 1.2 Section 2 provides an update on the National Developments and Economic Environment.
- 1.3 Section 3 sets out the details of the Provisional settlement and Minimum Revenue Provision (MRP) consultation.
- 1.4 Section 4 is a Corporate Update including Corporate Strategy, Community Engagement, Comprehensive Statement and Fit for the Future programme.
- 1.5 Section 5 covers the detail of the 2022/23 General Fund budget.
- 1.6 Sections 6-8 provide supporting information covering the Investment Programme, Thamesway Group and the Robustness of the budget and risks.
- 1.7 Details of the Council tax proposal for 2022/23 can be found in section 9. The net budget for the General Fund is £10.6m and the resulting Band D Council Tax figure for 2022/23 is £255.46, £5 more than in 2021/22, and a 2% increase in Council Tax.
- 1.8 The Reserves position and details of the Medium Term Financial Strategy update are summarised in sections 10 and 11. The Prudential Indicators and Chief Finance Officer Statement can be found at sections 12 and 13.
- 1.9 The draft General Fund Budget for 2022/23 incorporates the first year of proposed savings identified through the Council's Fit for the Future programme. There continues to be a requirement for reserves to support the General Fund budget for 2022/23 as the economy emerges from the pandemic, however the forecast use has reduced compared to 2021/22. Work will need to continue to reduce ongoing reliance to ensure a sustainable financial position.

2.0 National Developments and Economic Environment

Covid-19

- 2.1 Since the draft budget prepared in November the Covid-19 Omicron variant has resulted in a fourth wave of infections in the UK with record case numbers recorded during December and January and a drive to offer booster vaccinations to the adult population in the final weeks of 2021.
- 2.2 Government guidance 'Plan B' was announced on 8 December, to counter the rapidly increasing numbers which would affect resilience of public services as well as cause pressures on the health service. There was a return to working from home wherever possible, vaccine certificates (or proof of a negative test) for large gatherings, and face masks made compulsory in most public indoor venues.
- 2.3 A new Business Grant was introduced for qualifying Leisure and Hospitality businesses to provide some support for lost trade as a result of the changes.
- 2.4 At the time of writing this report, there has been a reduction from the peak seen earlier in January and, despite case numbers remaining high, the restrictions have been lifted.

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Economic Indicators

- 2.5 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021. Gradual interest rate increases are expected over the next 3 years however there is a risk of more significant increases as a result of rising inflation.
- 2.6 The HM Treasury comparison of independent forecasts published in November 2021 shows GDP growth of 5.3% for 2022, 2.2% in 2023, falling to 1.6% in 2024 and 1.5% in 2025.
- 2.7 Further economic forecasts and commentary can be found in the Capital, Investment and Treasury Management Strategies also on this agenda.

3.0 Government Policy

- 3.1 The most notable government policy announcements during December and January, have been the Provisional Government Settlement on 16th December and a consultation on changes to the Minimum Revenue Provision (MRP). In addition there has been updated guidance and business support during the surge in Omicron Covid cases, and a Business Rates technical consultation and Covid relief scheme.

Provisional Settlement

- 3.2 Whilst the Comprehensive Spending Review (CSR) set government departmental budgets for the 3 years from 2022/23 – 2024/25, the provisional settlement was again for just a single year – 2022/23 – with no indications of funding beyond.
- 3.3 This was perhaps not surprising given the lack of time between the CSR and the need to provide local authorities with certainty of funding to enable budgets and Council Tax to be set. However, it is disappointing again to be in a position with no indication of funding levels beyond the next year.
- 3.4 There has been further delay in the proposed reforms to Local Government funding. This includes the review of Fair Funding (where resources should be allocated) and a review of the Business Rates system (the mechanics of how income is distributed and to what extent any growth is retained). It also includes the future of the New Homes Bonus scheme or any alternative replacement incentive scheme.
- 3.5 Given the time elapsed since the original consideration of potential funding reform, as well as the political changes, it is difficult to predict the direction of any reform. However, the Levelling Up agenda is not expected to benefit authorities in the South East, and funding for Social Care remains a significant challenge on resources for which District Councils will be competing. It therefore remains likely that the government funding will reduce as envisaged in the current MTFS. It is not clear what view will be taken on the balance between incentive schemes such as New Homes Bonus or funding through a formulaic approach. With the significant scope of work and consultation required it is possible that any changes may not be implemented until 2023/24.
- 3.6 As in 2021/22 the Council receives a Lower Tier Services Grant which for 2022/23 is £95k. A new 'Services Grant' of £147k covers the majority of the assumed National Insurance costs, £151k, which the government had committed to funding. Lower Tier grant and Services Grant

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are not included in 'base funding' so would not be subject to any transitional protection when a new funding system is introduced.

Minimum Revenue Provision (MRP)

- 3.7 On 30 November 2021 the Department for Levelling Up, Housing and Communities (DLUHC) published a 'Consultation on changes to the capital framework: Minimum Revenue Provision'. The consultation closes on 8 February 2022.
- 3.8 The Minimum Revenue Provision (MRP) is the amount set aside each year from the Council's revenue account for the repayment of debt. Local Authorities have flexibility in how they calculate MRP, providing they have regard to statutory guidance and that the charge is 'prudent'. Authorities must have regard to the CIPFA Prudential Code to ensure that capital plans are prudent, affordable and sustainable.
- 3.9 The government has been concerned that some Authorities have not made a prudent revenue provision for the repayment of debt in particular in relation to commercial investments. Studies by the National Audit Office and Public Accounts Committee during 2020 have also raised this issue.
- 3.10 Underprovision of MRP can result in an authority being unable to repay a proportion of its debt, passing the liability into the future, which will need to be met by capital receipts or accelerated MRP payments.
- 3.11 The Consultation seeks to address two issues:
 - Local authorities not charging MRP on debt related to certain assets
 - Local authorities using sales from assets (capital receipts) in place of a charge to revenue.
- 3.12 The Proposals will amend the regulations such that no debt can be excluded from MRP and that capital receipts (which include loan repayments) cannot be used for MRP.
- 3.13 Capital loans to the Council's group companies would be impacted by this proposed change in regulation. In effect it would require a revenue charge to the budget in addition to the loan repayment and would duplicate the funds set aside. Given the Council's levels of investment, and the amounts invested through capital loans in the group structure, the impact of this change could be substantial.
- 3.14 The Council debt affected is regeneration, housing and sustainable energy derived, not investment for commercial purposes. There are not excess yields from these investments from which to set aside further funds in the short term.
- 3.15 The flexibility provided by the current framework has enabled the Council to further policy objectives enabling the transformation of the town centre, and the provision of vital affordable housing. The proposals risk undermining the business plans for the investment in the Borough, requiring unnecessary double-counting of amounts to be set aside, and inconsistent approach to housing assets where for Housing Revenue Account debt no MRP is required.
- 3.16 The Council has engaged with DLUHC, expressing concern at the proposals and explaining the issues and how they impact the Council. There are a series of 'round table' events planned for early February which the Council will attend and a full consultation response will be prepared.

