

Report to Cabinet

29 September 2022

By the Cabinet Member for Finance and Parking



DECISION REQUIRED

Not Exempt

Update on the Council's financial position in 2022/23 and Medium-Term Financial Strategy update 2023/24 to 2026/27

Executive Summary

This report updates the Council's financial position in 2022/23 and how the Medium-Term Financial Planning scenarios and assumptions have changed since the budget was set in February 2022.

A high level of uncertainty remains as the economy navigates the highest levels of inflation since the early 1990s, pressure from salary increases, and no further clarity on the future of Government's plans for the reform of business rates, fair funding review and how levelling up will affect us. In these circumstances it is fortunate that the Council has kept high levels of reserves and thus is able in the short term to have time to make considered decisions.

This report gives a snapshot of where we think our finances are today and also projects over the medium-term. Officers have revisited the assumptions based on the latest income data and wider information from Government. The outlook is bleaker than in February as inflation has surged, and the increases could push annual non-salary costs and salary expenditures up to £1m a year higher than previously anticipated. On top of this, the estimated £1.3m cost of food waste collection from Autumn 2024 is a major factor in the projected deficits from 2024/25 onwards that end the period at £3.4m, unless income in the form of council tax, garden waste charges and general fees and charges are raised more in line with inflation.

In July 2022, the Levelling Up Secretary indicated proposals for a two-year settlement which might suggest that there may be rollover settlements in both 2023-24 and 2024-25. However, there have been significant changes in Government since then, and the detail will, however, only be revealed in the provisional settlement in December 2022.

As more information becomes available during 2022/23, there will be further updates, with the focus on levels of inflation and also the work needed to set balanced budgets across the medium-term which is likely to require substantial action.

Recommendations

The Cabinet is asked to

- i) note the changes in the Council's financial position in 2022/23 and the medium-term.
- ii) recommend Council approve the updated list of fees and charges in paragraph 3.22

Reasons for Recommendations

- i) The Council needs to acknowledge the effects that high levels of inflation will have on its financial position both in the short and medium-term. This has moved the council from what has been a long-term healthy financial position to one with predicted deficits unless action is taken on fees and charges. Given the level of uncertainty in the projections, the economy and proposed Government action, the report does not recommend direct action to reduce expenditure at this stage.
- ii) To ensure these fees and charges are approved by full Council as per the constitution.

Background papers:

- Budget and Medium-Term Financial Strategy report Cabinet 27 January 2022 (approved by Council on 9 February 2022 and 24 March 2022).
- 2021/22 Financial Outturn report Overview and Scrutiny Committee 6 June 2022
- Report on the Council's Finance and Performance (2022/23 at M4) Overview and Scrutiny Committee 26 September 2022

Appendices:

- Appendix 1: (unaudited) Reserves at 31 March 2022
- Appendix 2a: summary of high-level assumptions and changes
- Appendix 2b: assumptions pushed on higher fees and income
- Appendix 3: potential capital infrastructure and added carbon reducing costs during 2020s

Wards affected: All

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Background Information

1 Introduction and background

- 1.1 The 2022/23 budget was set by Council in February 2022 before inflation really started to rise. Since then, inflation as measured by CPI has soared beyond 9%. Rising energy prices, the general cost of living increases, and global events such as the war in Ukraine impacting prices and world supply chains, have all significantly altered the more optimistic outlook.
- 1.2 Rising salary and price costs together with expenditure on new services such as food waste collection, contribute to a predicted significant gap of £3.4m in the Medium-Term Financial Strategy in future years if actions are not taken.
- 1.3 To rebalance its position, the Council will need to carefully consider the fees that it charges, its service offers and / or ways in which it can generate more income. The Council's reserves mean that in the short term, we do not have to rush to take immediate action, but they cannot be seen as an alternative to taking decisions to bring the budget back to balance in the medium term.
- 1.4 Government previously indicated there might be a two-year settlement for 2023-24 and 2024-25. The Fair Funding Review, business rates baseline reset, and other funding reforms might then be pushed back to 2025-26. It means that the 2021 Census might not be reflected in funding allocations until 2025-26. This suggests that any financial settlement might be broadly similar to the 2022-23 settlement. This would benefit Horsham because any re-set is likely to result in a reduction of funding. This assumption is a risk however, as there have been changes in Government since July 2022.

