Public Document Pack

Democratic Services

EPSOM & EWELL
BOROUGH COUNCIL

To: All Members of the Council

Dear Councillor,

COUNCIL - TUESDAY, 14TH FEBRUARY, 2023 , Council Chamber - Epsom Town Hall, https://attendee.gotowebinar.com/register/7135065633150518614

Please find attached the following documents for the meeting of the Council to be held on Tuesday, 14th February, 2023.

6. **BUDGET REPORT 2023/24** (Pages 3 - 118)

   This report fulfils the statutory requirement to agree a budget for 2023/24, comprising both revenue and capital expenditure plans, and to set a council tax for the year.

   The Council Tax recommendation as supported by the Financial Policy Panel is for an increase of £6.39 per annum (Band D property), an equivalent increase of 2.99%.

7. **PROPERTY REVIEW** (Pages 119 - 122)

   To set the strategic direction for the Council's potential relocation of the Town Hall.

For further information, please contact Democratic Services, democraticservices@epsom-ewell.gov.uk or tel: 01372 732000

Yours sincerely

Interim Chief Executive

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BUDGET REPORT 2023/24

Head of Service:	Lee Duffy, Chief Finance Officer
Wards affected:	(All Wards);
Urgent Decision?	Yes
If yes, reason urgent decision required:	Statutory requirement to set Council Tax
Appendices (attached):	See list of appendices at end of report

Summary

This report fulfils the statutory requirement to agree a budget for 2023/24, comprising both revenue and capital expenditure plans, and to set a council tax for the year.

The Council Tax recommendation as supported by the Financial Policy Panel is for an increase of £6.39 per annum (Band D property), an equivalent increase of 2.99%.

Recommendation (s)

Council:

See (1) to (10) below

1. **That it be noted that, under delegated powers, the Chief Finance Officer calculated the amount of the Council Tax Base as 33,521.16 (Band 'D' equivalent properties) for the year 2023/24, in accordance with the Local Government Finance Act 1992, as amended (the "Act").**

2. **That the following estimates recommended by the policy committees be approved:-**

   a. **The revised revenue estimates for the year 2022/23 and the revenue estimates for 2023/24.**

   b. **The capital programme for 2023/24 and the provisional programme for 2024/25 to 2027/28, as summarised in the capital strategy statement.**

3 **That the fees and charges recommended by the policy committees be approved for 2023/24.**

4 **That the Council Tax Requirement for the Council's own purposes for 2023/24 is £7,361,247.**

5 **That the Council receives the budget risk assessment at Appendix 6 and notes the conclusion of the Chief Finance Officer that these budget proposals are robust and sustainable as concluded in this report.**

6 **That the Council receives the Chief Finance Officer Statement on the Reserves as attached at Appendix 8.**

7 **That the Council agrees the Treasury Management Strategy and prudential indicators and authorised limits for 2023/24 as set out in Appendix 11 including:-**

a. **Affordability prudential indicators;**

b. **The actual and estimated Capital Financing Requirement;**

c. **The estimated levels of borrowing and investment;**

d. **The authorised and operational limits for external debt;**

e. **The liability benchmark;**

f. **The treasury management prudential indicators.**

8 **That the following amounts be calculated for the year 2023/24 in accordance with sections 31 to 36 of the Act:**

a. £55,744,311 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(2) of the Act.

b. £48,383,064 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(3) of the Act.

c. £7,361,247 being the amount by which the aggregate at 8(a) above exceeds the aggregate at 8(b) above, calculated by the Council, in accordance with section 31A(4) of the Act, as its council tax requirement for the year.

d. £219.60 being the amount at 8(c) above divided by the amount at 1. above, calculated by the Council, in accordance with section 31(B) of the Act, as the basic amount of its council tax for the year.

9 **To note that Surrey County Council and Surrey Police Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below:-**

SURREY COUNTY COUNCIL

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	**1,116.72**	**1,302.84**	**1,488.96**	**1,675.08**	**2,047.32**	**2,419.56**	**2,791.80**	**3,350.16**

SURREY POLICE AUTHORITY

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	**207.05**	**241.55**	**276.06**	**310.57**	**379.59**	**448.60**	**517.62**	**621.14**

10 That the Council, in accordance with Section 30 to 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of council tax for 2023/24 for each of the categories of dwellings.

EPSOM AND EWELL BOROUGH COUNCIL

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	**146.40**	**170.80**	**195.20**	**219.60**	**268.40**	**317.20**	**366.00**	**439.20**

AGGREGATE OF COUNCIL TAX REQUIREMENTS

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	**1,470.17**	**1,715.19**	**1,960.22**	**2,205.25**	**2,695.31**	**3,185.36**	**3,675.42**	**4,410.50**

1. Introduction

1.1. The Council is required to agree a budget for 2023/24 and, having regard to the cost of service provision and estimates of income, the level of council tax for the coming year.

1.2. Legislation also requires:-

- The preparation of budget plans for a three year period
- The setting of prudential indicators which determine the level of Council borrowing and capital expenditure, together with the treasury management strategy
- The Council's Chief Finance Officer to report on the robustness of the estimates and the adequacy of the reserves

- The Council to consider the risks in its budget strategy.

1.3. The Council has now completed its review of service income and expenditure. The policy committees have considered their service estimates and they have recommended budgets, charges and capital investment for the next financial year.

1.4. This report provides an overview of the General Fund Revenue Account budget position for 2023/24 and future years as a basis for determining council tax.

1.5. The budget report is based on the Financial Policy Panel's recommended increase of £6.39 per annum, or 2.99% (for Band D property) in Council Tax. The report reflects the final grant settlement figures from central government, due to be approved in the House of Commons on Wednesday 8 February.

1.6. All options are consistent with the council tax policy of ensuring that council tax stays below the average of the Surrey Districts.

2. Implications for the Council's Key Priorities, Service Plans and Community Strategy Proposals

2.1. The Medium Term Financial Strategy includes the following objectives for council tax and the revenue budget:-

<u>Council Tax</u>

2.1.1. Ensure that council tax stays below the average of the Surrey Districts

<u>Budget Position</u>

2.1.2. Produce a balanced revenue budget each year.

2.1.3. Maintain a minimum working balance of £2.5 million at 31 March 2024.

2.1.4. Maintain a prudent level of strategic reserves and a minimum of £1 million in the corporate projects reserve.

2.1.5. Utilise reserves pro-actively to manage major risks to the Council's finances.

3. Current Year Position

3.1. The 'Probable Outturn' comprises a revised forecast for the current year ending 31 March 2023, based on the mid-year budget review. The following table summarises the financial performance anticipated for the year as reported to each of the Policy Committees.

	Current Approved Budget 2022/23	Probable Out-turn 2022/23	Variance
Committee	***£000***	***£000***	***£000***
Strategy & Resources	600	(144)	
Environment & Safe Communities	4,894	5,294	
Community & Wellbeing	4,944	4,953	
Licensing & Planning Policy	857	950	
Capital Charges	(2,669)	(2,669)	
Total	**8,626**	**8,384**	***(243)***

3.2. The 2022/23 budget included transfers from earmarked reserves to finance services, but no planned use of the working balance. For the purpose of preparing this budget report it has been assumed that in 2022/23 the Council will make a contribution of £243,000 to working balances, increasing the general fund reserve to £3.1 million.

4. Budget Strategy

4.1. The 2023/24 revenue budget and the capital investment programme comprise the Council's spending plans for the forthcoming year.

4.1.1. The overall budget target for 2023/24 was agreed at Strategy & Resources Committee on 2 July 2022 as follows:-

4.1.2. That estimates be prepared including the delivery of savings already identified in the Financial Plan for 2023/24 totalling £215,000.

4.1.3. That at least £396,000 additional revenue, equivalent to a 6 percent increase, is generated from an increase in discretionary fees and charges;

4.1.4. That a service-specific savings target of £243,000 should be set for homelessness.

4.1.5. Phasing of savings over the next 3 years to achieve a balanced budget with no reliance on revenue reserves to fund the delivery of services by 2025/26. Thus supporting the use of £1,170,000 of strategic reserves during this period to manage the impact on services.

4.1.6. That Directors and Heads of Service should work to produce specific income generation and savings options to meet the remaining budget deficit of £1.7m.

4.1.7. That any new growth items (i.e. cost pressures) supported by policy committees will need to be fully funded from existing budgets.

4.2. Financial Policy Panel has been updated on the budget process and given guidance on the preparation of the estimates. Financial Policy Panel has also recommended that Full Council approve the Treasury Management Strategy at Appendix 11. For more detail, councillors may wish to refer to the following agenda that provides a useful background to the budget review programme:-

4.2.1. Strategy & Resources Committee, 26 July 2022 – 2023/24 Strategic Financial Planning;

4.2.2. Financial Policy Panel, 31 January 2023 - Review of Reserves, Treasury Management, Council Tax and Business Rates Retention (government finance settlement).

5. 2023/24 Revenue Budget

5.1. The draft Budget Book was issued to all Councillors via email on 12 January and was available prior to when the estimates were considered by policy committees.

5.2. The draft Budget Book and figures at Table 5.5 below contain provisional internal accounting recharges for corporate services. The final internal accounting recharges will be reflected in the final Budget Book. Internal accounting recharges have no impact on the committee's discretionary expenditure budgets, a net nil impact on the general fund overall and therefore no impact on the council tax decision.

5.3. Detailed fees and charges proposals and capital appraisals for all policy committees can be found on the appropriate policy committee agenda (January committee cycle). Estimates for services, as recommended by the policy committees, are summarised at Appendix 1 to this report.

5.4. The main year-on-year changes in the cost of service provision are detailed in Appendix 2 to this report.

5.5. The comparison to the 2022/23 published budget is also shown in the table below at committee total level:-

Committee	2022/23 Published Budget £000	2023/24 Recommended Budget £000	Variance £000
Strategy & Resources	2,319	1,569	
Environment & Safe Communities	3,723	4,181	
Community & Wellbeing	4,617	4,608	
Licensing & Planning Policy	636	601	
Capital Charges	(2,669)	(2,669)	
Total	**8,626**	**8,290**	- 336
External Funding (Council Tax, Government Grant, Retained Business Rates)	(8,626)	(8,290)	- 336
Shortfall of income to cover planned expenditure & required use of Working Balance	**0**	**0**	0

Staff Budget

5.6. A total of c.£13.6 million of staff costs, staff on-costs and agency costs have been included in the policy committee estimates compared to £13.3 million in 2022/23. This will form the salary control total for budget monitoring purposes, subject to adjustments needed where service changes are agreed by the Council.

5.7. The budget includes the full staffing costs for Nonsuch JMC and Epsom & Walton Downs Conservators where the Council's liability is 50% and 60% respectively. Staffing costs for NJMC and EWDC are then recharged to those bodies accordingly.

5.8. Strategy and Resources Committee agreed a Pay & Reward Policy for 2020 to 2024 and, in accordance with the policy, an annual staff pay award of 3.0% for 2023/24.

5.9. It is anticipated that a two per cent staff vacancy margin, staff turnover savings net of temporary staff cover, will be required to manage staff costs within the control total.

5.10. As agreed at S&R on 26 January 2023, members allowances will increase by 3.0% and the mayoral budget, used for discharging the mayor's civic duties, will increase by 10.1% (September 2022 CPI).

Pensions

5.11. Following the 2022 pension fund valuation, the employer's pension on-cost rate remains unchanged at 17.4% of an employee's salary (known as the primary rate). The Council also makes a lump sum contribution to the pension fund (known as the secondary rate) to reduce the accumulated past deficit on the fund. For 2023/24 the secondary rate contribution will decrease to £920,000, from £973,000 in 2022/23 in line with the actuary's recommended contribution rate. The next valuation will be based on the Surrey Pension Fund position at 31 March 2025.

6. Fees and Charges

6.1. Each policy committee has received a report on fees and charges for 2023/24. Income from the recommended charges has been included in the committee estimates.

6.2. A summary of the additional income from increases in discretionary charges included in the budgets recommended by the committees is attached at Appendix 3.

7. Economic Indicators

7.1. The latest Treasury economic indicators (December 2022) are shown at Appendix 5.

8. Equalities Implications

8.1. The Council will fulfil its statutory obligations and comply with its policy on equalities.

8.2. The budget proposals where they involve a reduction in service to users will require an equalities assessment.

8.3. Assessments will be required for service changes where identified in service plans.

9. Risk Management

9.1. A financial risk assessment was completed for each of the policy committee revenue budgets. The main financial risks have been included in a corporate budget risk assessment at Appendix 6.

9.2. Financial risks remain elevated for 2023/24 due to ongoing economic uncertainty, elevated inflation, rising interest rates and the risk of a recession. The highest service financial risks are considered to be around income generation in a recessionary environment and potentially increasing demands for housing and homelessness prevention services in a cost-of-living crisis.

9.3. Appendix 6 also identifies the means of managing the risks identified. In relation to the size of the working balance and the capital reserves, which act as a contingency against such risks, the overall level of revenue budget risk in 2023/24 is deemed to remain at medium to high.

9.4. A higher risk remains with the financial outlook beyond 2023/24 due to the uncertainty on the outcome on the Government's 'Fair Funding' Review and the 'Levelling Up' white paper and the possibility of further cuts in core funding for Epsom and Ewell Borough Council in future settlements.

9.5. It is anticipated that the 'Fair Funding Review', the mechanism used by central government to determine individual authority settlements, will be used to reduce funding for district councils.

10. Revenue Budget Overview 2023/24

10.1. The Council's budget requirement can be measured by the amount of Council expenditure that will be financed from external finance (revenue support grant and retained business rates) and from council tax income.

10.2. The budget requirement comprises gross expenditure on services, less gross income from services, less the planned use of revenue reserves.

10.3. The budget requirement in 2022/23 was £8,626,000. The budget requirement for 2023/24 is calculated as follows:-

Net Expenditure on Services	£000		External Finance	£000
Gross Expenditure	46,794		Revenue Support Grant, Services Grant and Minimum Guaranteed Funding Grant	333
Gross Income	(36,636)		Retained Business Rate Income	1,653
Net transfers from earmarked reserves	(1,868)		Collection Fund Deficit (Business Rates) Collection Fund Surplus (Council Tax)	(1,085) 27
Net Expenditure	8,290		External Finance & Brought Forward Collection Fund Balances	935
T/F from Working Balance	0		Council Tax Income	7,361
Budget Requirement	8,290		Income from External Finance and Council Tax	8,290

10.4. The decrease in the Budget Requirement (net spending) is 3.8%.

10.5. In April 2012, Central Government brought in a new measurement of spending defined as the ‘Council Tax Requirement’. This is the estimate of tax to be raised i.e. Band D tax level multiplied by the Council Tax base (the number of Band D equivalent properties). The Council is required to show this information in the Council Tax leaflet.

10.6. The Council Tax Requirement for 2023/24 is £7,361,247 subject to agreement at the Council meeting.

10.7. The Council Tax requirement will change each year due to:-

10.7.1. Increases/decreases in domestic properties.

10.7.2. Increases/decreases in Council Tax.

11. Local Government Finance Settlement

11.1. Details of the provisional Local Government finance settlement were sent to all Councillors via email in December 2022.

11.2. The settlement is for one year only and, as announced by Jeremy Hunt, the Chancellor of the Exchequer, any multi-year settlement containing the outcome of the Fair Funding review and business rates reset has been further delayed until at least 2024/25.

11.3. The following table shows that next year’s provisional settlement has increased compared to 2022/23, albeit below the rate of inflation:

Provisional Settlement Funding Assessment 2023/24	**2022/23**	**2023/24**
	£’000	**£’000**
Revenue Support Grant (RSG)	0	53
Negative RSG	0	0
Retained Business Rates – Baseline	1,420	1,473
Settlement Funding Assessment	**1,420**	**1,526**

11.4. The impact of delaying the business rates reset means the Council can retain its surplus business rates income above its baseline for one more year than expected, a favourable benefit of c.£180,000.