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Business Rates

- 3.17 During the pandemic the government has awarded Business Rates relief to businesses in the direct Retail, Leisure and Hospitality sectors as well as extended relief for small businesses and nurseries. The Council is funded through section 31 grants for the relief granted to businesses. This means the business rates being collected has been much less than previous years. The effect is that the government has paid the business rates for these businesses.
- 3.18 To continue to provide support as the economy recovers from the pandemic the government announced in the October budget that Retail, Leisure and Hospitality relief, currently at 66%, will continue into 2022/23 but at the lower rate of 50%. This reduces the Business Rates bills payable by eligible businesses and for the Local Authority provides full payment of 50% of these collectable rates by the government. The Chancellor also announced the freezing of business rates multipliers, keeping charges at 2020/21 levels through to 31 March 2023.
- 3.19 On 25 March 2021 the government announced a new COVID-19 Additional Relief Fund (CARF). The fund is available to support those businesses affected by the pandemic but that have been ineligible for existing support linked to business rates. Details and allocations were announced on 15 December 2021 with Woking being allocated £3.163m to provide relief to businesses in 2021/22 which have not currently received support. A scheme is being developed to allocate these funds.

4.0 Corporate Update

Corporate Strategy – Outcomes and Objectives

- 4.1 In 2021/22, the Council adopted an integrated service and financial planning approach to align resourcing decisions with the priorities of the Council.
- 4.2 The Corporate Strategy sets the core priorities for the Council and informs where our spending is directed in order to ensure that we target our finite resources towards the areas of highest priority and need.
- 4.3 The new Corporate Strategy 2022/23 – 2026/27 is being produced alongside the Medium-Term Financial Strategy and the response to the Community Engagement. These are being presented to the 24th March 2022 meeting of the Executive. This approach ensures we have the policy and priority context for developing proposals that sustain our financial resilience whilst ensuring we remain focussed on the priorities for our communities.
- 4.4 In advance of the meeting of the Executive on 24th March 2022, a draft set of Corporate Strategy Outcomes and Objectives have been developed and are attached at Appendix 6. These have been used to inform where our spending is directed in order to ensure that we target our finite resources towards the areas of highest priority and need.
- 4.5 The actions that we will focus on in 2022/23 to support the delivery of the Corporate Strategy will be part of the Corporate Strategy 2022/23 – 2026/27 being reported to the Executive on 24th March 2022.
- 4.6 In previous years, Service Plans have been presented alongside the proposed budget for the next year. These translate the Council's strategic vision, objectives and priorities into operational plans that drive improvement. Each Service Plan identifies what needs to happen for each area of Council activity to achieve success, what resources will be required, the outputs and outcomes that are anticipated and any risks that might impact delivery.

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- 4.7 With the adoption of integrated service and financial planning approach in 2021/22, Directorate Plans will now be presented to the Executive on 24th March 2022 alongside the Corporate Strategy. This approach further supports the “Golden Thread” that runs from Corporate Strategy through to operational plans and staff performance objectives.

Community Engagement

- 4.8 The Council has a bold vision to be in constant communication with residents and to have an embedded culture of consultation in how it operates and makes decisions that are in the best interests of the communities of Woking Borough Council.
- 4.9 Investment has been made into an on-line civic engagement digital platform, the Woking Community Forum, and a representative Residents’ Panel has been established. At the time of this report the Woking Community Forum has already hosted engagement on a number of key projects including:
- Housing Strategy;
 - Economic Development Action Plan for Woking’s recovery 2021-2023;
 - Planet Woking, and
 - Public Spaces Protection Order for Woking Town Centre.
- 4.10 The Community Forum also hosts a budget balancing tool where residents can simulate their priorities for spending whilst equally needing to make sure that the budget balances.
- 4.11 A series of community roadshows took place between November and December 2021 alongside an engagement questionnaire. The purpose of this engagement was to obtain community feedback in order to inform and influence the corporate priorities for the Council. An independent report providing analysis of the feedback from the questionnaire was commissioned and was reported to the meeting of the Executive on 20th January 2022. An initial response from the Executive of the Council to this engagement was webcast on 11th January 2022.
- 4.12 The Council will be producing a more comprehensive response to the engagement showing the actions taken as a result of the feedback. This response will be reported to the meeting of the Executive on 24th March 2022 alongside the 2022- 27 Corporate Plan and the 2022/23 – 2024/25 Medium Term Financial Strategy.
- 4.13 The Council faces significant financial challenges and it also has an ambitious development and growth agenda. The views of residents, businesses, partners and staff have an important role to play in establishing a clear vision for the future and clear priorities that will guide the development of our five-year Corporate Plan and Medium-Term Financial Strategy.
- 4.14 Feedback from the community roadshows and engagement questionnaire identified a number of key priority areas for residents:
- Climate change
 - Keeping the borough a safe place for everyone
 - Taking action where required, to deal with anti-social behaviour
 - Having a council that listens to residents and where everyone can ‘have their say’
 - Providing support for older, vulnerable people
 - Taking steps to improve traffic flows across the borough
 - Making it easier to travel around Woking Borough and the surrounding areas

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- Encouraging vibrant village high streets by supporting local business
- Tackling homelessness and its causes
- Supporting new and established local businesses and shops
- Providing more high-quality affordable and key worker homes, to meet the needs of local people

4.15 In advance of a full response to the engagement, there are areas that we can highlight where the Council has and is resourcing activity on the areas that are high priority for communities. Attached at Appendix 7 to this report are initial reflections on what the Council is already delivering and what it is looking to take forward.