2 Relevant Council policy

- 2.1 The Council has a record of providing high quality, value for money services and to continue to achieve this the Council will need to consider what action to ensure money is available for our key services.

3 Details

- 3.1 The operational forecast outturn at Month 4 for 2022/23 is a £0.25m net surplus. Investment income from rising interest rates and returning parking is so far outweighing rising costs from the high price of HVO fuel and vehicle parts and overspending on Housing services. The anticipated £0.8m of salaries overspend not yet included in the forecast is on the assumption of the latest national pay award offer of £1,925 per person rather than the 1.3% in the budget. If necessary, this will be funded from the inflation earmarked reserve set aside from the 2021/22 budget surplus. The overall funding position is a £272k deficit.
- 3.2 The updated budget position including the current year forecast and revised interim Medium-Term Financial Strategy is set out in table 1. Appendix 2 sets out a summary of the assumptions now, against the assumptions that were part of the 2022/23 budget and Medium-Term Financial Strategy set in February 2022, and also summarises the key forecast movements in net expenditure between years. Details of the assumptions and any changes are set out in section 3 of the report.

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000	£000	£000
Table 1: interim MTFS Sept 2022						
Estimated net expenditure	13,072	12,188	14,035	15,225	16,650	17,200
<i>In year budget adjustments</i>	250	125	-	-	-	-
<i>Overspend / (underspend) [*forecast M4*]</i>	(2,111)	(252)*	-	-	-	-
Estimated net expenditure	11,211	12,061	14,035	15,225	16,650	17,200
Funding: Council Tax	(10,251)	(10,700)	(11,030)	(11,370)	(11,765)	(12,170)
Extra Government grant	(146)	(141)	-	-	-	-
Baseline Business Rates	(2,052)	(2,052)	(2,052)	(2,052)	(1,850)	(1,650)
Other funding, Collection Fund (surplus) / deficit	(12)	(11)	(12)	(12)	(12)	(12)
Total Funding	(12,461)	(12,904)	(13,094)	(13,434)	(13,627)	(13,832)
One-off COVID-19 funding	(981)	-	-	-	-	-
£150 C-Tax support spend	98	120	-	-	-	-
Salary impact	-	880	-	-	-	-
Estimated utility impact not yet in forecast.		120				
Net (Surplus) / Deficit rounded	(2,133)	272	940	1,790	3,025	3,370

3.3 The Council produced a £2.1m operational surplus in 2021/22, in the context of performance recovering from Covid-19 faster than the cautious budget predicted when it was set in lockdown in January 2021, especially in the leisure services, as well as receipt of one-off Government grants supporting authorities through the pandemic. Surpluses on this scale are not envisaged in the future due to rising cost pressures.

- 3.4 In February 2022, Council agreed to work with West Sussex County Council and continue to help support our most vulnerable working age families on Council Tax Support in a year when their income is likely to be adversely affected. The cost of the Council's contribution to fund the £150 scheme this year is estimated at £120k, although the exact amount will depend on how many working families apply for council tax support before 31 March 2022. This will be funded by the one-off Government grant of £141k, given to ensure the Council was no worse off in the settlement than the previous year. West Sussex County Council has not

Expenditure pressures:

- 3.5 Inflation and pay increases are the significant area of concern in our projections. We are seeing greater pay pressures in our professions and difficulties in recruitment and retention where the increase of home working means officers who would work for us to avoid the daily commute to London are now moving into consultancy or London-based jobs because they pay better. At the same time, the rising cost of living, together with fuel and energy price rises are affecting many staff. Some staff on the lowest grades are struggling to afford the commute to work.
- 3.6 The national pay award for 2022/23 is still being negotiated. So far, £1,925 per post and one additional day of holiday has been offered. This would be a double digit increase on the lowest grade, falling to 1.5% for the highest grade. Unions are balloting on industrial action, continuing their demands for increases of £2,000 per post.
- 3.7 The £1,925 per post would cost the Council £1.1m, albeit £225k is already included in the budget based on a 1.3% salary increase. This leaves an additional £880k unfunded, which is also then an additional budgetary pressure each year, every year, going forward. The Medium-Term Financial Strategy assumes an increase of 4% in 2023/24 adding a further £0.7m, falling to 3% increases by the end of the period on the assumption that the rate of inflation will eventually level off and reduce over the period. The impact over the four years is approximately £3m of additional expenditure that was not in previous MTFS models.
- 3.8 The impact of inflation on non-salary costs is harder to measure because there are many contracts with different price and inflation agreements and start dates throughout the year. The August 2022 CPI rate was 9.9% and RPI was measured at 12.3%, compared with 3.2% and 4.8% respectively 12 months earlier. Inflation in the 2022/23 budget and Medium-Term Financial Strategy in February was assumed at 3% each year. The Medium-Term Financial Strategy now assumes 6% in 2023/24 and then averaging 5% inflation, adding an additional £0.5m each year compared to before, resulting in a further £2m to the cost base over the period. This is the single largest risk factor in the economic outlook. Inflation may not fall back down to the 2% Bank of England target in the 2020s.
- 3.9 During the last 18 months, we have been working with consultants Ricardo on the options and estimated costs of food waste collection. The indicative cost is £1.3m for a 3, 2, 1 service where refuse is collected every three weeks, recycling and garden waste fortnightly and food waste weekly. The initial trial of 100 households has indicated that there is capacity within the standard 140 litre residual waste bin once food waste is collected separately.
- 3.10 The Environment Act 2021 became law in November 2021, introducing changes to waste collection so that recyclable household waste (which includes food waste)

must be 'collected separately from other household waste'. Food waste itself must be collected at least once a week. We are waiting for further details and confirmation of the exact timescales by which local authorities will need to change current arrangements to comply with the Environment Act. However, the indicative timescale in the consultation was by the end of 2024/25. Introduction is currently built into the Medium-Term Financial Strategy in September 2024, with the £1.3m impact spread over 2024/25 and 2025/26. This is one year later than estimated in February and delays the Council from spending £1.3m for a year, which can be put towards other inflationary costs.

Income:

- 3.11 The Medium-Term Financial Strategy models an indicative 2% Council tax increase per year, adding an increase in income of approximately £225k each year on average over the period. A 2% increase equates to approximately £3.25 each year for a band D equivalent on average over the period. Future referendum threshold levels are unknown but if the threshold cap limits the increase to a maximum 2% or £5 (3.1%), and cost inflation remains around 5% to 6% as forecast, then the funding gap widens each year.
- 3.12 As the number of people on Council Tax Support (CTS) increases, it reduces the income the Council collects from Council tax. An average of 2,765 working age families were on CTS during 2019. Current levels remain nearly 500 higher, though down from nearly 800 higher during the height of the pandemic. The Medium-Term Financial Strategy is weighted towards a gradual reduction of those on CTS over the period, but settling at a higher than pre-pandemic level. However, CTS numbers tend to go up in a recession.
- 3.13 Parking income has largely recovered to pre-pandemic levels in most areas, in part due to a price increase in 2022/23 helping to make up some of the difference of reduced dwell time. Season ticket income though has fallen as hybrid working has changed the frequency of the daily office commute. As a result of this, the Council has undertaken a review of its urban parking assets and elsewhere on the Cabinet agenda, proposes the decommissioning of London Road surface car park which was mainly a season ticket car park during the week.
- 3.14 The issue of water neutrality in the district is defined simply as development that takes place which does not increase the rate of water abstraction for drinking water supplies above existing levels. This affects the Local Plan, Neighbourhood Plans and Development Management. Planning income will become more uncertain the longer the water neutrality issue continues without a resolution. Whilst in the short term, the number of planning applications has not significantly fallen yet, very few applications have been determined. It may also reduce the speed in which the number of houses come through into Council tax.
- 3.15 Indication of a two-year settlement for 2023/24 and 2024/25 suggests a further delay on the future of business rates retention, which was consulted upon in 2019. We currently receive just over £2m of income as part of the annual settlement but expect this will reduce as part of any changes to the current business rates system which is attracting increasing calls for reform. The Medium-Term Financial Strategy now models a gradual reduction in funding from 2025/26. There is a risk that the change may be more pointed than that, removing more grant in a quicker timescale.
- 3.16 The current Medium-Term Financial Strategy does not take into consideration any future predicted costs of addressing the reduction of carbon in the district which are likely to be significant over the remainder of the decade to get close to achieving