11.5. The delay of the Fair Funding Review means that negative RSG continues to be excluded from 2023/24’s settlement. This in turn means that EEBC is absolved, for another year, from the additional c.£700,000 annual budget pressure that negative RSG could bring. However, it is still unclear whether negative RSG will be re-introduced from 2025/26, once Government completes its Fair Funding Review.

11.6. The projections at Appendix 9 now assume that negative RSG will Negative RSG will not be re-introduced until 2025/26 and that when introduced, a transitional period may be applied. If it were re-introduced earlier, the Council's projected budget deficit from 2024/25 would increase.

12. New Homes Bonus Grant

12.1. The Council benefits from New Homes Bonus, which is awarded by government based on the number of new residential properties built in the borough in the preceding year, with a supplement for affordable housing.

12.2. The amount of funding available from New Homes Bonus has diminished substantially since government changed the methodology for awarding the grant from 2018/19 onwards.

12.3. For context, back in 2016/17 the Council received in excess of £2 million, but has been awarded just £135,000 in 2023/24, with further reductions expected in subsequent years.

New Homes Bonus	**2022/23**	**2023/24**
	£'000	**£'000**
2019/20	21	
2020/21		
2021/22		
2022/23	153	
2023/24		135
Total	**174**	**135**

12.4. Since 2019/20, the Council's budget has removed any reliance on New Homes Bonus as a source of funding to support on-going services. All New Homes Bonus funding is transferred to the corporate project reserve to fund one off projects.

12.5. Government is reviewing the future of New Homes Bonus, it therefore remains unclear whether this grant will continue in future years.

13. Other Grants

13.1. In addition to the finance settlement and New Homes Bonus, government announced the removal of the Lower Tier Services Grant totalling £64,000, and a reduction of the Services Grant from £98,000 down to £57,000. The reduction in the Services Grant was principally due to the cancellation of an increase in employer's national insurance contributions.

13.2. The settlement introduced a new Funding Guarantee Grant, an award of £223,000 in 2023/24 for Epsom & Ewell Borough Council. This grant has been introduced to provide a funding floor for all local authorities, so that no local authority would see an increase in core spending power that is lower than 3%. However, this grant has been part funded by the removal of the Lower Tier Services Grant.

13.3. The methodology for distributing this funding is expected to change as part of government's Fair Funding Review, meaning neither source of funding can be relied on beyond 2024/25.

14. Core Spending Power

14.1. In its spending announcements the Department for Levelling Up, Housing and Communities (DLUHC) also refers to changes in 'core spending power'. This is a term used to measure the impact of all government grant changes on local authority budgets. Core spending power is different from government funding as this includes income received from New Homes Bonus and council tax.

14.2. In its assessment of core spending power, shown in the following table, government assumes that councils should increase council tax by the maximum permissible amount.

Core Spending Power	**2022/23**	**2023/24**
	£'000	**£'000**
Retained Business Rates	1,420	1,473
Compensation for government under-indexing the business rates multiplier	145	251
New Homes Bonus	174	135
Council Tax *	7,090	7,335
Lower Tier Services Grant	65	0
2022/23 Services Grant	98	57
Council Tax Support Grant	53	0
Revenue Support Grant	0	53
Funding Guarantee Grant	0	223
Core Spending Power	**9,045**	**9,527**

* From Government's provisional financial settlement

14.3. Nationally there is an increase in spending power of 9.2%, but for Epsom and Ewell Borough Council, core spending power will increase by £482,000 or 5.3%. While this is an improvement in cash terms on prior year settlements, it remains well below the rate of inflation (CPI 10.5% at December 2022), meaning it represents a real terms funding cut and consequently further pressure on council services.

15. Retained Business Rates

15.1. The 2023/24 government settlement includes £1,473,000 for this Council as a 'settlement funding assessment' which is solely from business rates baseline funding.

15.2. Under the local Business Rates Retention Scheme, councils can either gain or suffer losses if the actual level of business rates collected varies from expected level of rates collectible in the year, whether due to changes in collection rates or more/fewer businesses.

15.3. Financial Policy Panel recently received information on the business rate collection forecast and the latest position is summarised in the table below:

Retained Business Rates	**2022/23**			**2023/24**	**Description**
	Gov't Baseline	**EEBC Budget (NNDR1)**	**EEBC Latest Forecast**	**EEBC Budget (NNDR1)**	
	£000	***£000***	***£000***	***£000***	
Rates Collectable	25,898	25,093	22,343	24,828	-
Less: payable to central government	-12,949	-12,547	-11,172	-12,414	50% of total
Less: payable to SCC	-2,590	-2,509	-2,234	-2,483	20% of local share
NNDR Baseline	**10,359**	**10,037**	**8,937**	**9,931**	**Rates kept before tariff**
Less 'Tariff'	-8,939	-8,939	-8,939	-8,770	Tariff set by govt. to go to 'top-up authorities'
Retained Business Rates	**1,420**	**1,098**	**-2**	**1,161**	
Less: loss of 50% of underlying growth	-	-186	-186	-181	-
Est. of Retained Business Rates	**1,420**	**912**	**-188**	**980**	
Add back: Small Business Rate Relief Grant	-	694	694	673	Separate grant funding for extension of SBRR
EEBC Income including relief grants	**1,420**	**1,606**	**506**	**1,653**	

15.4. The above table includes the estimate of income received from retained business rates. The business rates collection fund has a surplus balance brought forward from prior years of £15,649 (EEBC's share); this is offset by a projected deficit of £1,100,424 for 2022/23, resulting in a carried forward deficit of £1,084,775 to be funded in 2023/24 by an appropriation from the collection fund equalisation reserve.

15.5. The safety net threshold for 2023/24 is set at £1,362,300 compared to £1,653,000 income used for the 2023/24 estimates, this limits the exposure to losses to £290,700.

Collection Fund Equalisation Reserve

15.6. The Council agreed to set up a collection fund equalisation reserve in 2013/14 to help manage the fluctuations in retained business cates and/or council tax income. The following estimate is made of that reserve:-

Collection Fund Equalisation Reserve Forecast	*£000*
Balance 31 March 2022	**5,157**
Planned use to offset prior year deficit from Collection Fund	-459
Application of grant funding for statutory business rates reliefs	-2,662
Forecast balance 31 March 2023	**2,036**
Planned use in 2023/24 to offset prior year deficit & funding shortfall	-1,090
Planned use of reserve in MTFS in 2024/25	-150
Forecast uncommitted balance 31 March 2024	**796**

15.7. The Council has agreed to fund any deficit between the forecast and actual level of income from retained business rates from the collection fund equalisation reserve.

16. Funding from Commercial Property Company

16.1. Epsom & Ewell Property Investment Company Ltd (EEPIC), the Council's wholly-owned subsidiary, holds two commercial properties outside the Borough. The properties were acquired in 2017 to generate additional income for the Council, before the introduction of new statutory guidance in 2018, which restricted the ability to acquire further properties outside the Borough using borrowing.

16.2. For 2023/24, dividend income from EEPIC is currently expected to increase to £1.3m (from £0.6m in 2022/23), as a temporary reduction in rental income from one tenant comes to an end on 31 March 2023 (as agreed at S&R Committee in December 2020). Should income from EEPIC fall below budget for any reason, the Council holds the property income equalisation reserve which can be used to neutralise the impact on the revenue budget in the short term.

16.3. The Council itself owns four other properties in the Borough which were acquired through the use of external borrowing – 64-74 East Street, Emerald House on East Street, 2 Roy Richmond Way and Parkside House. The Council budgets to receive net rental income (excluding borrowing costs) from these four properties of £1.6m, although with two of the properties currently vacant or partially vacant, it is expected that an appropriation of £1.1m from the property income equalisation reserve will be required to achieve this budgeted income in 2023/24.

17. Reserves

17.1. The reserves as contained in the financial statements at 31 March 2022 may be summarised as follows:-

	Balance 31 March 2021 £000	Balance 31 March 2022 £000	
Capital Receipt Reserves	4,050	3,821	Receipts from the sale of assets earmarked for capital programme commitments and invested under the Treasury Management policy.
Community Infrastructure Levy	8,419	9,320	Receipts available for funding of infrastructure improvements
Earmarked Strategic Reserves	25,152	23,255	Provisions for future expenditure or against identified liabilities
Working Balance	3,383	2,853	General Fund Working Balance

17.2. The policies for the reserves are contained in Section 3 of the Financial Plan 2020 - 2024 approved by Council in February 2020.

17.3. The levels of revenue reserves are set out in Appendix 7.

17.4. The following estimate is made of the Council's capital receipt reserves.

	Capital Reserves
	£'000
Balance brought forward at 1 April 2022	**3,821**
Estimated use to fund 2022/23 capital expenditure	(973)
Forecast Receipts in Year	798
Estimated Balance at 31 March 2023	**3,646**
Planned use for 2023/24 programme	(350)
Forecast Receipts in Year	0
Note: excludes allowance for programme slippage	-
Estimated Balance at 31 March 2024	**3,296**

17.5. The Council is required to consider the level of its reserves in setting its budget. The Chief Finance Officer's statement of the adequacy of the financial reserves is attached at Appendix 8.

17.6. Next year's budgets include the following significant planned uses of general reserves:-

17.6.1. No use of the general fund working balance to fund services.

17.6.2. £166,000 of corporate projects reserve used to support services.

17.6.3. £1,127,000 contribution from the property income equalisation to mitigate loss of/reduced rental income from commercial property tenants.

17.6.4. £1,084,775 of the collection fund equalisation reserve to finance the deficit on the collection fund brought forward from 2022/23, plus £5,395 to fund the difference between projected and finalised funding levels for 2023/24.

17.6.5. £350,000 of capital receipts to fund the capital programme (including spend to save schemes subject to approval of business case).

18. Financial Forecast

18.1. The following financial forecast comprises an update of the forecast in the Financial Plan 2020 - 2024 to take account of the 2023/24 budget proposals and latest central government public sector spending projections.

Summary Forecast	2023/24 Budget £000	2024/25 Budget £000	2025/26 Budget £000	2026/27 Budget £000
Cost of Service b/f (before interest and planned use of reserves)	10,517	11,394	11,342	11,746
Pay & Prices Increases	1,260	657	670	683
Contingency for Service Changes and Pressures	1,280	-184	267	77
Increases in Fees & Charges	-417	-442	-469	-238
Star Chamber Savings / Additional Income	-1,246	-83	-65	-27
Net Cost of Services (excluding interest and planned use of reserves)	**11,394**	**11,342**	**11,746**	**12,241**
Interest on Balances	-720	-830	-880	-830
Contributions to / (from) reserves	-2,383	-266	-150	-100
Forecast Net Cost of Services	**8,290**	**10,246**	**10,716**	**11,311**
Business Rates Forecast	1,653	1,692	1,243	1,268
Revenue Support/Other Grants	333	333	0	0
Council Tax Income Forecast	7,361	7,620	7,811	8,007
Council Tax Surplus / (Deficit)	27	0	0	0
Business Rates Surplus / (Deficit)	-1,085	0	0	0
Collection Fund Income	**8,290**	**9,645**	**9,054**	**9,275**
Funding Shortfall	*0*	*601*	*1,662*	*2,037*

18.2. The Financial Plan provides more analysis behind the forecast including the assumptions used however key points to note are:-

18.2.1. The forecast covers existing services plus makes contingencies for changes to funding of services.

18.2.2. Council tax has been increased annually by 3% for a Band D equivalent property until 2024/25, then by 2% from 2025/26.

18.2.3. Annual pay increase of 2% per annum from 2024/25 (in line with the Bank of England's target figure for inflation).

18.2.4. Retained income from business rates remains broadly at current levels for the next two years until 2024/25.

18.2.5. Revenue funding towards the financing of a sustainable capital programme is included within the forecast, with £500,000 of the 2023/24 programme being funded from revenue and this increases to £600,000 by 2024/25.

18.2.6. With continued uncertainty on council funding levels from 2025/26 onwards and the significant risks posed by the government reviews, the latest forecast anticipates that savings of c£1.7 million will be needed by 2025/26 to achieve a balanced budget at the end of this period.

19. Capital Programme

19.1. The review of capital spending requirements was overseen by the Capital Member Group.

19.2. A provisional five year forward programme was reported to policy committees in January 2023. Supported schemes have been included in the draft capital programme.

19.3. The updated capital strategy statement is attached at Appendix 10 and includes a summary of proposed investment for 2023/24, and forecast for 2024/25 to 2027/28.

19.4. A capital investment programme of £1.714 million is recommended for 2023/24 and the following funding is required to allow the schemes in this programme to be completed:-

19.4.1. £350,000 of capital receipts reserves for the core programme.

19.4.2. £785,000 use of central government grant.

19.4.3. £498,000 use of budgeted revenue contribution.

19.4.4. £81,000 use of S106 funds.

19.4.5. Schemes will also be carried forward from the 2022/23 programme where not completed by 31 March 2023 and subject to committee approval.

20. Prudential Indicators and Authorised Limits for 2023/24

20.1. The Local Government Act 2003 introduced a system of capital controls for local authorities. Details of the regulations are set out in Appendix 11 to this report.

20.2. The Council agreed in 2016/17 to borrow funds of up to £80 million to finance the acquisition of commercial properties within the Borough.

20.3. The fund, which has a remaining balance of £49.6 million, remains open for future potential acquisitions within (or close to) the Borough’s boundary in the period 2020-2024 provided the statutory guidance can be met.

20.4. The Financial Policy Panel has considered the capital financing requirements as part of the capital programme review and it is not anticipated that the Council will undertake any long term borrowing to finance the core capital programme in 2023/24.

20.5. Prudential Indicators and Authorised Limits have been proposed in Appendix 11 on this basis and using the capital strategy recommended to the Council.

21. Council Tax Options

21.1. The current Surrey district council tax levels are shown at Appendix 12.

21.2. The policy in the Medium Term Financial Strategy is to ensure that council tax stays below the average of the Surrey districts.

21.3. The final government grant settlement confirmed capping limits for council tax, allowing district councils to increase their council tax by either £5 per annum (Band D equivalent) or 3% before needing to hold a referendum.

21.4. For financial planning purposes, the Medium Term Financial Strategy 2020-2024 and Budget Book include an annual council tax increase of £6.39 per annum (for Band D), which equates to an additional 12 pence per week for a Band D equivalent property.

21.5. The recommendation in the budget report for 2023/24 is for an increase of 2.99%, which represents an increase of £6.39 per annum on a Band D equivalent property.

21.6. To the average band ‘D’ council tax payer (those not receiving discounts or support), the charge for borough services would increase from £213.21 to £219.60 per property.

21.7. The decision must take into account a number of factors including the medium term budget forecast including the level of savings already required to achieve a balanced budget in future years.

21.8. The impact on council tax for the 2.99% increase and a freeze are shown in the table below.

Council Tax Change	0% Freeze	2.99% Increase
Council Tax (Band D)	£213.21	£219.60
Increase per annum	£0	£6.31
Increase per week	0p	12p
Additional Income Generated 2023/24	£0	£214,200
Adjustment needed to Draft Budget Book	£214,200 adverse	£0
On-going Income received in Future Years	£0	£214,200

21.9. The Council will remain at the lower end of the range of Surrey district council tax levels whatever option is decided.

22. Consultation with Non-Domestic Ratepayers

22.1. The Council has provided information about its spending proposals and business rates reliefs on the website. Any responses specific to the 2023/24 budget will be identified at the meeting.