Comprehensive Statement

4.16 At the meeting of Council on 29th July 2021, it approved the MTFS report and within this agreed for an independent comprehensive assessment of the Council's assets and liabilities as part of aligning the Fit for the Future Programme with the Council's accounts position.

4.17 At the same meeting a Notice of Motion was presented by Councillor Barker. Councillor Azad moved an amendment to this, which was considered and agreed. The following Notice of Motion then formed the basis of the independently commissioned review to satisfy both the Notice of Motion and resolve in the MTFS report.

"This council calls for a full, independent and comprehensive review of all the assets and liabilities of Woking Borough Council; and all companies in which it has an interest whether by means of shareholding (however large or small) or any other means of influencing the activities of said company.

The report is to contain a comprehensive Statement identifying, amongst other things:

- *An independent reviewer's assessment of the current net realizable value of each of the assets*
- *Full details of all borrowings including their terms and conditions*
- *Full details of outstanding contractual obligations involving future income to be received and future expenditure to be incurred*
- *Details of any fixed or floating charges on any assets*
- *Full details of any grants, loans or other contracts which contain performance conditions which, if not met, would incur financial penalties for the Council or any of its companies.*

Council officers should work with the Chair of the Overview & Scrutiny Committee to appoint an appropriate independent reviewer. The reviewer must:

- *Be allowed full and unfettered access to all the documents and information required*
- *Provide monthly progress reports to the Overview and Scrutiny Committee.*
- *Complete the review and the full report by the end of December 2021."*

4.18 Attached at Appendices 5 to 5b to this report is:

- Comprehensive Statement Response Report (Appendix 5)

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- Comprehensive Statement – Member Briefing (Appendix 5a)
- Comprehensive Statement – Final Report (Appendix 5b)

4.19 Attention is drawn to the section 5.3.1 of the attached Comprehensive Statement Response Report, and the associated table at 5.3.4, both which draw out the proposed actions in response to the Comprehensive Statement. For reference and in summary this is extracted below:

Whilst the Comprehensive Statement may not have highlighted any new individual statements of fact, it does provide significant added value and benefit for the Council and emphasises a number of issues that the Council should give increased focus and attention to. In this context the Comprehensive Statement:

- *Provides assurance around the Council's asset valuations approach and short-term cash and investment positions*
- *Recognises the Council's regeneration focus and the alignment of financial strategies to this*
- *By bringing the Asset Position; Borrowing Position; Financial Interests and Contractual Obligations together in one focused statement it gives additional insights that should be recognised and used to develop strategic financial priorities*
- *Provides insight that is relevant for the Council's Fit for the Future Programme and specifically the need for the Council to move with greater pace and certainty around:*
 - *Adopting a stronger strategic approach to the management of assets*
 - *Development of its commercial and strategic finance capacity and expertise in order to drive out the returns from our investments.*
 - *Completing the review of Governance of Companies, the strategic alignment between the Council and Thamesway group (through our established business and financial planning framework) and the intelligent client capability retained within the Council. This review should address the specific risks highlighted for Thamesway Energy Limited (TEL) and Thamesway Milton Keynes Limited (TCMK)*
 - *Strengthening the oversight of Town Centre management, including the strategic management of the assets*
 - *Continuing to develop and strengthen the Medium and Long-Term Financial Strategy and the strategic management of reserves within this*

4.20 The Comprehensive Statement was presented to the meeting of the Overview and Scrutiny Committee on 24th January. The independent professional services company that produced the statement were present at this meeting and took questions in relation to their statement.

4.21 At the time of writing this report the minutes of the Overview and Scrutiny Committee had not been confirmed. However, with the agreement of the Chair of the Committee, the following represents a fair view of the four key points from the meeting:

- Ensure the Council has the appropriate skills and capability to manage the risks arising from its investments and commercial interests;
- Monitor the economic outlook as applicable to Woking Borough Council;
- Be aware of legislation and regulatory risk; and
- Request further analysis of the operating cashflows for each of the Council's investments and commercial interests.

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4.22 The contribution from the Overview and Scrutiny Committee to the commissioning, assessment of and response to the Comprehensive Statement is welcomed and gratefully received. The four key points raised are accepted and align with the proposed actions in the Comprehensive Statement Response Report that is attached at Appendix 5 and referenced at 4.19 of this report above. For clarity, the monitoring the economic outlook and legislative and regulatory risk points are incorporated in the further development of the Medium and Long-term Financial Strategy.

Fit for the Future Programme

4.23 The Draft Medium Term Financial Strategy (MTFS) and General Fund Budget 2022/23 report to the Executive in November set out in detail the budget areas where efficiencies, increased income or savings were being targeted, together with the breakdown and forecast timescales for these to be realised.

4.24 Attached at Appendix 4 are the proposals for savings for 2022/23 arising from the work that has been done through the year in searching for areas where the Council can take actions towards balancing the budget. The total savings for 2022/23 is £2.427m. This compares to £2.563m when presented in November – a reduction in savings of £0.136m.

4.25 Appendix 4 also shows notional savings in 2023/24 and 2024/25. It is only the 2022/23 savings that need to be approved as part of this report – the following years notional savings will be considered as part of the 2022/23 – 2024/25 MTFS which is initiated at the 24th March 2022 meeting of the Executive.