the 2030 carbon neutral target. Implementing the action plan to achieve it will considerably impact the Council's financial position in the medium and long term. The carbon reduction plan will therefore need to be reviewed alongside the Council's decisions made in the revenue and capital budgets and the need to set a balanced budget, as is required by law, and which maintain sufficient reserve levels.

- 3.17 The unaudited usable Reserves as at 31 March 2022 are set out in Appendix 1. The 'real' level of general fund available for use is effectively £18.9m with £25.7m in earmarked reserves. This level of reserves is significantly above the minimum level of reserves set at £6m. However, this must be seen in the context of a potential £3.3m forecast budget gap by 2026/27 and also the significant infrastructure replacement and carbon costs that are anticipated during the rest of the 2020s set out in Appendix 3. This could cost as much as £41m on top of the £5m to £6m standard annual capital programme. The revenue impact from this additional capital expenditure has not yet been factored into the Medium-Term Financial Strategy but would be a further £0.1m p.a. in the early period, rising to as much as £0.35m p.a. from 2026/27 should the Council need to borrow. In addition, it is likely that some of the facilities would close for refurbishment. In the case of a leisure centre for example, it would reduce income through a reduction in management fee. Again, these have not yet been factored into the Medium-Term Financial Strategy but will need to be factored into the decision making.
- 3.18 Given the level of uncertainty about the Council's funding position and the strength of the reserves position it is proposed to not spend time drafting detailed significant savings proposals this autumn for 2023/24 unless Councillors are minded to not increase Council Tax next year. Councillors must also be prepared to consider increasing fees and charges at levels that are closer to inflation otherwise the net cost of services gap increases. If expenditure is increasing by an average of 6%, then income via fees and charges must also increase by around 6% to keep pace. This is of course more difficult as some of our customers are already feeling the effects of the rising cost of living and energy price increases, so a 3% average has been used in the basic projections.
- 3.19 If a two-year settlement for 2023/24 and 2024/25 is announced, and more details are available on food waste, carbon reduction and business rates, the Council will seek to review its income streams or draw on reserves for one year should it need to do so in 2023/24. Savings in 2024/25, if needed, may mean the closure or reduction of popular non-statutory public services, or investment that generates income if fees are not increased. This is because swift action taken in November 2020 during the Covid-19 pandemic which has put the Council in reasonable shape financially has stretched in terms of capacity to deliver services with current levels of staff. Further cuts could only be done if services were withdrawn.