23. Collection Fund

23.1. In accordance with the Local Authorities (Funds) (England) Regulations 1992, the borough council as the billing authority is required to estimate on 26 January each financial year the surplus or deficit on its collection fund for that year in respect of council tax. The estimates are required to be made on an accruals basis in accordance with proper accounting practices.

23.2. Where a deficit or surplus in the 2022/23 collection fund is estimated in respect of council tax or business rates, the amount must be apportioned in 2023/24 between authorities that precept on the collection fund in accordance with the ratio of their 2022/23 precepts.

23.3. The calculation of the estimated position on the Council's 2022/23 collection fund in respect of council tax items is detailed at Appendix 14 and this shows a surplus on the fund of £27,265 forecast for this Council and will be credited to the general fund revenue account for 2023/24.

23.4. The current Business Rates Retention Scheme was introduced under the 2012 Local Government Finance Act and requires the allocation of estimated surpluses and deficits for 2022/23 in 2023/24. A deficit of £1,084,775 is forecast for this Council and will be charged to the general fund revenue account for 2023/24, which will be funded by compensatory government grants previously set-aside in the collection fund equalisation reserve. The calculation is shown in Appendix 15.

24. Precepts

24.1. Precepts have been issued by Surrey County Council and Surrey Police Authority upon Epsom and Ewell Borough Council, as the billing authority.

24.2. A schedule of precept dates has been agreed with the precepting authorities.

25. Council Tax Recommendation

25.1. The budget target included an increase of £6.39 per annum on a Band D equivalent property in council tax.

25.2. Following confirmation of changes in government funding and the council tax referendum rules, along with the need to minimise the use of working balances, the recommendation in this report is based on an increase of 2.99%.

25.3. Based on this figure the Borough Council's calculation of the amount to be raised by way of council tax based on the proposed council tax requirement is as follows:-

Council Tax Requirement 2023/24	**£**	**£**
Budget Requirement		8,290,330
Services Grant	57,419	
Revenue Support Grant	52,954	
CSP Minimum Guaranteed Funding	222,615	
Business Rates retained	980,489	
Small Business Rate Relief Grant	673,116	
External Finance:		(1,986,593)
Sub-Total		6,303,737
Add: Collection Fund Deficit (Business Rates)		1,084,775
Less: Collection Fund Surplus (Council Tax)		(27,265)
Council Tax Requirement		**7,361,247**

25.4. Precepts have been recommended as follows:-

Awaiting confirmation	£	%
Surrey County Council (provisional)	56,150,625	76
Surrey Police (provisional)	10,410,667	14
Epsom and Ewell Borough Council	7,361,247	10
Total	**73,922,538**	**100**

25.5. In accordance with Regulation 3 of the Local Authorities (Calculation of Tax Base) Regulations 2012, the Council calculated the amount of 33,521.16 as its council tax base for the year 2023/24. This represents the number of Band D equivalent properties.

25.6. Based on the recommendation in this report, the change in the council tax levy per Band D equivalent dwelling, when compared to 2022/23 would be as follows:-

Recommendations	2022/23	2023/24	Variation	
	£	£	£	%
Surrey County Council (provisional)	1,626.39	1,675.08	48.69	2.99
Surrey Police Authority (provisional)	295.57	310.57	15.00	5.07
Epsom & Ewell Borough Council	213.21	219.60	6.39	2.99
Total	**2,135.17**	**2,205.25**	**70.08**	**3.28**

26. Robustness of the Estimates

26.1. The Local Government Act 2003 requires that when a local authority is agreeing its budget and precept, the Chief Finance Officer must report on the robustness of the estimates made for the purpose of the calculations.

26.2. The Council's Chief Finance Officer advises that:-

26.2.1. The Council received the 2021/22 financial statements in good time, with an unqualified audit opinion expected shortly in 2023.

26.2.2. The revenue and capital budget monitoring arrangements are effective and Members receive quarterly monitoring reports.

26.2.3. Financial Policy Panel receives reports on financial and risk management, and has been well placed to provide effective advice on financial planning leading to the preparation of the detailed service estimates.

26.2.4. Policy committees have received detailed estimates of revenue and capital expenditures for 2023/24 and have also received assessments on the main financial risks.

26.3. It is the Chief Finance Officer's opinion that the assumptions used in preparing the estimates are realistic and that the committees should be able to meet their obligations within the proposed budget allocations, factoring in the mitigations set-out in the risk assessment.

26.4. A corporate budget risk assessment is appended to this report (Appendix 6), as is a statement on the level of reserves (Appendix 7).

26.5. The Chief Finance Officer considers that the budget proposals for 2023/24 are robust and sustainable, based on the Council's current plans and further detail explained at Appendix 8.

26.6. The updated financial forecast (Appendix 9) identifies the need for further significant cost reduction and income generation as set out in this report so as to improve the forecast budget position by nearly £1.7 million by 2025/26.

26.7. Given the uncertainty over business rates retention forecasts, the Council will need to update the financial forecast and review its spending plans once it knows the outcome of government's 'Fair Funding' and 'Retained Business Rates' reviews, which are now expected to be reflected in the 2025/26 settlement.

26.8. The major challenge in the Efficiency Plan (Appendix 4) is the delivery of the £1.25 million of savings already identified and finding a further £1.7m reduction in the Council's net expenditure by 2025/26.

27. Conclusions

27.1. The Council has reviewed its financial position and updated the four-year medium term financial plan. This provides a best estimate of the resources available for services compared to the cost of those services over the next four years.

27.2. The priorities in the existing Four Year Corporate Plan (until it is superseded) will guide the allocation of resources through service plans and annual service targets.

27.3. The proposed budget makes provision for all services next year and takes into account variations in income and expenditure, as well as changes to funding. The budget also includes the full year effect of savings made last year and new savings and increases in income agreed by the policy committees for 2023/24.

27.4. The Council has been able to prepare a balanced budget through a range of savings and efficiencies, increases to income and the use of strategic reserves. The Council continues to progress a number of strategic reviews, with the aim of delivering a sustainable budget by 2025/26 without the need for funding from strategic reserves.

27.5. Albeit with uncertainty over the long-term financial impact of the ‘cost-of-living crisis’ and the ‘Fair Funding Review’, it is estimated that the financial forecast will need to be improved by c£1.7m to achieve a balanced budget by 2025/26.

27.6. The main financial risks identified for next year’s budget are set out in Appendix 6 to this report.

27.7. Given the challenging financial environment including the need for further savings in future years; the budget target beyond 2023/24 anticipates a 3% increase for Band D equivalent properties in council tax to strengthen the Council’s income base going forward.

27.8. The draft budget for 2023/24 is based on a £6.39 increase for a Band D property, equivalent to an annual increase in council tax of 2.99%. The proposed budget will still require the delivery of cost reductions but the increase would help to maintain the resources needed for service delivery in the medium term.

27.9. The Council will maintain its council tax policy under either option presented with the tax being below the Surrey average.

27.10. For ease of reference, the appendices attached are listed below:

Appendix 1	**Policy Committee Budgets 2023/24**
Appendix 2	**Main Changes to Service Budgets for 2023/24**
Appendix 3	**Income from increases to discretionary Fees and Charges**
Appendix 4	**Four Year Efficiency Plan 2020 – 2024**
Appendix 5	**Economic Indicators**
Appendix 6	**Risk Assessment**
Appendix 7	**Reserves (Revenue and Capital)**

Appendix 8	**Chief Finance Officers' Statement on Robustness of Estimates and Adequacy of Reserves**
Appendix 9	**Financial Forecast 2023 – 2031**
Appendix 10	**Capital Strategy Statement**
Appendix 11	**Treasury Management Strategy, including Prudential Indicators & Authorised Limits**
Appendix 12	**Surrey District Council Tax levels 2022/23**
Appendix 13	**Council Tax Calculation 2023/24**
Appendix 14	**Council Tax Collection Fund**
Appendix 15	**Business Rate Collection Fund**

COUNCIL
14 FEBRUARY 2023

APPENDIX 1

BUDGETS RECOMMENDED BY THE POLICY COMMITTEES

BUDGET SUMMARY BY COMMITTEE	**2021/22 Outturn**	**2022/23 Budget**	**2022/23 Forecast Outturn**	**2023/24 Estimate**
	£	**£**	**£**	**£**
GROSS EXPENDITURE				
STRATEGY AND RESOURCES	27,436,785	26,702,750	25,584,777	25,650,158
ENVIRONMENT AND SAFE COMMUNITIES	11,690,686	11,209,684	11,742,359	10,854,809
COMMUNITY AND WELLBEING	8,760,603	8,904,547	8,824,689	8,616,938
LICENSING & PLANNING POLICY	1,820,405	1,618,081	1,817,208	1,671,802
TOTAL GROSS EXPENDITURE	**49,708,480**	**48,435,062**	**47,969,033**	**46,793,707**
GROSS INCOME				
STRATEGY AND RESOURCES	(29,055,184)	(23,164,368)	(24,962,688)	(22,334,228)
ENVIRONMENT AND SAFE COMMUNITIES	(6,655,326)	(7,473,059)	(6,429,269)	(6,655,797)
COMMUNITY AND WELLBEING	(3,513,561)	(4,203,083)	(3,796,179)	(3,954,292)
LICENSING & PLANNING POLICY	(2,986,860)	(933,129)	(818,295)	(1,022,170)
Less CAPITAL CHARGES (Internal charges)	(2,669,015)	(2,669,015)	(2,669,015)	(2,669,015)
TOTAL GROSS INCOME	**(44,879,946)**	**(38,442,654)**	**(38,675,446)**	**(36,635,502)**
CONTRIBUTION TO / (FROM) STRATEGIC RESERVES	**4,313,663**	**(1,365,958)**	**(910,845)**	**(1,867,875)**
NET EXPENDITURE	**9,142,196**	**8,626,450**	**8,382,742**	**8,290,330**
CONTRIBUTION TO / (FROM) GENERAL OR EARMARKED RESERVE FOR YEAR	(530,052)	0	243,708	0
NET BUDGET REQUIREMENT	**8,612,144**	**8,626,450**	**8,626,450**	**8,290,330**

COMMITTEE TOTALS	**2021/22 Outturn**	**2022/23 Budget**	**2022/23 Forecast Outturn**	**2023/24 Estimate**
	£	**£**	**£**	**£**
STRATEGY AND RESOURCES	856,043	2,318,759	(144,358)	1,569,198
ENVIRONMENT AND SAFE COMMUNITIES	5,031,363	3,723,904	5,294,474	4,181,291
COMMUNITY AND WELLBEING	5,186,337	4,616,850	4,951,728	4,608,224
LICENSING & PLANNING POLICY	737,468	635,952	949,913	600,632
CAPITAL CHARGES (Internal charges)	(2,669,015)	(2,669,015)	(2,669,015)	(2,669,015)
CONTRIBUTION TO / (FROM) GENERAL OR EARMARKED RESERVE FOR YEAR	(530,052)	0	243,708	0
TOTAL	**8,612,144**	**8,626,450**	**8,626,450**	**8,290,330**

FUNDED BY	**2021/22 Outturn**	**2022/23 Budget**	**2022/23 Forecast Outturn**	**2023/24 Estimate**
	£	**£**	**£**	**£**
COUNCIL TAX PRECEPT	6,903,742	7,089,537	7,089,537	7,361,247
LOWER TIER SERVICES GRANT / SERVICES GRANT	60,462	63,685	63,685	57,419
COVID-19 SUPPORT GRANT	304,311	0	0	0
REVENUE SUPPORT GRANT	0	0	0	52,954
CSP MINIMUM FUNDING GRANT	0	0	0	222,615
NNDR	977,468	911,844	911,844	980,489
SMALL BUSINESS RATE RELIEF GRANT	674,495	694,079	694,079	673,116
COLLECTION FUND SURPLUS/(DEFICIT) - COUNCIL TAX	(6,191)	46,957	46,957	27,265
COLLECTION FUND SURPLUS/(DEFICIT) - BUSINESS RATI	(302,143)	(179,652)	(179,652)	(1,084,775)
TOTAL	**8,612,144**	**8,626,450**	**8,626,450**	**8,290,330**

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MAIN SERVICE BUDGET CHANGES 2022/23 TO 2023/24

	Budget Income/Savings £'000	Budget Costs £'000
STRATEGY & RESOURCES		
Local election budget		80
Reduced rent at 64-74 East Street		383
Additional building/facilities maintenace costs		242
Appotionment of Covid-19 contingency to services following July 2022 rebasing	(600)	
Additional contingency for price/energy inflation		638
Contingency for loss of on-street parking income		250
Net increase in treasury management income	(610)	
Net change in contribution from reserves	(1,077)	
Increase in statutory external audit fees		115
Reduction in pension deficit funding	(53)	
Business rates income from 2023/24 Surrey pool	(150)	
Transfer of building control contract from E&SC committee		90
Reduced rent/service charge income at Town Hall		103
Loss of government services grant		95
Change in revenue funding contribution towards capital projects		100
Increased net income from investment properties and Epsom & Ewell Property Investment Company (EEPIC)	(442)	
ENVIRONMENT & SAFE COMMUNITIES		
Increase in tree maintenance contract		65
Net reduction in car parking income following July 2022 re-basing and onstreet parking transfer to SCC		730
Transfer of building control contract to S&R Committee	(90)	
COMMUNITY & WELLBEING		
Funding from governent homelessness grant income	(87)	
Re-tendering leisure contract from September 2025		50
Reduced income from Bourne Hall following July 2022 re-basing		60
LICENSING & PLANNING POLICY		
Additional support staff		38
All Committees		
Increase in salaries & other overheads including changes to vacancy provision		315
Additional income from increase in Fees and Charges (budget proposals)	(668)	
All other service budget changes		93
	(3,777)	**3,447**
Policy Committee Budget Increase/(Decrease)		**(330)**

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APPENDIX 3

ADDITIONAL INCOME FROM INCREASING FEES AND CHARGES FROM 1 APRIL 2023

	£'000	£'000
ENVIRONMENT & SAFE COMMUNITIES		
Car Parks	402	
Refuse Collection / Recycling	62	
Markets	7	
Cemetery	31	
Countryside, Parks & Open Spaces	15	
		517
COMMUNITY & WELLBEING		
Community & Wellbeing Centre	9	
Community Services	12	
Bourne Hall	15	
Epsom Playhouse	26	
		62
LICENSING & PLANNING POLICY		
Place Development	35	
Licensing	54	
		89
TOTAL		**668**

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UPDATED EFFICIENCY PLAN - 2020/21 to 2023/24

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Operational efficiencies and income generation	463	157	33	82	735
Strategy & Resources Committee					
Commercial property rent reviews	62	113		321	496
Income from investment property (Emerald House)			112	196	308
Reduction in costs due to transfer to universal credit				33	33
Borough Insight - cease hard copy publications		24			24
					-
Environment & Safe Communities Committee					
Optimise waste collection			100		100
Reduction in cost of grounds maintenance service			67		67
Additional car parking income				223	223
Community & Wellbeing Committee					
Review of venue operations	60				60
Review of Bourne Hall			30		30
Reduce level of subsidy for operating the Community & Wellbeing Centre		23		53	76
Review of Playhouse opportunities				30	30
Review of homelessness				243	243
Licensing & Planning Policy Comittee					
Licensing & Planning Income				65	65
Total Identified Savings	**585**	**317**	**342**	**1,246**	**2,490**
Unidentified Savings Target	**-**	**-**	**-**	**166**	**166**
Total Savings to Achieve Balanced Budget	**585**	**317**	**342**	**1,412**	**2,656**

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FORECASTS FOR THE UK ECONOMY – HM TREASURY (a comparison of independent forecasts)

This edition of the comparison contains 15 new forecasts, all of which were received between 1 – 16 December 2022. The tables below summarise the average and range of independent forecasts for 2022 and 2023 and show the average of this month's new forecasts.