4.26 The proposed areas for efficiencies, income generation and savings in the attached Appendix 4 are as reported in November, with the following areas where the proposals have changed following further work between the November and February reports to the Executive:

- Proposal to transfer catering production in community centres saving £0.138m per annum will now be part year in 2022/23 and full year saving in 2023/24. This has reduced the saving in 2022/23 by £0.048m;
- Savings from re-commissioning the Careline contract saving £0.024m per annum will now be part year in 2022/23 and full year saving in 2023/24. This has reduced the saving in 2022/23 by £0.012m;
- Proposal to remodel the staffing in community centres saving £0.154m per annum will now be a part year in 2022/23 and full year saving in 2023/24. This has reduced the saving in 2022/23 by £0.078m;
- Reduced usage of Bed and Breakfast accommodation resulting in savings of £0.032m per annum will now be a part year in 2022/23 and full year saving in 2023/24. This has reduced the saving in 2022/23 by £0.016m;
- The Fees and Charges increased that were agreed by Council at its meeting on 2nd December 2021 were £0.053m below the proposals for 2022/23; and
- The reduction in grants to voluntary sector and community organisations were £0.070m above the original forecasts for 2022/23. This reflects making some of the savings earlier than forecast.

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5.0 2022/23 General Fund Budget

- 5.1 The General Fund Summary at Appendix 1 summarises the proposed budget and Council Tax for 2022/23. Appendix 2A details the general budget pressures and specific service budget changes.
- 5.2 Council services are funded by government grants, fees and charges and the net income from commercial activities and loans to the Council's group companies. For 2022/23 this can be summarised:

Budget Summary 2022/23		
	£'000	£'000
Service Expenditure (excluding benefits and capital charges)		43,742
Service Income - Grants, Fees and Charges (excluding benefits)	-	18,953
Net Service Costs		24,790
Interest Costs	55,520	
Investment Income from loans to (group) companies	-	38,503
Commercial Rents	-	<u>22,606</u>
Total Net Investment and Financing Income	-	5,590
Use of Reserves	-	5,038
Government Funding	-	2,609
Business Rates above baseline	-	935
Council Tax	-	10,619
Total Income and Use of Reserves	-	24,790

- 5.3 The proposed budget is based on the 2021/22 approved budget updated for contractual inflation, changes in funding and forecast income, agreed service changes and the impact of the draft investment programme which is also on this agenda.
- 5.4 The table below sets out a summary of the pressures and the following sections provide further details.

Budget variation 2021/22 to 2022/23	Feb-22
Cost (+)/ Saving (-)	£'000
Investment Programme/Treasury Management	1,646
Service Pressures	2,460
Increase in Fees and Charges	-321
Reduction in Covid Provision	-4796
Fit for the Future savings and efficiencies	-1,773
Increase in Government Funding	-152
Increase in Assumed Business Rates income/New Homes Bonus	-735
Increase in Council Tax/taxbase	-539
Reduction in use of reserves required in 2022/23	-4,210

Core Government Funding

- 5.5 The provisional Business Rates and Revenue Support Grant (RSG) figures for 2022/23 announced on 16 December 2021 are consistent with current funding levels in 2021/22. The

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forecast reduction in funding or 'negative RSG' has again been deferred from the funding provided for 2022/23. The risk of funding reductions as previously indicated, will continue to be allowed for in future years in the MTFS until any new funding regime is launched.

- 5.6 The Lower Tier Services Grant introduced in 2021/22 has been continued which provides £90,907 additional funding. This has been increased to £95,753 for 2022/23. A new one-off 'Services Grant' has been included in 2022/23. At £147,156 this covers most of the expected £151,000 cost of the increase in National Insurance contributions for which the government committed to provide funding.

Business Rates

- 5.7 Woking has accepted membership of the Surrey-Sutton Business Rates pool in 2022/23, as one of the better placed Authorities in the County. The continued government support for Retail, Leisure and Hospitality businesses during 2022/23 reduces the risk of irrecoverable income. The benefit of pooling, together with the forecast Business Rates growth is expected to provide £935,000 in addition to the baseline Business Rates receivable.
- 5.8 Given previous levels of Business Rates surpluses it is considered reasonable to include the forecast benefit in the budget for 2022/23, however it should be noted that this is not a reliable ongoing income stream and may not be secured in future years. Any income in excess of this level, is considered a one-off benefit and will result in an increase to reserves. These funds provide support to the MTFS strategy to achieve a balanced position whilst not placing reliance on this as an ongoing funding source.
- 5.9 As well as Business Rates collected, the Council also pays Business Rates on its own properties. The government has frozen the level of Business Rates so there are minimal changes to the Council's budgets for 2022/23.

New Homes Bonus

- 5.10 The New Homes Bonus (NHB) scheme match funds the additional Council tax for each new home and property in the Borough, above a baseline level, after that home is built or brought back into use.
- 5.11 The government has been phasing out New Homes Bonus. For 2022/23, the government has provisionally awarded the Council £230,905 under this scheme. The budget assumes that this is used in-year reducing the use of reserves to support services.
- 5.12 New Homes Bonus has been used to repay the funds loaned by Enterprise M3 towards the Sheerwater Access Road project and supported investment in Brookwood Cemetery.

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Total Government Funding

5.13 The provisional Government funding for 2022/23 is shown in the table below.

Government Funding

	Actual	Provisional
	2021/22	2022/23
	£'000	£'000
Business Rates	2,135	2,135
New Homes Bonus	281	231
Lower Tier Services Grant	91	96
Services Grant (NEW)		147
Total Funding	2,507	2,609

Management and Administration budgets

5.14 The Executive has agreed that for budgeting purposes, the salaries budget will be controlled within two parameters of cost and average number of full time equivalent staff.

5.15 The Fit for the Future savings exercise has identified a number of posts which can be removed from the establishment for 2022/23. Other variations to the 2022/23 budget are shown in the table below. The most significant is the insource of the Housing Service from 1 April 2022.