Actions that could be taken and impact on the model

- 3.20 Three key options are set out in Appendix 2b which, in combination, would help to close the forecast budget gaps. These are:
- Fees and charges increased at levels closer to inflation – modelled at 6% on average.
 - £5 added to garden waste each year rather than £2. This would still be competitively priced compared to our neighbouring authorities. Every £1 increase raises approximately a further £35k to £40k.
 - £5 council tax (approx. 3%) not 2%

- 3.21 Raising Council tax by £5 rather than 2% would generate a further £120,000 per year. It is also possible that Government may increase the cap threshold in the Settlement on a par with the Police who are able to increase their Council tax precept by up to £10, giving the Council further flexibility. Should the increase create a small surplus, this could be ringfenced to support the vulnerable and those who might be in need of cost-of-living support, as happened during 2022/23 when £0.3m was set aside from the 2021/22 surplus to support with fuel payments and a variety of discretionary payment schemes to help to people who were struggling financially.

Other

- 3.22 Following a recent refurbishment which included the installation of many new energy efficient features, Blackbridge Community Centre is now available for public and private hire. The fees and charges per hour including VAT are set out below, along with a comparison of other Horsham venues. The community rate applies to bookings run by groups which are non-profit making, including charities and the NHS. The recommendations include approval for these fees and charges.

Venue	Standard rate per hr unless stated	Community Rate
Blackbridge Community Centre main hall	£35	£17.50
Blackbridge Community Centre upper floor	£25	£12.50
Drill Hall main room	£76.30	£52.70
Drill Hall side rooms	£26.85	£18.00
Park Barn Mon to Thurs	£28	n/a
Park Barn Fri to Sun	£30	n/a
Southwater Country Park visitor centre	£67 per day	n/a
Southwater Country Park visitor centre	£30 per evening	n/a
Chesworth Farm Studio	£12.50	n/a
Chesworth Farm Studio	£100 per day	n/a

4 Next steps

- 4.1 An updated Medium-Term Financial Plan will be brought back in November 2022 taking into account any further legislative, economic and financial developments. The garden waste fee for 2023/24 will be set at this meeting.
- 4.2 On 26 January 2023, the 2023/24 Budget will be taken to Cabinet to recommend approval at the 22 February 2023 full Council meeting where the Council Tax for 2023/24 will be set. The Medium-Term Financial Strategy will also be again updated at this time to take account of our settlement, if known at that date.

5 Views of the Policy Development Advisory Group and outcome of consultations

- 5.1 Whilst the meeting of the Finance and Assets Policy Development Advisory Group on 12 September 2022 was postponed as it was felt appropriate during the period of mourning for the death of Her Royal Highness Queen Elizabeth II, the report was circulated to the group and discussed via email. Members discussed the immediate and longer-term impact of expenditure pressures on the Medium-Term Financial

Strategy on 12 September 2022 together with the uncertainties and the implications to balance future budgets.

- 5.2 The Chief Executive, Directors, and Heads of Services have been involved in preparing the immediate budget forecast and are already thinking of ways to address the medium-term financial gap through fee charges and income. They are supportive of its contents. The Monitoring Officer has also been consulted during the preparation of the document and is supportive of its contents.

6 Other courses of action considered but rejected

- 6.1 Making cuts to popular non-statutory services such as parks and countryside, planning enforcement and cultural and leisure services this autumn was considered. This was rejected because the scale of the proposed deficits in the future is very uncertain. While designed to protect services this approach does risk the Council having greater difficulties balancing its financial position in two years' time and this could have a damaging impact on reserves, unless income is increased through fees and charges.

7 Resource consequences

- 7.1 Specific actions to address the financial gaps are not detailed in this report. Over the next few weeks, detailed budgets will be worked up as part of the budget setting process and a draft brought back in a later Medium-Term Financial Strategy that feeds into the November 2022 and February 2023 annual budget setting process.
- 7.2 The significant cost of infrastructure replacement and accompanying carbon reduction across the decade are not included in this financial plan. Adoption of the 2030 carbon neutral target and action plan to achieve it will considerably worsen the Council's financial position in the medium and long term. This together with the replacement of key infrastructure could cost as much £41m between now and 2030, as shown in appendix 3. On carbon improvement works done so far, as a rule of thumb, around one third of the costs might be attributable to carbon reduction.