Source https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-december-2022

Forecasts for 2022

	Independent*				Average of new* forecasts
	Averages		December		
	December	November	Lowest	Highest	
GDP growth (per cent)	4.2	4.1	3.1	4.6	4.4
Inflation rate (Q4: per cent)					
- CPI	10.7	10.5	8.9	11.3	10.8
- RPI	13.6	12.9	11.5	18.6	14.0
LFS unemployment rate (Q4: %)	3.8	3.8	3.5	4.2	3.8
Current account (£bn)	-122.2	-123.7	-185.3	-17.5	-125.4
PSNB (2022-23: £bn)	160.2	156.9	72.3	199.6	160.9

Forecasts for 2023

	Independent*				Average of new* forecasts
	Averages		December		
	December	November	Lowest	Highest	
GDP growth (per cent)	-0.7	-0.8	-2.0	0.7	-0.8
Inflation rate (Q4: per cent)					
- CPI	5.0	5.0	2.2	7.4	5.1
- RPI	6.9	6.7	2.6	11.0	7.0
LFS unemployment rate (Q4: %)	4.5	4.4	3.2	5.5	4.6
Current account (£bn)	-107.3	-89.5	-232.0	-24.2	-121.7
PSNB (2023-24: £bn)	129.1	125.0	31.5	190.0	130.5

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COUNCIL
14 FEBRUARY 2023 **APPENDIX 6**

REVENUE BUDGET 2023/24 - RISK ASSESSMENT

STRATEGY & RESOURCES COMMITTEE						
Risk	**Budget (£M)**	**Rating**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Corporate Risk Register**
Impact of inflation, energy costs and cost-of-living crisis on services and financial resilience	All	**High**	Energy market volatility and inflation remain well above recent historical average, resulting in increased costs for the Council. Government's energy cost guarantee ends on 31 March 2023, and the Council may be exposed to elevated market rates from 1 April 2023. Reduced income from services and taxation due to social, health and economic impacts of potential recession.	Contingency included in revenue budget to mitigate impact of inflation. Pursue initiatives to reduce energy usage. Delivery of agreed savings to contain expenditure. Utilisation any government support schemes that are announced. Regular budget monitoring in accordance with Financial Regulations. Utilisation of reserves if required.	Effective Council.	CRR-8
Reducing projected net expenditure	All	**High**	Fail to deliver savings and/or a balanced budget.	Delivery of the MTFS and the Efficiency Plan. Identify additional savings of c.£1.7m by 2025/26.	Effective Council.	CRR-5

External Funding	£0.13m New Homes Bonus £1.7m Business Rates £0.3m government grants	**Med**	Loss of income from the Fair Funding Review in future years. Reduction in New Homes Bonus funding.	Identification of other sources of funding. Monitoring government funding consultations and announcements.	Effective Council.	CRR-51
Failure to control salaries costs	c.£13m	**Med**	Increasing salaries cost and pressures on services.	Four Year Pay Policy linked to CPI inflation. Job evaluation. Updated Pay Policy from 2024/25. Monitoring of salaries and agency costs.	Effective Council.	CRR-51
Cost of borrowing	£1.6m	**Low**	Over borrowing at incorrect rates. Cost of borrowing through PWLB increases.	Robust business cases for investments supported by borrowing. Agree governance arrangements and robust reporting. If required, borrow through the PWLB at fixed rates. Utilise external, specialist treasury advisors for advice.	Effective Council.	CRR-51

Rental returns for the general fund	c.£3m	**High**	Failure to achieve the required rental returns from commercial property investments funded by borrowing. Loss of tenant.	Management of properties. Review of all purchasing opportunities and due diligence. Implement decisions at S&R meeting of January 2023. Use of property income equalisation reserve.	Effective Council.	CRR-51
Income from EEPIC	c.£1.3m	**High**	Failure to achieve the required rental returns from commercial property investments funded by borrowing. Loss of tenant.	On-going management of properties and tenants. Review of all new purchasing opportunities and due diligence. Use of property income equalisation reserve.	Effective Council.	CRR-51
Maintain secure investment of reserves and cash balance through the Treasury Managemen t Strategy	c.£20m cash balances (fluctuates during year)	**Low**	Generate a sound return on cash. Safeguard capital sums invested.	Annual review of Treasury Management Strategy. Use of external fund manager in accordance with treasury management policy. Monthly review of fund performance. Review of market risks using treasury management advisers.	Effective Council.	CRR-51

Interest income from reserves and CIL/S106 balances used to support services	£0.7m	**Med**	The Council may not achieve budgeted interest income if interest rates fall. If the Council spent a significant proportion of its reserves or CIL balances in a short period of time, funds may not be available to invest to earn budgeted interest income.	Monitoring of cash and reserve balances. Business cases to include impact of significant investments on treasury management income. Regular review of treasury management income achievable. Monitoring of market outlook (ie interest rate expectations) using treasury management advisers.	Effective Council.	CRR-51
Pension fund	£36.8m (Deficit on IAS19 basis as at 31 March 2022)	**Med**	The deficit is not addressed over the next 20 years.	Pension fund deficit payments of c.£900k per annum will continue to be made in line with independent actuarial recommendation through the triennial review as at 31 March 2022.	Effective Council.	CRR-51

Asset Management	c.£1m (direct exp)	**Med**	Operational property is not fit for purpose. No increase in the income generated from commercial property. Optimisation of property for service to residents. Insufficient reserves to fund major works and on going maintenance to council assets.	Implement the Asset Management Plan and refresh the plan at least annually. Property maintenance and prioritised repairs programme. Monitor tenant requirements and rent levels.	Effective Council. Maximise opportunities to improve use of buildings.	CRR-51
Retained Business Rates	£1.7m	**Med**	Loss of income from the Fair Funding Review/Levelling Up Agenda, and the Business Rates Retention scheme. Business rates collection lower than expected	Assess outcome of any government business rates retention reform and Fair Funding Review when published. Collection Fund Equalisation Reserve to mitigate income shortfalls in the short term.	Effective Council. 99% of business rates to be collected.	CRR-51

Housing Benefit Subsidy	C.£14m	**Med**	Reduced recovery rate on benefits paid out. Increased demand for benefit payments due to recession. Staff retention/ recruitment. Welfare reforms.	Monitoring of benefit performance indicators. Quarterly monitoring of subsidy position. Recruitment and retention programme. Maintaining bad debt provision for claimant arrears. Manage the implementation of Universal credit.	Effective Council. Processing of new benefit claims in 22 days and change in circumstances in 11 days.	CRR-51
Council Tax Income	c.£7m (EEBC element)	**Med**	Collection rates due to economy & changes to council tax benefits. Cash flow.	Billing & recovery arrangements designed to support collection targets, additional resource for local council tax support scheme. Collection performance reported to Directors monthly. Collection Fund separately managed on behalf of precept authorities (SCC & SP).	Effective Council. 98.40% of council tax collected.	CRR-51
Building Control Contract	£0.1m expendit ure	**Low**	Less control due to transfer to Elmbridge Building Control Service. Changes to economy further impacting on building control service.	Monitor implementation and integration with Elmbridge Building Control Service.	Effective Council. Safe & Well.	CRR-51

Surrey County Council's Devolution & Transformation Agenda will affect the whole of Surrey.	Unknown impact on EEBC	**Med**	Loss of income from SCC. Reduced service. Increased costs.	Engage in devolution and transformation working groups as appropriate. Collaborate with other Districts on alternative proposals.	Effective Council. All priorities.	CRR-51

ENVIRONMENT & SAFE COMMUNITIES COMMITTEE						
Risk	**Budget (£M)**	**Rating**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Corporate Risk Register**
Car Parking Income	c.£4m	**Med**	Income from off street car parks is exposed to adverse weather and economic conditions that can have significant effect on usage.	Monthly monitoring and work analysing individual car park performance against target. Work to reduce costs following loss of on-street parking income to SCC.	Effective Council.	CRR-51
Domestic and Trade Waste Collection	c.£1.4m	**Med to High**	Income from waste recycling fees is exposed to changes in market prices and changes proposed by SCC.	Monthly monitoring of income against target and monitor the market fluctuations.	Green & Vibrant. Recycling rates.	CRR-51
Operational and Cemetery Services	£0.5m	**Med**	Reduction in the no of burials and memorials. Increased fuel costs impacting grounds maintenance.	Promote new space and services with cemetery. Regular budget monitoring reports in line with Financial Regulations.	Effective Council	CRR-51

COMMUNITY AND WELLBEING						
Risk	**Budget (£M)**	**Rating**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Corporate Risk Register**
Homelessness	c.£1.6m (net expenditure)	**High**	Significant increase in number of households requiring temporary accommodation. Lack of affordable housing therefore unable to move households out of TA. Cost of living crisis impact on residents. Failure to achieve target to reduce net cost of service.	Continuing with preventative initiatives and alternative temporary accommodation options. Regular budget monitoring reports in line with Financial Regulations. Homeless grant reserve and the general fund working balance are held to manage budget pressures in the short term that cannot be mitigated by preventative or other action.	Safe & Well.	CRR-107
Venues Income	c.£1m	**Med**	Not reaching budgeted level of income from venues. Cost of living crisis impact on operation of venues.	External provision for ECH and business plans for Playhouse and Bourne Hall.	Cultural & Creative. Effective Council.	CRR-51

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			Additional operational costs.			
Community & Wellbeing Centre & Community Services Income	c.£0.8m	**Med**	Vulnerable client group only gradually to return to using these services following the pandemic.	Monitoring service delivery options. Regular budget monitoring.	Effective Council. Safe & Well.	CRR-51
Licensing & Planning Policy						
Risk	**Budget (£M)**	**Rating**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Corporate Risk Register**
Place Development Income	c.£0.7m	**High**	Risk of designation for planning decisions Non delivery of the Local Plan Income generated by services within LPPC is heavily linked to the development industry. For 2023/24 there is a specific risk that place development income target may not be realised due to the continuing cost of living crisis, lack of capacity and skills within the construction industry, interest rate uncertainty,	PPA agreements and funding to cover costs of staff for large developments. Monthly monitoring of income streams by Head of Service. This may begin to recover, but at the end of the financial year, should there be a deficit within the LPPC income that cannot be mitigated by preventative or other action, the Council holds the general fund working balance reserve to manage such budget pressures in the short term. During 2023/24, a report will be prepared for consideration at LPPC and then, if necessary, S&R committee, to expand	Opportunity & Prosperity. Green & Vibrant.	CRR-51

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			and overall inflation leading to less development activity over the coming year.	on these complexities, address any longer-term issue, and to review the LPPC budget targets. These reports are targeted for presentation to LPPC in March 2023 and then, if necessary, S&R in July 2023.		
Local Plan	c.£1m	**Med**	Increased expenditure due to changes in government planning policy. Failure to produce Local Plan.	Local Plan project plan. Regular monitoring reports to LPPC committee.	Implement the Local Plan and the national planning statistics.	CRR-46
Licensing Income	c.£0.4m	**Med**	Not reaching budgeted level of letting income from licensing. Loss of key licensees (ie taxi operators) to neighbouring boroughs	Regular budget monitoring reports in line with Financial Regulations. Engagement with key licensees.	Effective Council	CRR-51

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CAPITAL RESERVES 2022-2028

Provisional Capital Programme Funding Summary

	CIL & S106	Capital Grants	Capital Receipts	Residential Property Fund	Revenue	Total
	£m	£m	£m	£m	£m	£m
Estimated available Capital Resources at 31/3/2022	**6.35**	**1.58**	**3.82**	**0.96**	**0.46**	**13.17**
Anticipated Receipts in 2022/23	1.04	0.91	0.80	0.00	0.47	3.22
Proposed New Bids for 2022/23	-0.83	-2.49	-0.97	0.00	-0.43	-4.72
Estimated available Capital Resources at 31/3/2023	**6.56**	**0.00**	**3.65**	**0.96**	**0.49**	**11.67**
Anticipated Receipts in 2023/24	1.04	0.79	0.00	0.00	0.57	2.40
Proposed New Bids for 2023/24	-0.08	-0.79	-0.35	0.00	-0.50	-1.72
Estimated available Capital Resources at 31/3/2024	**7.52**	**0.00**	**3.30**	**0.96**	**0.56**	**12.35**
Anticipated Receipts in 2024/25	1.04	0.79	0.00	0.00	0.67	2.50
Proposed New Bids for 2024/25	0.00	-0.79	0.00	0.00	-0.39	-1.18
Estimated available Capital Resources at 31/3/2025	**8.56**	**0.00**	**3.30**	**0.96**	**0.84**	**13.67**
Anticipated Receipts in 2025/26	1.04	0.79	0.00	0.00	0.77	2.60
Proposed New Bids for 2025/26	0.00	-0.79	0.00	0.00	-0.60	-1.39
Estimated available Capital Resources at 31/3/2026	**9.60**	**0.00**	**3.30**	**0.96**	**1.02**	**14.88**
Anticipated Receipts in 2026/27	1.04	0.79	0.00	0.00	0.82	2.65
Proposed New Bids for 2026/27	0.00	-0.79	0.00	0.00	-0.36	-1.15
Estimated available Capital Resources at 31/3/2027	**10.64**	**0.00**	**3.30**	**0.96**	**1.48**	**16.38**
Anticipated Receipts in 2027/28	1.04	0.79	0.00	0.00	0.82	2.65
Proposed New Bids for 2027/28	0.00	-0.79	0.00	0.00	-0.41	-1.20
Estimated available Capital Resources at 31/3/2028	**11.68**	**0.00**	**3.30**	**0.96**	**1.89**	**17.84**

Notes:

1. The budgeted contributions are a revenue contribution to fund capital schemes; increasing by £100k each year until they reach a level of £750k pa.
2. Community Infrastructure Levy receipts are 80% of the total collected through the levy.
3. Affordable Housing S106 funds have been excluded from the above figures as these are generally allocated to Registered Providers of social housing, and not able to be used to fund the Council's capital programme.
4. No expenditure has been entered for the residential fund but this will occur when opportunities arise.

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STATEMENT ON THE ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

1. Introduction

The Council has a legal duty to produce a balanced budget and must take all reasonable factors into account when doing so. Under the Local Government Act 2003 section 25(1) (b), the Section 151 Officer (Chief Finance Officer) has a personal duty to advise the Council about the **robustness of the budget** and **the adequacy of the Council's reserves** when it considers its budget and council tax. The Act requires Members to have regard to this report in making their decisions.

To assist Chief Finance Officers in compiling these statements, CIPFA wrote to all Chief Finance Officers in December 2011 providing further details of their responsibilities in respect of the budget setting process and in particular the statement on the robustness of the estimates and adequacy of reserves. This statement addresses the requirements as set out in the letter and Members should consider the content of this report carefully.

2. Robustness of the estimates

Robustness of the estimates is concerned with scrutinising detailed elements of the budget, weighing up all factors and taking a balanced view of the risks. Depending upon the level of assessed risk within the proposed budget, the Chief Finance Officer is expected to give consideration to the Council's contingency plans should savings not materialise. This report attempts to set out the risks associated with their achievement and the implications and contingency plans if the savings are not delivered as planned.

In terms of the robustness of the estimates presented for 2023/24, the following observations are made:

The preparation of the 2023/24 budget has been produced in the context of prevailing economic uncertainty, particularly in relation to interest rates, inflation (including volatile utility costs) and the impact of a potential recession next year and beyond. The uncertain economic outlook and potential recession has resulted in increased uncertainty within the Council's finances and demonstrates the ongoing importance of holding sufficient reserves to enable the Council to manage the risks it faces.