<u>Pressures on staffing budgets</u>		£'000
Cost of turnover, pay progression and allowances 2021/22		183
National Insurance Health & Social Care Levy 2022-23 1.25%		160
Real Living Wage increase		35
New posts, structure changes offset by savings identified		335
Pressure on Staffing Budgets		713
Reduction in investment programme funding		46
Add new posts externally funded		172
Changes in funding		-237
Reverse 2021-22 savings target built into base budget		428
Add 2022-23 savings target		-450
Other		-42
Womens Support Centre (offsets service saving)		351
Hale End Court		131
Housing Insource		1,312
WBC Service Growth		1,794
Assumed increase for pay progression and allowances 2022/23		450
Pressure on staffing budget (Increase in Staffing Control Total)		2,915

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- 5.16 The Medium Term Financial Strategy assumes an annual £400,000 increase in the staffing costs. This has previously represented approximately 2.5% of the salary budgets. Due to the growth in the staffing budgets this allowance for increased costs has been increased to £450,000 in the control total for 2022/23 representing 2.2% of the total budget.
- 5.17 The 2021/22 budget included a £428,000 'vacancy target'. For 2022/23 the control total has been reduced by a £450,000, a 2.2% 'deflation' equivalent to the growth allowed above. During the year overall staffing levels and vacancies will need to be managed to remain within budgeted levels.
- 5.18 The budget tracks those posts which are funded by Council Tax and the Housing Revenue Account. It is net of any posts which are funded externally or by Investment Programme projects. The table below shows the trend in the total staffing budget.

Year	Budget (in cash terms) £m	Average Number of FTE Staff
2014/15	12.400	345
2015/16	12.500	345
2016/17	12.600	335
2017/18	13.000	335
2018/19	13.575	340
2019/20	14.360	350
2020/21	15.690	365
2020/21 (in-year variation)	15.041	358
2021/22	15.590	340
2022/23 (proposed)	18.505	373

Accounting rules require that these costs are allocated out to individual services to show the full cost of the service. The total Management and Administration budget includes salaries, and other overhead costs which need to be allocated across services such as ICT and expenditure relating to the Civic Offices. In total for 2022/23 the full Management and Administration budget is £25.5m, with an increase of £2.7m compared to 2021/22 as shown below.

- 5.19 The triennial actuarial review of the pension fund was completed for the position of the fund at 31 March 2019 and set the employer's on going pension costs, and annual lump sum payment towards the pension fund deficit, for 2020/21 to 2022/23. A £61,000 increase in the lump sum funding is included for 2022/23 as part of the agreed approach.

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Variations in Management and Administration budgets

	£'000
Management and Administration 2021/22	22,738
Staffing	2,915
Less: Funding allocated directly to services	-433
Superannuation	61
Indirect staffing costs/savings	-9
Repairs & Maintenance	111
Insurance	5
Telecomms	20
IT Equipment & Applications	91
Insurances	-14
LEXCEL Accreditation	35
Other	-6
Total Variations	2,775
Management and Administration 2022/23	25,513

5.20 This total budget is allocated between the General Fund, Housing Revenue Account and Capital programme as set out in the table below.

	2022/23		2021/22		Difference	
	£'000	%	£'000	%	£'000	%
General Fund	20,357	79.8	19,363	85.2	994	-5.4
HRA	4,962	19.5	3,165	13.9	1,797	5.6
Other (capital/reserves)	194	0.7	210	0.9	-16	-0.3
TOTAL	25,513	100.0	22,738	100.0	2,775	0.0

5.21 Those posts which are capitalised or funded from Investment Programme budgets are categorised as externally funded. Only posts directly working on projects are allocated, this position will continue to be reviewed including the opportunity to fund wider staffing costs from project budgets.

Fees and Charges 2022/23

5.22 Council agreed the Fees and Charges for 2022/23 in December 2021 and the changes to the income budgets are incorporated into the budgets. The increase in yield included in the Fees and Charges report, excluding Car Parks, was £305,615.

5.23 Increases in income identified as savings through the Fit for the Future programme were incorporated into the Fees and Charges review where appropriate and budgets have been adjusted to reflect these changes.

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- 5.24 The projections for Car Parking income have been considered in setting the budget for 2022/23. Whilst the latest Covid Omicron wave has again set activity levels back, the recovery during the autumn was consistent with the current MTFS parking income forecasts. It is therefore assumed that levels will continue to recover as previously envisaged. This will be considered again for the MTFS in March.
- 5.25 A Covid provision continues to be made for car parking income lost as levels are yet to reach pre-pandemic levels. The provision is the difference between forecast income and the budget which has been held constant since 2020/21. For 2022/23 the provision is £1.31m, a significant reduction on the amounts required in 2021/22 reflecting both the recovery in activity and the increase in charges agreed in December 2021.

Commercial Rents 2022/23

- 5.26 Over recent years the Council has acquired a number of strategic properties within the Borough across a variety of property types and sectors. In many cases the properties have been enhanced or developed to attract new employers or services to the Borough.
- 5.27 Rental income is shown within service budgets whilst the cost of servicing borrowing, both interest and repayment costs, are shown within interest costs in the General Fund Summary (Appendix 1).
- 5.28 The Covid pandemic affected almost all businesses as lockdowns and social restrictions required businesses to close to the public, and staff to work at home. Even as restrictions have been relaxed it is taking time for activity to return, and some businesses will be permanently affected by behaviour change.
- 5.29 The Council's commercial income was affected by non-payment of rents during 2020/21. The Council agreed a recovery strategy which provided flexibility for some tenants based on the business sector. During 2021/22 some of these arrangements continue and will affect the overall cash received in year. In most cases tenants are paying rents as contracted, and the total lease income due is in line with the base commercial rents budget.
- 5.30 To reflect the ongoing risk to commercial income across the whole property portfolio a continued Covid provision for irrecoverable rents and service charges of £517k has been incorporated into the 2022/23 budget. This is based on a forecast of expected cashflows in 2022/23 and also includes an assessment where leases may not be renewed.
- 5.31 Further information on the Council's approach to Strategic Property Investment can be found in the Capital and Investment Strategies, also on this agenda.

6.0 Investment Programme

- 6.1 The draft Investment Programme, also on this agenda, was considered by the Executive at its November meeting and has been reviewed by the Finance Task Group.
- 6.2 To preserve the Council's resources following the initial lockdown in 2020, uncommitted projects within the Investment Programme were temporarily suspended. These suspended projects have been reviewed and allocated either to a pipeline list of projects not yet funded within the budget, or cancelled where the projects are no longer appropriate or relevant as proposed at the current time. Further details can be found in the draft Investment Programme also on this agenda.
- 6.3 The revenue impacts of the Investment Programme have been built into the draft General Fund budget. There is an increase in net interest costs of £1.65m compared to 2021/22. This

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includes interest and repayment costs for those projects funded by borrowing, and contributions from reserves for some revenue projects.