8 Legal consequences

- 8.1 The Council is required under the Local Government Finance Act 1992 to produce a 'balanced budget'. This report indicates the Council is able to get to a balanced budget for 2023/24 if income is increased through fees and charges, but may face difficulties in future years if it doesn't.
- 8.2 This report sets out the Council's current and expected financial position. The Director of Corporate Resources has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, to ensure that there are proper arrangements in place to administer the Council's financial affairs.
- 8.3 The Local Government Act 1999 places a duty on the Council as a 'Best Value' authority to secure continuous improvement in the way its functions are exercised so as to secure economy, efficiency and effectiveness.

9 Risk assessment

- 9.1 The Council's reliance on central government funding and balancing the Medium-Term Financial Plan is captured on the corporate risk register at CRR01. The risk on inflation and uncertainty in the economy reducing income is captured in CRR 19.

The risk registers are regularly reviewed and updated and is monitored at Audit Committee on a quarterly basis.

- 9.2 Many figures provided in this report are estimated at this stage. There is a risk that actual reductions in income and stronger expenditure pressures that the Council faces could increase the range of losses.
- 9.3 There is a moderate risk that customer habits will change for paid services such as parking and the cultural and leisure offers if customers reduce their expenditure as they struggle financially. This is especially so if fees and charges are raised by inflationary levels. Income might not therefore return to previous levels.
- 9.4 There is a moderate risk the Government's proposal for business rates reform will worsen the financial situation earlier or more deeply than current predicted.

10 Procurement implications

- 10.1 There are no procurement implications arising from this report.

11. Equalities and Human Rights implications / Public Sector Equality Duty

- 11.1 There are no equality or human rights implications arising from this report because there are no decisions for cuts in this report at this stage.

12 Environmental implications

- 12.1 There are no environmental implications because there are no decision for cuts or growth at this stage of our budget development.

13 Other considerations

- 13.1 There are no other considerations to take into account at this stage of developing the Medium-Term Financial Strategy.

Appendix 1 – (unaudited) Reserves at 31 March 2022

Useable Revenue Reserves	Balance at 31.03.20 £000	Income / Expenditure 2020/21 £000	Transfer to / from other reserves 2020/21 £000	Balance at 31.03.21 £000	Income / Expenditure 2021/22 £000	Transfer to / from other reserves 2021/22 £000	Balance at 31.03.22 £000
General Fund Balance	(15,662)	(18,433)	9,199	(24,896)	(5,556)	6,269	(24,183)
New Homes Reserve	(4,671)	0	(4,831)	(9,502)	0	(3,083)	(12,585)
Health and Wellbeing	(308)	0	0	(308)	0	(27)	(335)
Council tax localism	(293)	0	0	(293)	0	0	(293)
Neighbourhood Planning Grant	(278)	0	11	(268)	0	0	(268)
s106 Reserves	(802)	26	0	(776)	(142)	0	(918)
NNDR Provision	(1,435)	0	0	(1,435)	0	(2,796)	(4,231)
Homelessness Prevention	(77)	0	(64)	(142)	0	(95)	(237)
Revenues & Benefits	(318)	0	(300)	(618)	0	(302)	(920)
Covid-19 Discretionary fund	(36)	0	(2,779)	(2,815)	356	707	(1,752)
Transformation fund	(377)	0	(12)	(389)	0	(4)	(393)
HDC Green Reserve	0	0	(695)	(695)	0	129	(566)
Leisure Reserve	0	0	(212)	(212)	0	212	0
Journey to Work	(211)	0	(78)	(289)	0	(75)	(364)
Covid 19 Outbreak Management Fund	0	0	0	0	0	(446)	(446)
IT Security	0	0	0	0	0	(100)	(100)
Community Fund	0	0	0	0	0	(250)	(250)
Other	(721)	105	(240)	(856)	0	(139)	(995)
Other Earmarked Reserves	(9,528)	131	(9,199)	(18,596)	214	(6,269)	(24,651)
Sub-total	(25,190)			(43,492)			(48,834)