The Council has acted prudently to include a central contingency of £892,000 within the 2023/24 budget to mitigate the anticipated impact of heightened inflation on Council services. The economic outlook is expected to cause some changes to the local economy and to demand for use of our services, potentially resulting in increased costs and/or reduced income streams for the Council. To address this, it is anticipated that during 2023/24 the Council will need to review its services and income opportunities to inform decisions that may be necessary to reduce underlying net expenditure, with the aim of removing reliance on reserves to fund the day-to-day revenue budget.

Income generating opportunities or revenue savings agreed as part of the Medium Term Financial Strategy for 2023/24 are included within next year's budget after assessing whether they are achievable, deliverable and acceptable. The Policy Committees in January 2023 considered savings or income generating items included within the Efficiency Plan that are scheduled to be delivered in 2023/24. The 2023/24 budget incorporates £1.25m of savings and additional income identified from the Efficiency Plan.

In determining the expenditure budgets for 2023/24, contractual price rises and utility price increases have been incorporated but other non-pay budgets have generally been cash limited. The 2023/24 pay award of 3.0% reflects the Council's agreed four year Pay Policy and a pay award provision of £446,000 has been incorporated within the estimates for 2023/24.

The Council lost its debt free status in 2016/17 when it agreed to acquire commercial properties within the Borough, funded by PWLB loans. In 2017 the Council also agreed to set up Epsom & Ewell Property Investment Company Ltd (EEPIC) to enable the acquisition of investment properties outside the Borough. Between 2016 and 2020, the Council acquired four properties within the Borough, and EEPIC acquired two properties outside the Borough.

In January 2023, Strategy & Resources Committee agreed how the Council should manage recent lease events at two of these commercial properties. These lease events will result in reduced rental income until new leases can be agreed with new tenants. The availability of funds within the property income equalisation reserve enables this temporary reduction of income on the Council's General Fund to be compensated by a contribution from this reserve. In the longer term the property income equalisation reserve will need to be replenished to ensure sufficient funds are held to mitigate the risk associated with funding services from commercial properties.

The maintenance of Council buildings remains an increasing pressure, with some works again deferred while the Council continues to progress property reviews. Increased provision for capital works has been made within the 2023/24 revenue budget and earmarked reserves are being utilised. However, with uncommitted capital receipts nearing the minimum required level and pressure remaining on revenue funding, the opportunity to fund on-going maintenance is limited.

No budget is without risk, especially in the current environment, as even the most carefully set plans are subject to ever changing demands and unforeseen circumstances. A full risk assessment for the revenue budget is contained in Appendix 6. Throughout the budget setting process advice has been provided at various times concerning the estimates made and their underlying assumptions and risks.

Stringent budget monitoring will continue to be undertaken, with particular emphasis being placed on identifying the financial impact of elevated energy costs on Council services, the achievement of income estimates, salary estimates and high-risk expenditure items. Prompt response to in-year projected deficits will continue to be expected from members and senior officers.

Both the understanding of the Council's financial position and the commitment to ensure delivery of budgets continue to develop across all service areas enabling the Council to be more effective in its financial planning. Members receive quarterly monitoring reports detailing the financial issues facing the Council. All budget managers receive monthly monitoring reports for their particular area. The financial monitoring system covers both revenue and capital expenditure.

As with any budget there are uncertainties to plan for, and higher and lower risk income streams to manage. This remains the case, especially at this time with high levels of unpredictability.

The 2023/24 budget continues to be affected by changes to how non-domestic rates (business rates) are calculated and distributed, which the government introduced in 2013. The system seeks to provide a greater reward for those authorities that manage to encourage business growth, but also means the local authority shares to a much greater extent the risks associated with any loss of businesses. Government has delayed its review of the method for redistribution of non-domestic rates, originally due in 2020, which will eventually impact on the level of resources that this Council retains. The delay means these changes to Council funding should not come into effect until at least from 2025/26. To assist with the potential volatility of this income stream the Council has a Collection Fund Equalisation Reserve, which is used to smooth out fluctuations in funding from this source of income. This reserve can also be potentially used to mitigate against reductions in allocated funding for a period of time whilst compensating savings can be found. For 2023/24's budget, the reserve will be used to fund the Council's share of prior year deficits on the collection fund.

Another element of uncertainty relates to income. Income estimates are made looking at past levels of income achieved as well as trends throughout a year. Variances can increase income as well and often these positive variances cancel out the negative variances. However, there is still a real risk where significant levels of income are forecast. The majority of the £1.25m savings in the Efficiency Plan require additional income to be achieved; this represents a challenging target that carries deliverability risk. The fees and charges levied by the Council have been subject to a detailed review, but with the increased uncertainty of demand for services in 2023/24 in the face of the cost-of-living crisis, income budgets pose a higher risk than in previous years. Significant income budgets are subject to the same degree of rigorous monitoring as other budgets and any variations are reported through the monitoring processes in place.

Even with additional budgeted income, the Council's underlying budget gap for 2023/24 remains at £166,000, which will be funded by a contribution from the corporate projects reserve to the General Fund.

The Council continues to experience elevated numbers of households requiring housing/homelessness services compared to pre-pandemic levels. This increased demand continues to have a major impact on the Council's finances. To help manage the cost and for the benefit of service users, the Council is using government's Homelessness Prevention Grant and has a target to reduce the average number of households accommodated in expensive nightly-paid temporary accommodation from 70 to 58, by pursuing alternative accommodation initiatives.

With Councils having experienced reductions in government funding in recent years and also seeing increasing cost pressures on service delivery, there is a risk that other organisations will look to reduce the funding given to Epsom and Ewell Council to provide services on their behalf or jointly, especially with organisations under increased financial pressure due to the economic environment.

To assist with mitigating the risks associated with budget preparation there is a contingency within the budget to allow for unforeseen events. Holding a central contingency pot means departmental sums are not required.

In conclusion, the 2023/24 budget estimates are considered to be robust on the basis that:

a. Stringent budget monitoring, together with prompt responses to variances is actioned.
b. Total net expenditure is maintained within approved budgets.
c. Plans for generating additional income and reducing expenditure need to be developed as part of the budget process for 2024/25. It is important that this is considered a high priority for this Council to ensure financial stability for future years.

3. Adequacy of Reserves

The requirement for financial reserves is acknowledged in statute (Local Government Finance Act 1992). There are also safeguards in place to prevent local authorities over-committing themselves financially. These include:

- The balanced budget requirement
- Chief Finance Officer’s S114 powers
- The external auditor’s responsibility to review and report on financial standing
- The prudential code for capital finance

The minimum prudent level of reserves that the Council should maintain is a matter of judgement. It is the Council’s safety net – a contingency to cushion the impact of unexpected events or emergencies and a working balance to help cushion the impact of uneven cash flows. Reserves can also be a means of building up funds, often referred to as earmarked reserves to meet known or predicted liabilities.

The consequences of not keeping a minimum prudent level of reserves can be serious. In the event of a major problem, or a series of events, the Council could be forced to cut spending during the year in a damaging and arbitrary way.

The level of reserves was reported to Audit & Scrutiny Committee in November 2022, when the financial statements for 2021/22 were reported. A review of the reserves was carried out by Financial Policy Panel in January 2023.

In the past, government has increased local authority exposure to financial risk with the changes to funding from business rates. The risk in part has been offset by increasing the provision for bad debt, and by creating the collection fund equalisation reserve. Having considered these risks, the conclusion is that minimum levels should remain as currently specified with the Medium Term Financial Strategy; namely

- General Fund Working Balance Reserve - £2.5 million
- Capital Receipts - £1 million

- Corporate Projects Reserve - £1 million

The General Fund balance is anticipated to be £3.1 million at 31 March 2023. The budget assumes no withdrawal from the General Fund balance in 2023/24.

The unallocated capital receipts are anticipated to be £3.3 million at 31 March 2023. The 2023/24 budget includes a £500,000 contribution to the capital programme from revenue and £350,000 of capital reserves. The Council is planning to increase the level funding from revenue to eventually reach £750,000 by 2026/27 to achieve a sustainable capital programme not reliant on the use of diminishing capital receipts.

The Council has other reserves earmarked for specific purposes and these are detailed in Appendix 7.

Having undertaken the review of reserves and given the economic and financial environment the Council is working within during 2023/24, it is believed that the Council is operating at an acceptable level of reserves.

Lee Duffy
Chief Finance Officer

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REVENUE BUDGET FOUR YEAR FORECAST

Status: Financial Planning Updated for 2023/24 Budget

	MTFS				FORECAST						
FOUR YEAR BUDGET PROFILES	**2020/21 Actual £000**	**2021/22** Actual £000	2022/23 Budget £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000	2026/27 Forecast £000	2027/28 Forecast £000	2028/29 Forecast £000	2029/30 Forecast £000	2030/31 Forecast £000
NET SPEND B/F FROM PREVIOUS YEAR	**6,387**	**9,743**	**8,612**	**8,627**	**8,290**	**10,246**	**10,716**	**11,312**	**11,714**	**12,503**	**12,968**
add back: Interest on Balances as credited to the revenue account in previous year	96	130	105	240	720	830	880	830	830	500	500
add back: Use of Reserves/Provisions in Previous Year	1,845	-1,264	730	1,476	2,383	266	150	0	0	0	0
Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)	**8,328**	**8,609**	**9,447**	**10,517**	**11,394**	**11,342**	**11,746**	**12,142**	**12,544**	**13,003**	**13,468**
Allowance for Pay and Price Inflation											
General Inflation - price base	+190	+50	+290	+454	+199	+203	+207	+211	+215	+220	+224
General Inflation - pay base	+400	+240	+516	+446	+458	+467	+476	+486	+496	+505	+516
Other											
Prices Increases net of Increased Fees & Charges	**+590**	**+290**	**+806**	**+900**	**+657**	**+670**	**+683**	**+697**	**+711**	**+725**	**+740**
Increases in costs / Reductions in income											
Pension Fund Valuations 2019 & 2022	+150		+129	-53	+0	+0					
Impact of Covid		+950	+169	-90	+20	+21					
Revised cost of building control service			+161								
Increased cost of maintaining ditches and reservoir			+16								
Change in national insurance contributions			+150	-150							
Net reduction in income from commercial property			+655	+210							
Increase in debt repayments			+41	+26	+26	+27	+27	+28	+28	+29	+29
Increase in provision for property maintenance	+50	+50	+50	+50							
Property and Regeneration Manager	+50										
Local elections	-70			+80	-80						
Verge maintenance											
Reduction in savings on Ebbisham Centre											
Community Safety											
Funding of projects within the capital programme	+100	+100	+100	+100	+100	+100	+50				
Health and Wellbeing											
Verge maintenance											
Provision for increased cost of living	+0				+200						
Loss of 70 East Street tenant				+600	-600						
Contingency for loss of on-street parking income				+250							
Increased cost of external audit fees nationally				+115							
Contingency for elevated utilities and contract inflation				+360							
Other	-83	-71	+56	+59							
Reduced contributions to the Property Equalisation Reserve			-500								
Savings to be identified to finance rebasing exercise			-85	+85							
Increased cost of homelessness	+391										
Increases in costs / Reductions in income	**+649**	**+1,029**	**+942**	**+1,642**	**-334**	**+148**	**+77**	**+28**	**+28**	**+29**	**+29**

	MTFS				FORECAST						
FOUR YEAR BUDGET PROFILES	**2020/21 Actual £000**	**2021/22** Actual £000	2022/23 Budget £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000	2026/27 Forecast £000	2027/28 Forecast £000	2028/29 Forecast £000	2029/30 Forecast £000	2030/31 Forecast £000
Changes to External Funding											
Bourne Hall (SCC)	+80										
2023/24 Surrey Business Rates Pool				-150	+150						
Contingency for loss of homelessness reduction act grant income						+119					
Loss of Housing Benefit Admin Grant											
Grant funding from MHCLG for Local Council Tax Admin Subsidy											
Remove funding from Property Company towards funding capital programme											
Removal of Local Council Tax Support Admin Grant				+50							
2022/23 Government Services Grant			-98	+98							
Higher Needs											
Changes to External Funding	**+80**	**+0**	**-98**	**-2**	**+150**	**+119**	**+0**	**+0**	**+0**	**+0**	**+0**
New Home Bonus											
Estimated New Homes Bonus	-385	-240	-174	-135	-21	-21	-21	-21	-21	-21	-21
Transfer to Corporate Project Reserve	+385	+240		+135	+21	+21	+21	+21	+21	+21	+21
NHB Funding used to support General Fund services	**+0**	**+0**	**-174**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Cost Reduction Plan											
2020 Star Chambers	-585	-144	-249	-215							
2021 Service reviews		-173	-93								
2022 Star Chambers				-688	-57	-38					
Homelessness savings target				-243							
EPIC Dividend	-100			-100	-26	-27	-27	-28	-28	-29	-29
Cost Reduction Plan	**-685**	**-317**	**-342**	**-1,246**	**-83**	**-65**	**-27**	**-28**	**-28**	**-29**	**-29**

	MTFS				FORECAST						
FOUR YEAR BUDGET PROFILES	**2020/21**	**2021/22**	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Actual	Actual	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Contributions from Reserves/Provisions											
Funding from business rates equalistation reserve	+1,380	-308	-459	-1,090		-150	-100	-50			
Contribution from Property Income Equalisation Reserve			-755	-1,127							
Funding of increased homelessness from Flexible Housing Support Grant	-116	-116									
Funding from Corporate Projects Reserve		-306	-262	-166	-266						
	+1,264	**-730**	**-1,476**	**-2,383**	**-266**	**-150**	**-100**	**-50**	**+0**	**+0**	**+0**
Fees and Charges											
Increased yield on discretionary Fees and Charges	-290	-164	-238	-417	-442	-469	-238	-245	-252	-260	-268
	-290	**-164**	**-238**	**-417**	**-442**	**-469**	**-238**	**-245**	**-252**	**-260**	**-268**
Interest on Balances (excludes interest credited to strategic reserves)											
Average level of investments											
Investments (average)	*13,000*	*14,000*	*16,000*	*18,000*	*20,750*	*22,000*	*20,750*	*20,000*	*20,000*	*20,000*	*20,000*
Interest rate used	*1.00%*	*0.75%*	*1.50%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*2.50%*	*2.50%*	*2.50%*
Total Interest Forecast	-130	-105	-240	-720	-830	-880	-830	-830	-500	-500	-500
Add: Use of interest equalisation reserve	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Interest credited to General Fund to Finance Services	**-130**	**-105**	**-240**	**-720**	**-830**	**-880**	**-830**	**-830**	**-500**	**-500**	**-500**
SUMMARY OF FORECASTS											
Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)	**8,328**	**8,609**	**9,447**	**10,517**	**11,394**	**11,342**	**11,746**	**12,142**	**12,544**	**13,003**	**13,468**
Price Increases (inflation)	**+590**	**+290**	**+806**	**+900**	**+657**	**+670**	**+683**	**+697**	**+711**	**+725**	**+740**
Increases in costs / Reductions in income	**+649**	**+1,029**	**+942**	**+1,642**	**-334**	**+148**	**+77**	**+28**	**+28**	**+29**	**+29**
Changes to External Funding	**+80**	**+0**	**-98**	**-2**	**+150**	**+119**	**+0**	**+0**	**+0**	**+0**	**+0**
NHB Funding used to support General Fund services	**+0**	**+0**	**-174**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Cost Reduction Plan	**-685**	**-317**	**-342**	**-1,246**	**-83**	**-65**	**-27**	**-28**	**-28**	**-29**	**-29**
Contributions from Reserves/Provisions	**+1,264**	**-730**	**-1,476**	**-2,383**	**-266**	**-150**	**-100**	**-50**	**+0**	**+0**	**+0**
Fees and Charges	**-353**	**-164**	**-238**	**-417**	**-442**	**-469**	**-238**	**-245**	**-252**	**-260**	**-268**
Interest credited to General Fund to Finance Services	**-130**	**-105**	**-240**	**-720**	**-830**	**-880**	**-830**	**-830**	**-500**	**-500**	**-500**
Forecast Net Cost of Services	**9,743**	**8,612**	**8,627**	**8,290**	**10,246**	**10,716**	**11,312**	**11,714**	**12,503**	**12,968**	**13,440**
SETTLEMENT ASSESSMENT FUNDING FORECAST											
RSG	+0	+0	+0	+53	+53	+0	+0	+0	+0	+0	+0
Lower Tier Services Grant	+0	+60	+64	+0	+0	+0	+0	+0	+0	+0	+0
Covid-19 Support Grant	0	+304	+0	+0	+0	+0	+0	+0	+0	+0	+0
Retained Business Rates	**1,617**	**1,652**	**1,606**	**1,653**	**1,692**	**1,243**	**1,268**	**1,293**	**1,169**	**1,032**	**893**