7.0 Thamesway Group

- 7.1 The Thamesway Group of companies are used to further the Council's strategic sustainable energy, housing and regeneration objectives. As well as the direct service benefit there is a financial benefit to the Council from the loans and shares invested in the Thamesway group. Investment in Thamesway Housing Ltd is at a margin of 1.5% over the Council's borrowing costs. Investment in Thamesway Energy Ltd for the new Poole Road Energy Centre is at a margin of 1% over the cost of borrowing.
- 7.2 The Thamesway Group continues to work to existing business plans for 2022. During the year business plans will be fully refreshed to ensure they align to the Council's Corporate Strategy due to be adopted in April.
- 7.3 Following the Comprehensive Statement work completed by EY, as set out in section 4, there will be further work commissioned to revisit and challenge the underlying assumptions of the group business plan to provide assurance that the underlying financial models remain appropriate.

Heat Networks Investment Project

- 7.4 Thamesway Energy Ltd (TEL) has been provisionally awarded funding through the government Heat Networks Investment Project (HNIP) for investment in infrastructure to extend the network of the Poole Road Energy Centre.
- 7.5 The proposed support is through loans with minimal interest costs. Negotiations are ongoing with the Department for Business Energy and Industrial Strategy (BEIS) to establish the terms for repayment of the funding. Once the final offer is established TEL will make proposals to the Council for any 'match' borrowing required. An update will be provided in the MTFS report in March.

8.0 Robustness of the 2022/23 Budget and Risks

Covid Provision

- 8.1 An allowance has been made for lost income as a result of the ongoing Covid-19 pandemic. This provision has been funded by reserves.
- 8.2 The provision for car park income reflects the assumed loss of income against the pre-pandemic budget. The loss is greater if compared to previous forecast income for 2022/23 which would have included increases in activity and charges.

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	Base 2021/22 £'000	MTFS March 21 2021/22 £'000	Base 2022/23 £'000	Variance £'000
<u>Covid Specific Provision</u>				
Reduction in Car Park income	3,217	3,653	1,301	2,352
Allowance for irrecoverable Commercial Rents	3,810	1,940	517	1,423
Loss of Freedom Management Fee	402	402		402
SFC Compensation - Car Parks Q1	-529	-977		-977
SFC Compensation - Leisure Q1	-287	-287		-287
	6,614	4,731	1,818	2,913

Savings Targets and Risk Contingency

- 8.3 A £100,000 in-year savings target continues to be included in the General Fund Summary. There is also a £250,000 target of savings to be secured from the Fit for the Future programme through Corporate work streams such as transformation, digital, and procurement. Savings targets are included within service areas where target areas have been identified through the Fit for the Future programme.
- 8.4 The MTFS in March will reflect further on savings achieved to date and the strategy going forward.
- 8.5 The funded Risk Contingency has been kept at £250,000, the same level as in previous years. In addition to the areas already considered in this report, the following are identified as risks or pressures within the proposed budget for 2022/23.

Car Park income

- 8.6 As set out in the fees and charges section above the recovery of parking activity continues to be uncertain during 2022/23. As the Omicron 'work from home' guidance is lifted it is expected that levels will again increase, however it is not clear how long it may take for shoppers and office workers to return. The provision reflects a reduction of 16% compared to the pre pandemic budget but also incorporates the increase in charges agreed by the Council in December.
- 8.7 The Victoria Square regeneration includes new car park facilities and is due to open in March 2022. Once complete the Council is due to acquire the car park element of the Victoria Square development. Current forecasts do not assume significant additional income as a result of the car park as it is recognised that it will take time for activity to increase. This will be considered further in the March MTFS report and revised if considered appropriate.

Town Centre and other Commercial Income

- 8.8 The base budget recognises current known variations in rental income and provides an allowance for irrecoverable debts during 2022/23. Current contracted rental income is in line with the previous commercial rent budgets. As in previous years there is an assumed use of reserves of £1m to cover variances in rent in year compared to budget. In addition, and reflecting forecasts, a further £517k is provided through the Covid provision against irrecoverable rent. This is considered a prudent approach and rental income is forecast to increase, through the MTFS which will reduce the use of reserves.

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Leisure Contract

- 8.9 No allowance is made for ongoing support to Freedom Leisure for operating the Leisure Centre, Pool in the Park and other leisure facilities in the Borough. From 1 April 2022 it is also assumed that the management contract income will be payable at previous levels.

Timing of Investment Programme and interest costs

- 8.10 Some projects have been funded by borrowing as an interim measure pending receipt of grants or contributions. Any delay in the funds being recovered will increase the Council's financing costs.
- 8.11 Net interest costs during the year are also affected by decisions on whether borrowing should be taken long or short term, and when the borrowing should be secured. During 2021/22 short term borrowing, taken during 2020/21 has been replaced by long term borrowing.
- 8.12 As shown in the table below, the forecast for Bank Rate now includes three increases, one in quarter ending June 2022 to 0.50%, quarter 4 of 2022/23 to 0.75%, March 2024 to 1.00% and, finally, one in March 2025 to 1.25%.

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Mar-24	Mar-25
Bank rate	0.25%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%
5 yr PWLB rate	1.50%	1.50%	1.60%	1.60%	1.70%	1.90%	2.00%
10 yr PWLB rate	1.70%	1.80%	1.80%	1.90%	1.90%	2.10%	2.30%
25 yr PWLB rate	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.50%
50 yr PWLB rate	1.70%	1.80%	1.90%	1.90%	2.00%	2.10%	2.30%

- 8.13 The current forecasts do not show a steep increase in rates. However, there are a number of factors which could impact on the economy and the forecast bank rate. These include the potential of a new variant of the virus (or the impact of the Omicron variant becoming more severe) and the impact of rising levels of inflation. There are indications that there could be a 50% increase in the price cap on fuel prices from 1st April 2022 which could boost inflation significantly, putting pressure on the Bank of England to raise the Bank Rate faster.
- 8.14 Therefore there are significant upside risks to the bank and PWLB rates which will cause market volatility in the short term and may mean economic forecasts are revised.