The General Fund balances at 31 March 2021 and 2022 include Section 31 'collection fund' grant, compensating councils for business rates reliefs, but these funds flow back through the collection fund in the following year, and are really timing issues. The table below shows the 'true' position excluding these sums, and an explanation of the increase between years.

General Fund Balance	31st of March			Difference between 2021 and 2022
	2020	2021	2022	
GF total	15,662	24,896	24,183	
S31 collection fund		-7,950	-3,876	
'real' GF total		16,946	20,307	3,361
				2,111 surplus
				1,201 lower tier grant
				49 other

In June 2022, Cabinet and Council approved the use of £1.4m of the surplus in 2022/23 setting aside £1m to fight inflation, £0.1m transformation top up and £0.3m to support people on low incomes and the vulnerable, as well as supporting Young People in the district and residents struggling with rising costs. Therefore, the usable General Fund balance is effectively £18.9m.

Appendix 2a – summary of high-level assumptions and changes

Area	February 2022 assumptions	September 2022 assumptions
Inflation cost non-salaries	3% increase per annum across the period. Risk rising.	6% average in 2023/24, drifting down to 5% across the period.
Income	2% increases in fees and charges – on average	3% increases in fees and charges on average [Note 2b assumes this to be nearer 6%, drifting down to 5% across the period]
Increase in salaries budget	1.5% per annum based on Government soundings on public sector wage price spiral.	£1,925 in 2023/24, then reducing from 4% per annum to 3% across the period.
Contribution to pension fund	18% which is baseline minimum. Pension Fund £31m asset at 31 March 2021.	No change. 18% which is baseline minimum. Pension Fund £36m asset at 31 March 2022.
Local Business Rates	Business Rates review triggering a significant re-baselining in 2023/24. Reducing our funding.	Business Rates review triggering a significant re-baselining in 2025/26. No worse off until then, but then reducing our funding.
Increase in Council Tax	2% per year for future years across the period.	No change. 2% per year for future years across the period.
Increase in Band D equivalent dwellings	Impact of water neutrality dampening housing numbers. 600 to 700 per year.	No change. Impact of water neutrality dampening housing numbers. 600 to 700 per year.
New Homes Bonus	Final previous legacy payments of £2.1m ending in 2022/23. Note: NHB does not feed into revenue - since 2018/19.	No change. Final previous legacy payments of £2.1m ending in 2022/23. Note that Council may receive Lower Service Tier grant instead in 2023/24 and 2024/25 to ensure Council is no worse off overall.
Minimum reserve level	£6m – no change.	£6m – no change.
Garden / food waste	Food waste from Autumn 2023. £1.2m for a 3,2,1 service. No funding included – as we don't yet know. No cap on prices (Risk £0.4m if £30 and £2m+ if free).	Food waste from Autumn 2024. £1.3m for a 3,2,1 service. No funding included – as we don't yet know. No cap on prices (Risk £0.4m if £30 and £2m+ if free).

Summary of key operational cost and income changes - basic					Assumptions			
	2023/24	2024/25	2025/26	2026/27	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000				
Net cost b/fwd	12,572	14,035	15,225	16,650				
Inflation	1,211	1,110	1,009	908	6%	5.5%	5%	4.5%
Salaries	716	626	537	537	4%	3.5%	3%	3%
Salary catch up	880	0	0	0	£1,925 less 1.3%	-	-	-
Fee increases	-767	-767	-767	-767	3%	3%	3%	3%
garden waste	-80	-80	-80	-80	£2	£2	£2	£2
Food waste	0	600	700	0				
Removal of 2022-23 one-offs	-140							
parking comes back a bit more	-300	-200	-150	-100				
Wilder Sussex / Horsham continues			170					
multitude of others	-57	-100	6	52				
Predicted net cost	14,035	15,225	16,650	17,200				
Annual increase	1,463	1,190	1,425	550				
Additional Council tax increase	-221	-227	-235	-243	2%	2%	2%	2%
Annual net to find	1,242	962	1,190	307				