	MTFS				FORECAST						
FOUR YEAR BUDGET PROFILES	**2020/21 Actual £000**	**2021/22** Actual £000	2022/23 Budget £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000	2026/27 Forecast £000	2027/28 Forecast £000	2028/29 Forecast £000	2029/30 Forecast £000	2030/31 Forecast £000
Services Grant	**0**	**0**	**0**	**57**	**57**	**0**	**0**	**0**	**0**	**0**	**0**
CSP Minimum Guaranteed Funding	**0**	**0**	**0**	**223**	**223**	**0**	**0**	**0**	**0**	**0**	**0**
Formula Grant / Business Rate Retention	**1,617**	**2,016**	**1,670**	**1,986**	**2,025**	**1,243**	**1,268**	**1,293**	**1,169**	**1,032**	**893**
Base Income from Council Tax	6,525	6,713	6,904	7,090	7,361	7,620	7,811	8,007	8,208	8,414	8,625
Increase in council tax base	+25	+27	+21	+57	+37	+38	+39	+40	+41	+42	+43
	6,550	**6,740**	**6,925**	**7,147**	**7,398**	**7,658**	**7,850**	**8,047**	**8,249**	**8,456**	**8,668**
Forecast for increase in Council Tax income (3% to 2024/25, 2% from 2025/26)	+163	+164	+165	+214	+222	+153	+157	+161	+165	+169	+173
Council Tax Income Forecast	**6,713**	**6,904**	**7,090**	**7,361**	**7,620**	**7,811**	**8,007**	**8,208**	**8,414**	**8,625**	**8,841**
Surplus / (Deficit) on Retained Business Rates	1,402	-302	-180	-1,085	0	0	0	0	0	0	0
Council Tax Surplus / (Deficit)	11	-6	47	27	0	0	0	0	0	0	0
Assumed Collection Fund Income (Formula Grant + Council Tax)	**9,743**	**8,612**	**8,627**	**8,290**	**9,645**	**9,054**	**9,275**	**9,501**	**9,583**	**9,658**	**9,734**
Actual/Forecast Budget Shortfall (required use of working balance)	**43**	**530**	**0**	**0**	**601**	**1,662**	**2,037**	**2,213**	**2,920**	**3,311**	**3,706**

GENERAL FUND WORKING BALANCE PROJECTION: AFTER SERVICE COST REDUCTION											
Estimated Working Balance b/f	3,426	3,383	2,853	2,853	2,853	2,252	591	-1,446	-3,659	-6,578	-9,889
Resulting Working Balance c/f	3,383	2,853	2,853	2,853	2,252	591	-1,446	-3,659	-6,578	-9,889	-13,595

EPSOM AND EWELL BOROUGH COUNCIL

CAPITAL STRATEGY STATEMENT
February 2023

Capital Investment 2023/24 to 2027/28

1. Introduction

The Council's Capital Strategy provides a framework for asset planning and for decisions on capital investment – expenditure on larger projects or schemes which generally leads to improved long-term assets.

Each year Strategy & Resources Committee approves the capital programme setting guidance including criteria for assessing bids to manage the level of investment in accordance with the Council's Medium Term Financial Strategy. The core capital programme is reviewed annually with options reassessed with specific reference to priorities in the Corporate Plan and the Asset Management Plan.

The development of the Capital Strategy and the Asset Management Plan assists the Council in major investment decisions. The latest Asset Management Plan was approved by Strategy & Resources Committee in July 2020.

As in previous years, due to limited capital reserves and the continued challenging funding environment, the core capital programme 2023-2024 has been limited to only priority projects which meet one of the criteria set out in section 7.

2. Development of the Capital Strategy

Member and officer capital groups have been established to oversee the core capital programme and monitor capital schemes. The Capital Member Group is made up of Members nominated by Strategy & Resources Committee, supported and attended by the Chief Finance Officer as appropriate. The officer group with responsibility for overseeing the core capital programme is the Strategic Management Team and comprises the Chief Executive, the Director of Corporate Services and the Director of Environment, Housing and Regeneration.

Service and financial planning timetables are submitted to Strategy & Resources annually. The Capital Strategy is presented to the Council for approval each year. The current strategy covers a five-year rolling period, which is proportionate to the size of the authority.

3. Commercial Activity & Investment Strategy

Commercial Property

The Council retains one in-Borough commercial property acquisition fund, which has a remaining balance of £49.6m available for investment. The fund can be financed from prudential borrowing.
The Council formally closed its out-of-Borough commercial property acquisition fund in February 2020, as part of agreeing the Medium Term Financial Strategy 2020-24, in order to comply with DLUHC's Statutory Guidance on Investments,

Residential Property

In 2016/17, the Council established a £3m fund to purchase residential property, principally to assist the Council to manage homelessness and reduce associated costs. To date, no new purchases have occurred during 2022/23 but £52,000 is earmarked for the final works at 24 South Street, of which, £37,000 has been incurred to date.
The remaining balances on the Property Acquisition Funds are shown in the following table. Please note that the £80m funds are not reserves that the Council holds; they are limits (approved by Full Council) up to which borrowing could be undertaken.

The expenditure to date and current balance of each property fund is detailed in the following table.

Property Acquisition Funds	Commercial Property £000	Residential Property £000	Total £000
Opening fund balance	80,000	3,000	83,000
Purchases during 2016/17	(19,206)	(811)	(20,017)
Purchases during 2017/18	(5,148)	(562)	(5,710)
Purchases during 2018/19	0	(257)	(257)
Purchases during 2019/20	(6,077)	(20)	(6,097)
Purchases during 2020/21	0	(95)	(95)
Purchases during 2021/22	0	(238)	(238)
YTD purchases during 2022/23	0	(37)	(37)
Current commitments	0	(15)	(15)
Fund balances at 31/12/2021	**49,569**	**965**	**50,534**

The Council's Investment Strategy is set out in the Council's Treasury Management Strategy which is included as Appendix 11 to the same report.

4. Main Capital Programme 2023/24

Based on the available capital resources and subject to external funding, including grants and developer contributions, and securing revenue savings, Council has been asked to approve the following programme for 2023/24 in February 2023.

Project	2023/24 £'000	Funding Source
Disabled Facility Grants *	785	External grant
Ashley Centre Multi Storey Car Park – Waterproofing joints to level 4D	50	Capital Receipts
Alexandra Recreation Ground Dojo Replacement	170	Capital Receipts
Bourne Hall Patio Area	98	Budgeted revenue contribution
Harrier Centre Roof	150	Budgeted revenue contribution
Court Recreation Ground Astro Turf Fencing	81	S106 funds
Epsom Playhouse Solar Panels on Roof	130	Capital Receipts
Sub-Total	**1,464**	
Provisional Sum for ICT Programme of Works	250	Budgeted revenue contribution
Total	**1,714**	

* Subject to additional external funding

In addition schemes may be added where:-

- there is a carry forward from 2022/23 with specific funding already allocated
- new schemes supported by a business case (self-financing), or
- they can be funded by additional external funding sources e.g. Section 106 agreements or specific grants.

5. Provisional Capital Programme 2024/25 – 2027/28

The Capital Member Group also considers a provisional programme of schemes covering the subsequent four financial years. The programme is mainly compiled from information from the Asset Management Plan for buildings and other known capital expenditure requirements.

The 2024/25 to 2027/28 provisional programme currently comprises the following schemes:

Indicative Forecasts	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Deferred from prior yrs £'000	Total 2024/25-2027/28 £'000
	Strategy and Resources Committee					
Provisional ICT Budget	250	250	250	250	0	**1,000**
Cox Lane Centre	0	0	0	0	80	**80**
Longmead Depot	0	40	0	35	40	**115**
102 Upper High Street	0	30	0	0	0	**30**
Town Hall	0	0	0	0	725	**725**
Total	**250**	**320**	**250**	**285**	**845**	**1,950**
	Environment & Safe Communities Committee					
Ashley Centre Multi Storey Car Park	0	0	0	0	1,185	**1,185**
Auriol Pavilion	55	0	0	0	0	**55**
Cemetery Public Conveniences	0	0	0	0	25	**25**
Gibraltar Rec Ground Pavilion	0	0	40	0	0	**40**
Harrier Centre	0	155	0	0	0	**155**
Horton Country Park Conveniences	0	0	0	0	30	**30**
Hook Road Multi Storey Car Park	80	20	0	40	445	**585**
Total	**135**	**175**	**40**	**40**	**1,685**	**2,075**

Indicative Forecasts	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Deferred from prior yrs £'000	Total 2024/25-2027/28 £'000
	Community & Wellbeing Committee					
Disabled Facilities Grant (DFG)	785	785	785	785	0	**3,140**
Bourne Hall	0	0	0	0	970	**970**
Ewell Court House	0	0	0	85	50	**135**
Epsom Playhouse	0	100	70	0	375	**545**
Wellbeing Centre	0	0	0	0	99	**99**
Total	**785**	**885**	**855**	**870**	**1,494**	**4,889**
	Licensing & Planning Policy Committee					
No anticipated expenditure	0	0	0	0	0	**0**
Total Indicative Forecasts	**1,170**	**1,380**	**1,145**	**1,195**	**4,024**	**8,914**

Forecasts for 2024/25 to 2027/28 are indicative and will be subject to future capital bids being produced and approval each year through the Council's capital programme setting process. It is not an exhaustive list as future schemes may be identified through other workstreams such as the Climate Change Action Plan and Annual Plan cycle. Similarly, some schemes may be removed from the programme if strategic asset reviews recommend an alternative approach or Council priorities change. Each year, the forthcoming annual programme will be reviewed by Capital Member Group through the annual capital budget setting process with bids assessed against the agreed criteria, and the programme updated accordingly.

Forecasts for 2024/25 to 2027/28 are based on the estimated cost of works as reported in the Asset Management Plan 2020-2030. It is acknowledged that due to inflation, costs will have increased since this Asset Management Plan was agreed at S&R in July 2020. The subsequent increase in prices will be reflected when budgets for those relevant financial years come to be set through the Council's agreed budget setting process.

6. Use of Capital Reserves

The Council's financial position is reviewed annually following the closure of accounts and prior to service and financial planning for the following year. This includes a review of the projected capital receipts reserve position and other sources of funding for capital schemes.

The Council's Medium Term Financial Strategy targets a minimum balance of capital reserves of £1 million to be retained as a contingency for unplanned capital commitments over the next four years.

Due to the low level of receipts from the disposal of property assets since 2009, the Capital Member Group has limited investment from reserves to high priority and spend-to-save schemes. The forecast of capital receipts at 31 March 2023 is £3.65 million. This assumes full delivery of the 2022/23 capital programme and new capital receipts of £798,000.

7. Capital Financing and Resources

Potential capital resources have been identified from

- estimated capital reserves at the end of March 2023;
- approved sales of property assets, subject to market recovery;
- revenue funding, as identified as part of the revenue budget setting process;
- use of Community Infrastructure Levy (CIL) and S106;
- external funding, including grants such as Disabled Facilities Grant.

The Council has earmarked CIL receipts from developers to part finance the Step-free Access to Stoneleigh Station project. The Local Plan seeks to shape development in the borough and, along with the Infrastructure Delivery Plan, will continue to help inform the Council's use of future CIL receipts.

As capital reserves decrease, the Council needs to achieve additional receipts from sale of assets or other external funding, or identify contributions from revenue, if the capital programme is to be sustainable over the long-term. The Council will continue to review its property through the Asset Management Plan.

In 2023/24, the draft budget includes £500,000 of revenue funding for the 2023/24 capital programme. £250,000 of the annual revenue contribution is provisionally earmarked for the ICT Programme of Works, subject to S&R approval each year. In subsequent years, the Council's current 10-year forecast projects an annual increase to the revenue contribution, until an annual contribution of £750,000 is reached in 2026/27.

All revenue contributions are subject to annual approval as part of the Council's budget setting process and are intended to limit the use of diminishing capital reserves to ensure the capital programme becomes sustainable in future years.

The anticipated level of funding available for the capital programme in shown in the following table.

	CIL & S106	Capital Grants	Capital Receipts	Residential Property Fund	Revenue*	Total
	£m	£m	£m	£m	£m	£m
2022/23						
Estimated resource at 1/4/2022	**6.35**	**1.58**	**3.82**	**0.96**	**0.46**	**13.17**
Anticipated Receipts in 2022/23	1.04	0.91	0.80	0.00	0.47	3.22
Funding Capital Programme	(0.83)	(2.49)	(0.97)	0.00	(0.43)	(4.72)
Estimated resources at 31/03/2023	**6.56**	**0.00**	**3.65**	**0.96**	**0.50**	**11.67**
2023/24						
Anticipated Receipts in 2023/24	1.04	0.79	0.00	0.00	0.57	2.40
Proposed New Bids	(0.08)	(0.79)	(0.35)	0.00	(0.50)	(1.72)
Estimated resources at 31/3/2024	**7.52**	**0.00**	**3.30**	**0.96**	**0.57**	**12.35**
2024/25						
Anticipated Receipts in 2024/25	1.04	0.79	0.00	0.00	0.67	2.50
Proposed New Bids	0.00	(0.79)	0.00	0.00	(0.39)	(1.18)
Estimated resources at 31/3/2025	**8.56**	**0.00**	**3.30**	**0.96**	**0.85**	**13.67**

2025/26						
Anticipated Receipts in 2025/26	1.04	0.79	0.00	0.00	0.77	2.60
Proposed New Bids	0.00	(0.79)	0.00	0.00	(0.60)	(1.39)
Estimated resources at 31/3/2026	**9.60**	**0.00**	**3.30**	**0.96**	**1.02**	**14.88**
2026/27						
Anticipated Receipts in 2026/27	1.04	0.79	0.00	0.00	0.82	2.65
Proposed New Bids	0.00	(0.79)	0.00	0.00	(0.36)	(1.15)
Estimated resources at 31/3/2027	**10.64**	**0.00**	**3.30**	**0.96**	**1.48**	**16.38**
2027/28						
Anticipated Receipts in 2027/28	1.04	0.79	0.00	0.00	0.82	2.65
Proposed New Bids	0.00	(0.79)	0.00	0.00	(0.41)	(1.20)
Estimated resources at 31/3/2028	**11.68**	**0.00**	**3.30**	**0.96**	**1.89**	**17.83**

*This includes repairs and renewals reserve and planned revenue contributions. All revenue contributions are subject to annual approval as part of the Council's budget setting process.

The Council seeks to maximise partnership funding in the delivery of its key priorities and will commit capital reserves to: -

- finance prioritised capital investment where funding is not available from other sources
- attract partnership funding and/or to achieve partnership objectives
- finance investment that is 'self-funding', for example investment that improves performance and reduces running costs or investment in the maintenance of service assets

The Council will seek to maximise effective investment from all potential funding sources. External sources of financing may include LEP funding, Section 106 agreements, CIL, government grants for Disabled Facilities, partnership funding from other Local Authorities or Public and Voluntary organisations.