Energy

- 8.15 Budgets for energy supplied by Thamesway Energy Limited have increased significantly. This is partly due to budgets for the current financial year not being increased as a result of the uncertainties surrounding the pandemic, and partly as a result of the forecast increase in global energy prices.
- 8.16 The uplift in prices used by Thamesway for 2022/23 budgeting purposes is:

Electricity	22.60%
Heat	53.20%
Cooling	17.76%

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- 8.17 These increases have resulted in a year on year increase at General Fund level of £362k (39.05%). There are also additional energy costs forecast for new operational properties.
- 8.18 The increase in energy costs, together with increased activity due to Victoria Square, also requires the parent company guarantee provided by the Council to Total Gas and Power (TGP), the supplier of gas and top-up electricity to Thameswey, to be increased to £843,000. This is necessary to ensure the energy supply at the new substation at Board School Road which will provide power to Victoria Square. The Executive is asked to resolve that this guarantee is provided.

General Risks

- 8.19 No specific provision has been made in the Budget for abnormal events. However, as specific provisions have been made for known Covid and service risks, the proposed risk contingency and reserves should enable the Council to manage other changes in year.

9.0 Council Tax 2022/23

- 9.1 The amount to be raised from Council Tax, based upon the draft revenue estimates, and after taking account of the Provisional Government Settlement and Collection Fund surplus, is £10,606,602. The recommended Band D Council Tax for 2022/23 for Woking Borough Council is £255.46, an increase of £5 or 2%. The referendum level for District Councils in 2022/23 is the higher of 2% or £5. In assessing the Council's core resources the government assumes that the maximum Council Tax increase is applied.
- 9.2 This proposal best protects the Council's medium term financial position and ability to maintain its service outcomes post pandemic.

Long Term Empty Properties

- 9.3 The government passed legislation during 2018/19 to enable councils to charge a long-term empty premium on top of the council tax payable, in respect of domestic properties that have been left empty and substantially unfurnished.
- 9.4 These changes encourage empty homes to be brought back into use and generate additional income to support the services of the County Council, the Police and Woking Borough Council. In February 2020 the Council approved the premium for empty properties from the applicable dates. The changes are now fully implemented and the premiums applied are set out below.

Premium rate	Properties affected
100%	Properties empty for between two and five years
200%	Properties empty for between five and ten years
300%	Properties empty for over ten years

- 9.5 Surrey County Council has introduced a scheme where any increased County element of Council Tax generated from changes to empty home policies can be claimed by the District and Borough Council's to support mutually agreed projects. It has been agreed that these funds can be used to support the Decarbonisation works at Midas House and Export House.

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Collection Fund deficit

- 9.6 The government required that 2020/21 Collection Fund deficits, both Council Tax and Business Rates, be spread over 3 years. This means that a third of any losses forecast for 2020/21 were taken into account when setting the Council Tax for 2021/22. A further third is taken into account in the 2022/23 Council Tax setting.

10.0 Medium Term Financial Strategy

- 10.1 The Medium Term Financial Strategy (MTFS) will be updated and reported to the Executive in March. The most significant factors to consider are:

- Rate of recovery of Parking and Commercial rent income and the impact of Victoria Square;
- Progress against Fit for the Future savings and additional savings and transformation programmes;
- Any changes in the Investment Programme and risk around draw down of funding to Thamesway Housing Ltd;
- Government Funding changes and 'Levelling Up';
- Impact of inflation and interest rate forecasts; and
- Additional corporate resources and workstreams identified following the EY financial review.

- 10.2 Updates to the MTFS have been provided regularly during 2021/22 along with the detail of the Fit for the Future programme and forecast impact on reserves.

- 10.3 It has not yet been possible to achieve an ongoing sustainable budget with no use of reserves to support services. Whilst savings of £4.8m have been identified (Appendix 4) further pressures have been identified including a reduction in income from advances to Thamesway Housing Ltd.

- 10.4 A full review of the MTFS assumptions, risks and forecasts will be considered as part of the March 2022 report, including proposed actions to seek to close the remaining budget gap.

- 10.5 The financial position of the Council is directly related to the success of Woking Town Centre where the Council owns a significant proportion of property assets and generates car parking income. A focus on ensuring the Council achieves a return from the regeneration investment will be important over the MTFS and has been recognised as a key action from the EY Comprehensive Statement.

11.0 Reserves

- 11.1 Forecasts of the Investment Strategy Reserve and the total Reserves are shown in Appendix 2B and 2C.

- 11.2 The use of reserves to cover revenue deficits are shown in the reserves forecast. Whilst the Covid element of this use of reserves falls, the underlying use of reserves continues to be impacted by the lost income growth during the 5 years of the forecast.

- 11.3 It can be seen that despite these pressures, reserves are available through to 31 March 2026, but fall below the Council's minimum level of £10m in the final year of the forecast. Funds set aside for other purposes may also need to be reallocated.

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- 11.4 The MTFS report in March will review the assumptions and forecasts for future years in the context of the new 2022/23 base position and will consider further the underlying use of reserves.
- 11.5 Some items in the General Fund Summary (Appendix 1) are covered by the Council's revenue reserves. These tend to be variable or one off items which would otherwise cause the Council Tax requirement to vary significantly year on year.
- 11.6 The staffing structure will continue to be reviewed during 2022/23 where opportunities arise. An allowance of £250,000 to be met from reserves has been made for any resulting Management of Change costs.
- 11.7 Transfers have previously been made from the Investment Strategy reserve to a number of specific reserves, for example the Group Company reserve, Equipment and Community Funds. There are not immediate calls on these reserves which are considered to have sufficient funds to cover likely requirements. No further transfers are therefore proposed unless a need is identified. More detail on specific reserves can be found at Appendix 2B. The reserves are used by the Council to manage and develop its ambitions as well as enabling one off investment.
- 11.8 The forecast reserves position shows sufficient reserves through to 31 March 2025 which are being used in support of the business objectives of the Council. However, reserves are set aside for specific purposes and to cover identified risks and it will be necessary to review the long term levels necessary to support the Council's business including any further deficits as the economy recovers.