Appendix 2b – assumptions pushed on income

Summary of key operational cost and income changes - optimistic					Assumptions			
	2023/24	2024/25	2025/26	2026/27	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000				
Net cost b/fwd	12,572	13,149	13,580	14,374				
Inflation	1,211	1,110	1,009	908	6%	5.5%	5%	4.5%
Salaries	716	626	537	537	4%	3.5%	3%	3%
Salary catch up	880	0	0	0	£1,925 less 1.3%	-	-	-
Fee increases	-1,533	-1,405	-1,278	-1,150	6%	5.5%	5%	4.5%
garden waste	-200	-200	-200	-200	£5	£5	£5	£5
Food waste	0	600	700					
Removal of 2022-23 one-offs	-140							
parking comes back a bit more	-300	-200	-150	-100				
Wilder Sussex / Horsham continues			170					
multitude of others	-57	-100	6	52				
Predicted net cost	13,149	13,580	14,374	14,421				
Annual increase	577	431	794	47				
Additional Council tax increase	-344	-347	-352	-357	£5	£5	£5	£5
Annual net to find	233	84	442	-310				

Key changes

- Fees and charges increased at levels of 6%
- £5 added to garden waste rather than £2
- £5 council tax (approx. 3%) not 2%

This would change the overall funding position and largely balance future budgets:

	2023/24	2024/25	2025/26	2026/27
Table 1b: interim MTFS Sept 2022	£000	£000	£000	£000
Estimated net expenditure	13,150	13,580	14,374	14,421
Funding: Council Tax	(11,147)	(11,602)	(12,110)	(12,630)
Baseline Business Rates	(2,052)	(2,052)	(1,850)	(1,650)
Other funding, Collection Fund (surplus) / deficit	(12)	(12)	(12)	(12)
Total Funding	(13,211)	(13,666)	(13,974)	(14,292)
Net (Surplus) / Deficit	(60)	(85)	400	130

Appendix 3 – potential capital infrastructure and added carbon reducing costs during 2020s

Area	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Total
Fleet vehicle replacement	1,155,000	945,000	250,000	1,000,000	1,500,000	4,000,000	4,500,000	350,000	13,700,000
Leisure Centres refurbishment				5,000,000	5,000,000				10,000,000
Commercial portfolio investment and carbon reduction	1,000,000	1,000,000	1,000,000	1,000,000	1,500,000	1,500,000	1,500,000	1,500,000	10,000,000
Capitol seating and revamp			2,500,000						2,500,000
Museum						350,000			350,000
Housing	150,000	150,000	150,000	50,000	50,000	50,000	50,000	50,000	700,000
Car park refurbishment	150,000	150,000	150,000	350,000	150,000	150,000	350,000	150,000	1,600,000
Office refurbishment / relocation	150,000						1,000,000	1,000,000	2,150,000
Total	2,605,000	2,245,000	4,050,000	7,400,000	8,200,000	6,050,000	7,400,000	3,050,000	41,000,000

Notes:

- All costs guesstimated at this stage
- Circa £5m to £6m in the 'standard' capital programme (e.g. disabled facility / housing enabling grants) each year not included here
- Borrowing not assumed before 2026/27
- MRP 2% on average
- Borrowing costs estimated at 4%

- Averaged over the period 8 years, MRP circa £0.1m per annum
- Average over the five-year period (2026/27 to 2030/31), borrowing costs would add a further £0.25m per annum