8. Criteria for Assessing Capital Programme Priorities

The following criteria have been used for appraising future capital investment options and reviewing the on-going capital programme. As a minimum all investment proposals must meet one of the following baseline criteria: -

- investment where there is a guarantee of the scheme being fully externally funded and is classed as a high priority
- investment required to meet Health and Safety or other new legislative requirements
- investment required to continue to deliver the services of the Council (e.g. minimum level of building maintenance)
- investment in 'Spend to Save' schemes that will generate cost savings or additional income generation, providing;
    - there is payback of the capital invested within 5 years (or up to 10 years if the climate change criteria below is met);
    - there is a low risk of not achieving return on investment
    - there is a clear definition of the cost/benefits of the scheme
- investment where the scheme is consistent with the Council's Climate Change Action Plan, subject to affordability, supported by a robust business case and value for money can be demonstrated through a maximum payback period of 10 years.

Prior to schemes being assessed for approval by Full Council, a detailed project appraisal must be completed and recommended by the appropriate policy committee. A standard capital appraisal form has been developed which requires details of the scheme (cost estimates, revenue impact, project management resources and expected timescales). It also requires an explanation of how the scheme fits within the baseline criteria. In recommending investment proposals policy committees must ensure they can fund any additional operational costs from within their revenue budget targets.

Where schemes are prioritised for inclusion in the capital programme prior to a detailed evaluation of revenue costs, commitments will not be made until estimates of operational costs have been evaluated and financing in the revenue budget identified. The Council will continue to follow a whole life costing approach to project appraisal.

Capital schemes funded wholly or in part from external sources e.g. Government Grants, Section 106 monies, CIL or other contributions are also subject to the same requirements in respect of meeting the baseline criteria and the completion of project appraisals recommended by the policy committee.

Schemes can be included within the proposed capital programme subject to a detailed business case being submitted to the relevant service committee. These schemes can only progress once approval is granted for the project by the policy committee.

By assessing schemes against the above criteria, the Council ensures that capital schemes support the corporate priorities, as set out in the Four Year Plan. Separate criteria exist to evaluate proposed individual property acquisitions that are funded from the Property Acquisition Funds.

Following Council's adoption of the Climate Change Action Plan in January 2020 and in accordance with the new MTFS, the capital investment criteria were reviewed during 2020/21 and the fifth criteria listed above added, with the aim of further facilitating actions which positively impact the environment.

9. Timetable for Approval of Capital Programme

The timetable will be reviewed for 2024/25, but the typical process for approval of the capital programme following annual review is as follows:-

- Update on level of resources / reserves at end of previous year reported to Financial Policy Panel and Strategy and Resources Committee in June and July.
- Members nominated onto the Capital Member Group by Strategy & Resources Committee.
- A forecast of resources reported to Capital Member Group and Council each year.
- Budget targets agreed by policy committees.
- Officers, in consultation with Heads of Service and Directors, submit new or updated draft summary capital bids to the Capital Member Group to review in September.
- Capital Member Group meets in September to agree approach and use the Capital Strategy criteria to decide which of the summary bids should be progressed into full bids for review in November.

- Officers submit full capital bids to the Strategic Management Team to validate and be prioritised in October.
- Capital Member Group reviews all bids in November and prepares recommendations on funding to Policy Committees in January.
- Detailed scheme proposals and project appraisals, including identification of how any revenue funding requirements could be met for each scheme, recommended by policy committees in January.
- Capital programme to be recommended by policy committees in January.
- Capital programme for the following year and the remaining years of the capital programme agreed by Council in February.

For any approved capital scheme where additional capital or revenue costs are identified prior to commencement of the scheme, then subject to the thresholds contained in the Council's Financial regulations, the scheme may need to be referred back to the relevant policy committee and, if additional funding is required, to Strategy and Resources Committee as soon as possible during the year.

Investment proposals funded wholly from external sources or relating to property acquisitions may be submitted for approval at any time during the year.

10. Borrowing Strategy

In February 2017 the Council agreed to extend the borrowing to fund the acquisition of commercial property that provide the Council with a long-term rental income from £20 million up to £80 million. The Council will keep the level of borrowing under review.

The Council does not anticipate borrowing for capital projects other than the acquisition of investment properties and the Medium Term Financial Strategy requires that the Council maintains a minimum level of £1 million of capital reserves.

However, should the need to borrow to finance part of the main capital programme arise (which may depend on the levels of new receipts generated, revenue contributions, income generated from CIL and S106 and external grants), the Council will ensure any borrowing is proportionate and sustainable.

11. Approach to Procurement

The Council has developed its Procurement Strategy. As part of this strategy a number of principles and guidelines have been developed to assist all managers including capital scheme budget holders in the purchase of goods and services. The main areas covered include review of procurement options, risk/benefit analysis, risk management, potential for partnership, cost and quality options and assessing the need for specialist skills.

12. Managing and Monitoring the Capital Programme

Detailed monitoring and performance review of the capital programme is the responsibility of the Strategic Management Team and the Audit & Scrutiny Committee on a quarterly review basis and by the Capital Member Group during the annual review. The officer group sets performance and delivery targets for the year, reviews monitoring information and recommends action where appropriate for reporting to Chief Officers, Members and policy committees.

Financial monitoring reports are submitted to Audit & Scrutiny Committee and circulated to Members on a quarterly basis. This includes expenditure monitoring, uncommitted balances held on s106 and CIL funds and capital receipts balances. Budget monitoring reports show the projected outturn and profiled spend for each scheme, highlighting significant variations and slippage and identifying recommended action. Any recommended changes to the programme are submitted to committees during the year as appropriate.

13. Risk Management

Detailed information on the delivery of individual schemes, including assessment of financial and delivery risks and profile of works and expenditure during the year, is agreed with budget holders. This will form the basis against which schemes are monitored during the year. For those schemes considered as most significant, a detailed timetable and milestones will be agreed by the relevant committee at the beginning of the financial year.

For major schemes the Council will consider external consultants to assist in project management.

The Council may conduct post implementation reviews on certain capital projects, specifically where the scheme has a high cost or value or there has been a significant variation in cost or time to implement.

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2023/24

1.INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level, long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

The capital strategy is reported separately from this Treasury Management Strategy Statement.

1.2.2 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
   - the capital plans, (including prudential indicators);
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
   - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an annual investment strategy, (the parameters on how investments are to be managed).

b. **A mid-year treasury management report** (presented to Audit & Scrutiny Committee) – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. **An annual treasury report** (presented to Audit and Scrutiny Committee) – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
It is the responsibility of Full Council to approve the Treasury Management Strategy, following consideration of the strategy by Financial Policy Panel.
The Council has delegated responsibility for monitoring treasury management performance (the mid-year and annual performance reports above) and policies to Audit & Scrutiny Committee.

1.3 Treasury Management Strategy for 2023/24

The strategy for 2023/24 covers two main areas:

Capital issues
- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. In order to meet this requirement, during the last year, all members including Audit & Scrutiny have had the opportunity to receive a training presentation from the Council's external treasury management advisors, Link Group Treasury Solutions and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management consultants

The Council uses Link Group, Treasury solutions as its external treasury management advisors.
The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

2 THE CAPITAL PRUDENTIAL INDICATORS 2023/24 – 2025/26

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure	2021/22	2022/23	2023/24	2024/25	2025/26
£000	**Actual**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Strategy & Resources	333	721	250	250	290
Environment & Safe Communities	873	1,173	451	135	175
Community & Wellbeing	529	2,002	1,013	785	885
Licensing & Planning Policy	0	0	0	0	0
Total services	**1,735**	**3,896**	**1,714**	**1,170**	**1,350**
Residential property fund	228	0	1,017	0	0
Commercial property fund*	0	0	49,569	0	0
Total	**1,963**	**3,896**	**52,300**	**1,170**	**1,350**

* The Council retains the in-Borough commercial property investment fund – for regeneration purposes – which has a remaining balance available for investment of £49.6m, from the original fund balance of £80m. The fund was established by the Council across 2016/17 and 2017/18 and can be financed from prudential borrowing.

For the purposes of forecasting, the full £49.6m balance is projected to be spent in 2023/24, however, actual expenditure will depend on the timing of when suitable acquisitions are identified. It is possible that should a suitable property be identified in the current financial year, expenditure will be incurred in 2022/23. This possibility is reflected in the prudential indicators for the operational boundary and authorised debt limit.

Other long-term liabilities - The above financing need excludes other long-term liabilities, such as leasing arrangements that already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Core capital programme	1,735	3,896	1,714	1,170	1,350
Residential property fund	228	0	1,017	0	0
Commercial property fund	0	0	49,569	0	0
Total Expenditure	**1,963**	**3,896**	**52,300**	**1,170**	**1,350**
Financed by:					
Capital receipts	229	973	348	0	0
Capital grants (inc DFG)	455	1,579	785	785	785
S106 and CIL	881	910	80	0	0
Revenue	398	434	1,518	385	565
Total Financing	**1,963**	**3,896**	**2,731**	**1,170**	**1,350**
Net financing need for the year	**0**	**0**	**49,569**	**0**	**0**

2.2 The Council’s borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council’s Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council’s indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset’s life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council’s borrowing requirement, these types of scheme include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £2.287m of such assets within the CFR. The Council is asked to approve the CFR projections below:

Capital Financing Requirement	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Opening CFR	90,277	88,895	87,456	135,561	133,533
Unfinanced capex - commercial properties	0	0	49,569	0	0
Finance Leases	34	0	0	0	0
Less MRP	(1,416)	(1,439)	(1,464)	(2,028)	(2,101)
Closing CFR	**88,895**	**87,456**	**135,561**	**133,533**	**131,432**
Movement in CFR	**(1,382)**	**(1,439)**	**48,105**	**(2,028)**	**(2,101)**

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority’s overall financial position. The capital expenditure figures shown in 2.1 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Authority's remaining activity.

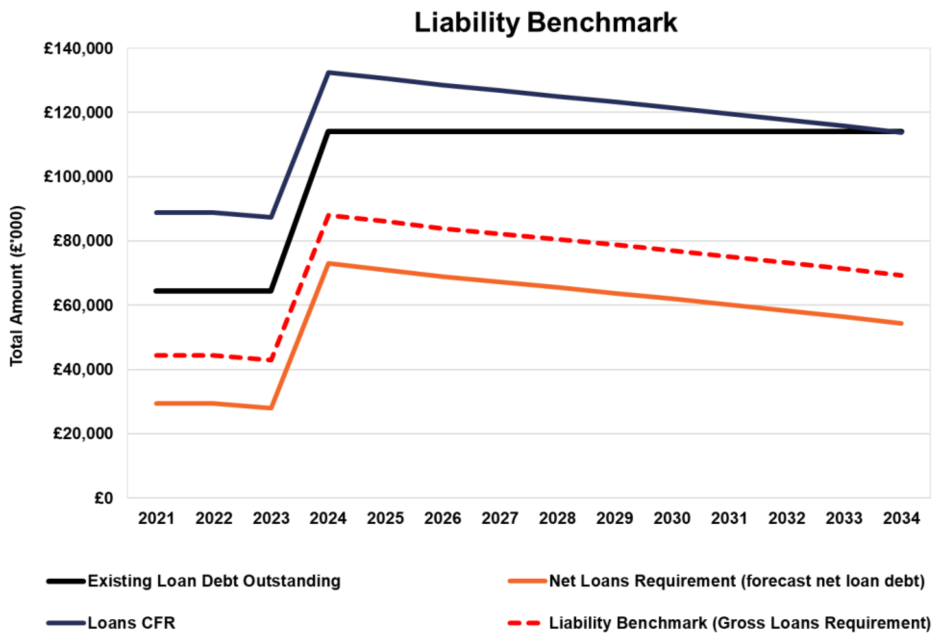
2.3 Liability Benchmark

A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

This Council's forecast liability benchmark is shown for the next ten years in the following chart:



2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources	2021/22	2022/23	2023/24	2024/25	2025/26
£'000	**Actual**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Fund balances / reserves	2,853	3,096	3,096	3,096	3,096
Capital receipts	3,821	3,480	3,132	3,132	3,132
Earmarked revenue reserves	23,255	12,652	12,652	12,652	12,652
CIL	9,320	8,075	9,375	10,675	11,975
S106 funds	2,311	1,594	1,594	1,594	1,594
Total core funds	**41,560**	**28,897**	**29,849**	**31,149**	**32,449**
Working capital*	7,000	7,000	7,000	7,000	7,000
(Under)/over borrowing	(22,181)	(22,180)	(22,180)	(22,181)	(22,181)
Expected investments	**26,379**	**13,717**	**14,669**	**15,968**	**17,268**

*Working capital balances shown are estimated year-end; these may vary.

2.5 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

DLUCH regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

For all unsupported borrowing (including finance leases) the MRP policy will be*:*

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations.

This method provides for a reduction in the borrowing need over approximately the asset's life.

Repayments included in annual finance leases are applied as MRP.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2022 and the position as at 30 November 2022 are shown below for both borrowing and investments.

	Actual at 31 March 2022		At 30 November 2022	
Treasury Portfolio	£000	%	£000	%
Treasury Investments				
Banks & Building Societies	10,000	29%	30,000	81%
Money Market Funds	25,000	71%	7,200	19%
Total Managed In House	**35,000**	**100%**	**37,200**	**100%**
Aberdeen Asset Management Fund	0	0%	0	0%
Total Managed Externally	**0**	**0%**	**0**	**0%**
Total Treasury Investments	**35,000**	**100%**	**37,200**	**100%**
Treasury External Borrowing				
PWLB	64,427	100%	64,427	100%
Total External Borrowing	**64,427**	**100%**	**64,427**	**100%**
Net treasury investments / (borrowing)	**-29,427**	**-**	**-27,227**	**-**

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£'000	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	**Estimate**	**Estimate**	**Estimate**	**Estimate**
External Debt					
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Debt at 1 April	90,277	88,895	87,456	135,561	133,533
Expected change in debt	0	0	49,569	0	0
Other long-term liabilities	0	0	0	0	0
Less MRP	(1,416)	(1,439)	(1,464)	(2,028)	(2,101)
Less use of internal funds	(22,181)	(22,181)	(22,181)	(22,181)	(22,181)
Actual gross debt at 31 March including finance leases	**66,714**	**65,275**	**113,380**	**111,352**	**109,251**
The Capital Financing Requirement	**88,895**	**87,456**	**135,561**	**133,533**	**131,432**
(Under)/over borrowing**	**(22,181)**	**(22,180)**	**(22,180)**	**(22,181)**	**(22,181)**

Within the above figures the level of debt relating to commercial activities / non-financial investment is:

	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	**Estimate**	**Estimate**	**Estimate**	**Estimate**
External Debt for commercial property fund (I.e. excluding finance lease debt)					
Actual debt at 31 March £m	64,427	64,427	112,532	110,504	108,403
Percentage of total external debt %	97	99	99	99	99

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £'000	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Debt relating to commercial property fund	90,277	88,895	137,025	135,561	133,533
Other long term liabilities	2,287	1,877	1,467	1,028	556
Total	**92,564**	**90,772**	**138,493**	**136,589**	**134,089**

The operational boundary and authorised debt limits provide for the possibility that the remaining £49.6m balance within the Council's Commercial Property Acquisition Fund could be spent in 2023/24 if suitable properties are identified.

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Authorised limit £'000	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Debt relating to commercial property fund	90,277	145,000	145,000	145,000	145,000
Other long term liabilities	2,287	3,000	3,000	3,000	3,000
Total	**92,564**	**148,000**	**148,000**	**148,000**	**148,000**

3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 08 November 2022. These are forecasts for certainty rates, gilt yields plus 80bps:

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. In addition, counterparty risk is an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

* *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing would be postponed.