One-off provisional income

- 11.9 The Council takes a prudent approach to budgeting and generally seeks not to incorporate income into the base budget where it is one off. Including such income can result in significant savings targets in future years if the income is not repeated.
- 11.10 There is potential for additional income from Business Rates in both 2021/22 and 2022/23, when the Council is part of the Surrey pool. Any additional benefit will increase the underlying reserves available to support the Medium Term Financial Strategy but cannot be relied upon as ongoing income so does not affect the MTFS saving requirements.
- 11.11 There is also a possible saving during the year from treasury management budgets where it is assumed that the Council borrows the full amounts required to fund its proposed Investment Programme. Savings are possible if there is slippage of capital projects and through the Council using internal borrowing – using its own cash reserves to delay the need for external PWLB borrowing. A further saving can be achieved through the use of short term loans at a lower rate before long term borrowing is secured. However this has to be considered against the risk of rising long term interest rates.

12.0 Prudential Indicators

- 12.1 The Treasury Management, Capital and Investment Strategies elsewhere on this agenda set out the borrowing limits and the policies and practices to be followed in managing the Council's debts, capital spend and investments. The reports incorporate the Prudential Indicators which relate to borrowing and investment.
- 12.2 Allowance has been made in the borrowing limits for borrowing associated with the Thamesway Business plans. The limits allow for up to half of the following years Thamesway Housing Ltd (THL) allowances, as set out in the Investment Programme, to be drawn down in advance.

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12.3 Prudential Indicators for approval by the Council are set out in Appendix 3. These Prudential Indicators will be updated if necessary in the light of the Council's consideration of the Investment Programme and revenue budgets.

13.0 Chief Finance Officer

13.1 Taking into account all of the factors set out in this report and in accordance with the Local Government Act section 25, the Chief Finance Officer has confirmed that the 2022/23 estimates included within this paper are robust, and the level of reserves and provisions are adequate.

13.2 The Council has embarked on an ambitious Fit for the Future programme incorporating an efficiencies exercise as well as service transformation, strengthening of corporate governance arrangements and a programme of community engagement. A 5 year Corporate Strategy will be considered for approval by the Executive in March and Council in April 2022.

13.3 A Comprehensive Review of the Council's Assets and Liabilities has been completed by EY and is attached to this report at Appendix 5. This has proved a valuable exercise in focusing the Council's attention on a number of key actions which will further the understanding of the financial position and provide a strong base from which to implement future strategy. The actions are set out in detail in 4.19.

13.4 Whilst progress has been good, and due to the Council's strong reserve position, there is no immediate pressure on the level of reserves, the forecasts still show an underlying use of revenue reserves over the 5 years resulting in falling below the Council's set minimum level of £10m by 2026. It is critical that plans are put in place now to reduce the use of reserves, ensuring they remain in place to protect the Council's future financial position.

13.5 It will be important that proposed savings are realised with monitoring and reporting in year to identify any issues and take management action. This period of transformation will require investment in resources to achieve necessary changes and ensure the Council has the capacity and capability to protect its investments and achieve the best outcomes. Any further resource requirements will be considered in the March MTFS and reporting during 2022/23.

14.0 Corporate Strategy

14.1 This report sets out the resources available to support the emerging five-year Corporate Strategy due for consideration along with the Medium Term Financial Strategy in March/April 2022.

14.2 Section 4 provides more detail on the process and the priorities for 2022/23 are included in Appendix 6.

15.0 Implications

Finance and Risk

15.1 The financial implications are explicit in the report.

15.2 The Medium Term Financial Strategy includes an assessment of the likely financial impact and incorporates actions to mitigate these.

15.3 As set out in the report the most significant financial risks relate to the continuing financial consequences following the pandemic including reliance on commercial income and the success of town centre investments.

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- 15.4 The government has again announced funding levels for just one year with a risk of reducing support beyond 2022/23.
- 15.5 In setting the budget for 2022/23 an allowance continues to be made for lost income or irrecoverable debts. This will need to be funded by reserves and has been taken into account when forecasting the Council's available resources going forward.
- 15.6 Budgets have been amended where ongoing risks have been identified during 2021/22. One-off or short term variances are monitored against the Risk Contingency during the year. Specific service risks have been set out in the report.

Equalities and Human Resources

- 15.7 The Council's Human Resource Requirement reflected in these estimates as detailed in section 5.
- 15.8 Service planning takes account of the Council's policies in respect of equalities.

Legal

- 15.9 Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for 'the proper administration of their financial affairs'. The Local Government Act 2003 places a duty on the Council's Chief Finance Officer to advise on the robustness of the proposed budget and the adequacy of reserves. The Medium Term Financial Strategy is a policy framework document that is required by law to be adopted by Council.
- 15.10 The Council is required by statute to set a balanced budget and related council tax demand. The function of the Executive is to prepare and propose the relevant strategy to the Council. This document provides a comprehensive update on the Council's current position.
- 15.11 Members have a duty to seek to ensure that the Council acts lawfully. They are under an obligation to produce a balanced budget. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of services which they consider should be provided against the costs of providing such services.

16.0 Engagement and Consultation

- 16.1 The Council has undertaken a significant programme of engagement during 2021/22 in preparing for the adoption of a new 5 year Corporate Strategy for 2022/23 onwards. This has included community roadshows as well as online questionnaires and a budget simulator tool.
- 16.2 The feedback from this engagement work was reported to the Executive in January and is the basis for the emerging Corporate Strategy as set out in section 4 of this report, with identified priority areas described in Appendix 7.
- 16.3 The 2022/23 budget has been prepared on the basis of the provisional programme of work with any required amendments or reallocation of resources subject to separate determination in the March/April 2022 MTFS or during the year.

REPORT ENDS