* *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.

If rescheduling was done, it would be reported to the appropriate Committee at the earliest meeting

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (Appendix 10).

The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 5.4 under the categories of 'specified' and 'non-specified' investments.

    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.
    - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified and loan investment limits.** The Council has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of 50%

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

7. **Transaction limits** are set for each type of investment in 4.2.

8. This authority will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

10. This authority has engaged **external specialists** to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling**.

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

4.2 Creditworthiness policy

This Authority applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays: -

1. "watches" and "outlooks" from credit rating agencies;
2. CDS spreads that may give early warning of changes in credit ratings;
3. sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will, therefore, use counterparties within the following durational bands

- Yellow 5 years
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Authority uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored. The Authority is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

Sole reliance will not be placed on the use of this external service. In addition, this Authority will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long-term rating where applicable)	**Money limit**	**Transaction limit**	**Time limit**
Banks	**Yellow**	**£5m**	**£5m**	**5 yrs**
Banks	**Purple**	**£5m**	**£5m**	**2 yrs**
Banks	**Orange**	**£5m**	**£5m**	**1 yr**
Banks – part nationalised	**Blue**	**£5m**	**£5m**	**1 yr**
Banks	**Red**	**£5m**	**£5m**	**6 mths**
Banks	**Green**	**£5m**	**£5m**	**100 days**
Banks	**No Colour**	**Not to be used**	**Not to be used**	
Limit 3 category – Authority's banker (where "No Colour")	**Natwest**	**£5m**	**£5m**	**1 day**
Other institutions limit – Building Societies	**-**	**£5m**	**£5m**	**1 yr**
DMADF	**UK sovereign rating**	**unlimited**	**£5m**	**6 mths**
Local authorities	**n/a**	**£5m**	**£5m**	**1 yr**
Housing associations	**Colour bands**	**£5m**	**£5m**	**As per colour band**

	Fund rating	Money Limit		Time Limit
Money Market Funds CNAV	**AAA**	**£5m**	**£5m**	**liquid**
Money Market Funds LVNAV	**AAA**	**£5m**	**£5m**	**liquid**
Money Market Funds VNAV	**AAA**	**£5m**	**£5m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.25	**Dark Pink / AAA**	**£5m**	**£5m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.50	**Light Pink / AAA**	**£5m**	**£5m**	**liquid**

The proposed criteria for specified and non-specified investments are shown in section 6.

Creditworthiness.
Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

CDS prices
Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

4.3 Other limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

a) **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 50% of the total treasury management investment portfolio.

b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of *AA-*** from Fitch or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in section 7. This list may be added to, or deducted from, by officers should ratings change in accordance with this policy.

c) **Other limits.** In addition:

- no more than 50% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

4.4 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 and possibly reducing as early as the latter part of 2023 so an agile investment strategy would be appropriate to optimise returns.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow (amend as appropriate), where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

Investment returns expectations.
The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to reach 4.5% in Q2 2023.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows.:

Average earnings in each year	
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.
For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, in order to benefit from the compounding of interest

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
£m	**2023/24**	**2024/25**	**2025/26**
Principal sums invested for longer than 365 days	£10m	£10m	£10m
Current investments as at *31/12/22* in excess of 1 year maturing in each year	£0m	£0m	£0m

4.5 Investment performance

Following the cessation in 2021 of LIBOR and the associated 7 day LIBID, which was previously used to benchmark the Council's treasury investment performance, the new benchmark is recommended to be 7 day SONIA (Sterling Overnight Index Average) rate. This is the risk-free rate for sterling markets administered by the Bank of England.

SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. The now-defunct LIBOR had been based on estimated rates.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Management Performance report to Audit & Scrutiny Committee, in line with the Constitution.

4.7 External fund managers

Currently (31/12/22) the Council has no funds deposited with its external fund manager, Aberdeen Asset Management. However, when the external fund manager is utilised, they will comply with the Annual Investment Strategy. The agreement between the Council and the fund manager additionally stipulates guidelines on duration and other limits to contain and control risk.

5.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

5.1.1 Capital expenditure

Capital expenditure	2021/22	2022/23	2023/24	2024/25	2025/26
£000	**Actual**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Strategy & Resources	333	721	250	250	290
Environment & Safe Communities	873	1,173	451	135	175
Community & Wellbeing	529	2,002	1,013	785	885
Licensing & Planning Policy	0	0	0	0	0
Total services	**1,735**	**3,896**	**1,714**	**1,170**	**1,350**
Residential property fund	228	0	1,017	0	0
Commercial property fund	0	0	49,569	0	0
Total	**1,963**	**3,896**	**52,300**	**1,170**	**1,350**

5.1.2 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

%	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Ratio	12%	10%	18%	32%	30%

The estimates of financing costs include current commitments and the proposals in this budget report.

5.1.3 Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2023/24

	Lower	**Upper**
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	20%
5 years to 10 years	0%	20%
10 years to 20 years	0%	20%
20 years to 30 years	0%	20%
30 years to 40 years	0%	20%
40 years to 50 years	0%	100%
Maturity structure of variable interest rate borrowing 2023/24		
	Lower	Upper
Under 12 months	0%	0%
12 months to 2 years	0%	0%
2 years to 5 years	0%	0%
5 years to 10 years	0%	0%
10 years to 20 years	0%	0%
20 years to 30 years	0%	0%
30 years to 40 years	0%	0%
40 years to 50 years	0%	0%

5.1.4. Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4.

5.2 INTEREST RATE FORECASTS 2022-2025

Please see paragraph 3.3.

5.3 ECONOMIC BACKGROUND

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	**Eurozone**	**US**
Bank Rate	3.0%	1.5%	3.75%-4.00%
GDP	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
Inflation	11.1%y/y (Oct)	10.0%y/y (Nov)	7.7%y/y (Oct)
Unemployment Rate	3.6% (Sep)	6.6% (Sep)	3.7% (Aug)

6 TREASURY MANAGEMENT PRACTICES (TMPs)

6.1 TMP1 – CREDIT AND COUNTERPARTY RISK MANAGEMENT

The DLUHC issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 13/04/2012 and will apply its principles to all investment activity. In accordance with the Code, the Chief Finance Officer has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. They also include investments which were originally classed as being non-specified investments, but which would have been classified as specified investments apart from originally being for a period longer than 12 months once the remaining period to maturity falls to under 12 months. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, housing association, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, that have been awarded a high credit rating by Standard and Poor's, Moody's and / or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum Short Term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies.

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies, as disclosed in the investment strategy in section 4.

Non-specified investments – are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below.

	Non-Specified Investment Category	Limit (£ or %)
a.	**Supranational bonds greater than 1 year to maturity** **(a) Multilateral development bank bonds** - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.). **(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g. National Rail) The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	AAA long term ratings, 50% of money invested through external fund manager. Restriction of 5yrs maximum maturity
b.	**Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	50% of money invested through external fund manager. Restriction of 10yrs maximum maturity 50% of money invested through external fund manager. Restriction of 10yrs maximum maturity
c.	**The Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	In this instance balances will be minimised as far as is possible.
d.	**Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although	£5m per institution.

	in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which have a minimum asset size of *£1bn* but will restrict these type of investments to 12 months.	
e.	Any **bank or building society** that has a minimum long term credit rating of A-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	Maximum of 50% on investments over 1yr
f.	Any **non-rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to the parent bank providing an appropriate guarantee and meeting the ratings outlined above.	£5m per institution.
g.	**Share and loan capital** in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. See note 1 below.	Maximum £5m per institution, subject to minimum rating of AA- (long term). The exception is Epsom & Ewell Property Investment Company Limited (EEPIC) - Council has separately authorised share capital and loans to EEPIC.

NOTE 1. This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Chief Finance Officer, and if required new counterparties which meet the criteria will be added to the list.

Use of external fund managers – It is the Council's policy to use external fund managers for part of its investment portfolio when required. The fund managers will use both specified and non-specified investment categories and are contractually committed to keep to the Council's annual investment strategy.

The Council fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund manager. In order to aid this assessment, the Council is provided with a suite of regular reporting from its manager.

6.2 TMP2 Performance measurement

The Council has a number of approaches to evaluating treasury management decisions: -

a. Monthly reviews carried out by the treasury management team.

b. Reviews with our treasury management consultants & external fund manager.

c. Annual review after the end of the year as reported formerly to Audit & Scrutiny Committee.

d. Half yearly monitoring reported to Audit & Scrutiny Committee.

e. Quarterly budget monitoring reports to Audit & Scrutiny Committee.

The treasury management team holds reviews with our consultants every 6 months to review the performance of the investment and debt portfolios.

An Annual Treasury Report is submitted to Audit & Scrutiny each year after the close of the financial year, which reviews the performance of the investment portfolio. This report contains the following: -

a. average investments held during the financial year and average interest rates

b. investment strategy for the year compared to actual strategy

c. explanations for variance between original strategies and actual

d. comparison of return on investments to the investment benchmark

e. compliance with Prudential and Treasury Indicators

The performance of investment earnings will be measured against the following benchmarks: -

a. In house investments
7 day SONIA

b. External fund manager
7 day SONIA

Epsom & Ewell Borough Council's policy is to appoint external investment fund managers to manage a proportion of its cash and will comply with the Local Authorities (Contracting Out of Investment Functions) Order 1996 [SI 1996 No 1883}.

The delegation of investment management to external managers will entail the following:

- Formal contractual documentation;
- Agreement on terms for early termination of the contract;
- Setting of investment instruments, constraints/parameters/conditions
- Setting of investment counterparty limits;
- Setting a performance measurement benchmark and a performance target;
- Frequency of performance reporting;

- Frequency of meetings with investment managers;

The Code of Practice places an obligation on the Council to monitor the performance of the fund managers. This Council has appointed Link Asset Services to assist in this respect.

6.3 TMP3 Decision – making and analysis

Epsom & Ewell Borough Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the scheduled to this document."

The Treasury team will ensure that the following records will be retained*:* -

- Daily cash balance forecasts
- Money market rates obtained by telephone from brokers
- Dealing slips for all money market transactions
- Brokers' confirmations for investment transactions
- Confirmations from borrowing institutions where deals are done directly
- Contract notes received from fund manager
- Fund manager valuation statements

Processes to be pursued:

- Cash flow analysis
- Investment maturity analysis
- Ledger reconciliation
- Performance management information

6.4 TMP4 Approved instruments, methods and techniques

Epsom & Ewell Borough Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the Treasury Management Strategy and within the limits and parameters defined.

6.5 TMP5 Organisation, clarity and segregation of responsibilities and dealing arrangements

Allocation of responsibilities

(i) Full Council

- approval of annual treasury management strategy.

(ii) Financial Policy Panel

- reviewing and advising on the treasury management strategy prior to approval at Full Council

(iii) Audit & Scrutiny Committee

- receiving and reviewing reports on treasury management policies, performance and activities
- approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- receiving and reviewing annual monitoring reports and acting on recommendations
- receiving and reviewing half yearly and annual performance monitoring report and acting on recommendations

(iv) Chief Finance Officer

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Principles and Practices Concerning Segregation of Duties

The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal. (Dealer 1) Production of transfer note. (Dealer 1)
Bank	Entry of transaction onto bank (Finance Officer)
Authorisation/Payment of Deal	Approval and payment. (Dealer 2)
Accounting Entry	Processing of accounting entry (Exchequer Team)
	Reconciliation of cash control account. (Exchequer Team)
Bank	Bank reconciliation (Exchequer Team)

Statement of the treasury management duties/responsibilities of each treasury post

The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Chief Finance Officer. This person will carry out the following duties: -

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports

- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.
- The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- The responsible officer may delegate his power to borrow and invest to members of his staff. The finance must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness.
- The responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
- Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
- It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non-Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

The Chief Accountant

The responsibilities of this post will be: -

a) execution of transactions

b) adherence to agreed policies and practices on a day-to-day basis

c) maintaining relationships with counterparties and external service providers

d) supervising treasury management staff

e) monitoring performance on a day-to-day basis

f) submitting management information reports to the responsible officer

g) identifying and recommending opportunities for improved practices

The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

a) Ensuring that the system is specified and implemented

b) Ensuring that the responsible officer reports regularly on treasury policy, activity and performance.

The Monitoring Officer

The responsibilities of this post will be: -

a) Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.

b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.

c) Giving advice to the responsible officer when advice is sought.

Internal Audit

The responsibilities of Internal Audit will be: -

a) Reviewing compliance with approved policy and treasury management practices.

b) Reviewing division of duties and operational practice.

c) Assessing value for money from treasury activities.

d) Undertaking probity audit of treasury function.

Absence Cover Arrangements

Four officers within the Finance Team have the authority to place deals, with a further three officers able to input trades onto the system ready for authorisation.

Dealing

The following posts are authorised to deal and/or input trades: -

- Head of Finance
- Chief Accountant
- 2 Senior Accountants
- 3 Accountants

6.6 TMP6 Reporting requirements and management information arrangements

Epsom & Ewell Borough Council will ensure that regular reports are prepared and considered on the implementation of its treasury managements policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implementations of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, members will receive:

- an annual report on the strategy and plan to be pursued in the coming year, to Full Council

- a mid-year review on the current performance of the treasury management function, to Audit & Scrutiny Committee

- an annual report on the performance of the treasury management function, to Audit & Scrutiny Committee, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

6.7 TMP7 Budgeting, accounting and audit arrangements

The Chief Finance Officer will prepare, and Epsom & Ewell Borough Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management functions, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Best value and performance measurement*, and TMP4 *Approved instruments, methods and techniques*. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangement.*

Epsom & Ewell Borough Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

Epsom & Ewell Borough Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

6.8 TMP8 Cash and cash flow management

Cash flow projections are prepared annually and updated daily. The annual cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the Chief Finance Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring.

6.9 TMP9 Money Laundering

Epsom & Ewell Borough Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

6.10 TMP10 Staff training and qualifications

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

a) Treasury management staff employed by the Council

b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time.

Additionally, training may also be provided on the job and it will be the responsibility of the Chief Finance Officer to ensure that all staff under his authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the treasury management team.

Details of Approved Training Courses

Treasury management staff and members will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

Members charged with governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

6.11 TMP11 Use of external service providers

Epsom & Ewell Borough Council recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies.

6.12 TMP12 Corporate governance

Epsom & Ewell Borough Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.

It has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

The following documents are available for public inspection: -

Treasury Management Strategy

Annual Investment Strategy

Minimum Revenue provision policy statement

Annual Treasury Review Report

Treasury Management monitoring reports (e.g. half yearly)

Annual accounts and financial instruments disclosure notes

Annual budget

Capital Strategy

Minutes of Council / committee meetings

7 Approved Countries for Investments

This list is based on those countries which have sovereign ratings of AA- or higher at 02/12/2022, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- France

AA-

- Belgium
- **U.K.**

8 The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer is responsible for:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed.

9 Summary of Changes to Treasury Management Strategy for 2023/24

A large proportion of the Treasury Management Strategy remains the same as last year but this section highlights any significant changes made on the previous year's Strategy.

The Prudential Indicators in Section 2 of the Strategy have been updated to reflect the latest figures approved by Council, including the addition of a new Liability Benchmark indicator required by CIPFA from 2023/24.

The Annual Investment Strategy has been updated to reference the Link creditworthiness service, which employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard & Poor's – to be used by officers when assessing potential investments.

Section 4 has been updated to reflect the cessation of LIBOR and the associated 7 day LIBID, which had previously been used to benchmark the Council's treasury investment performance. The new recommended benchmark is the 7 day SONIA rate, which is the risk-free rate for sterling markets administered by the Bank of England.

SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. The now-defunct LIBOR had been based on estimated rates.

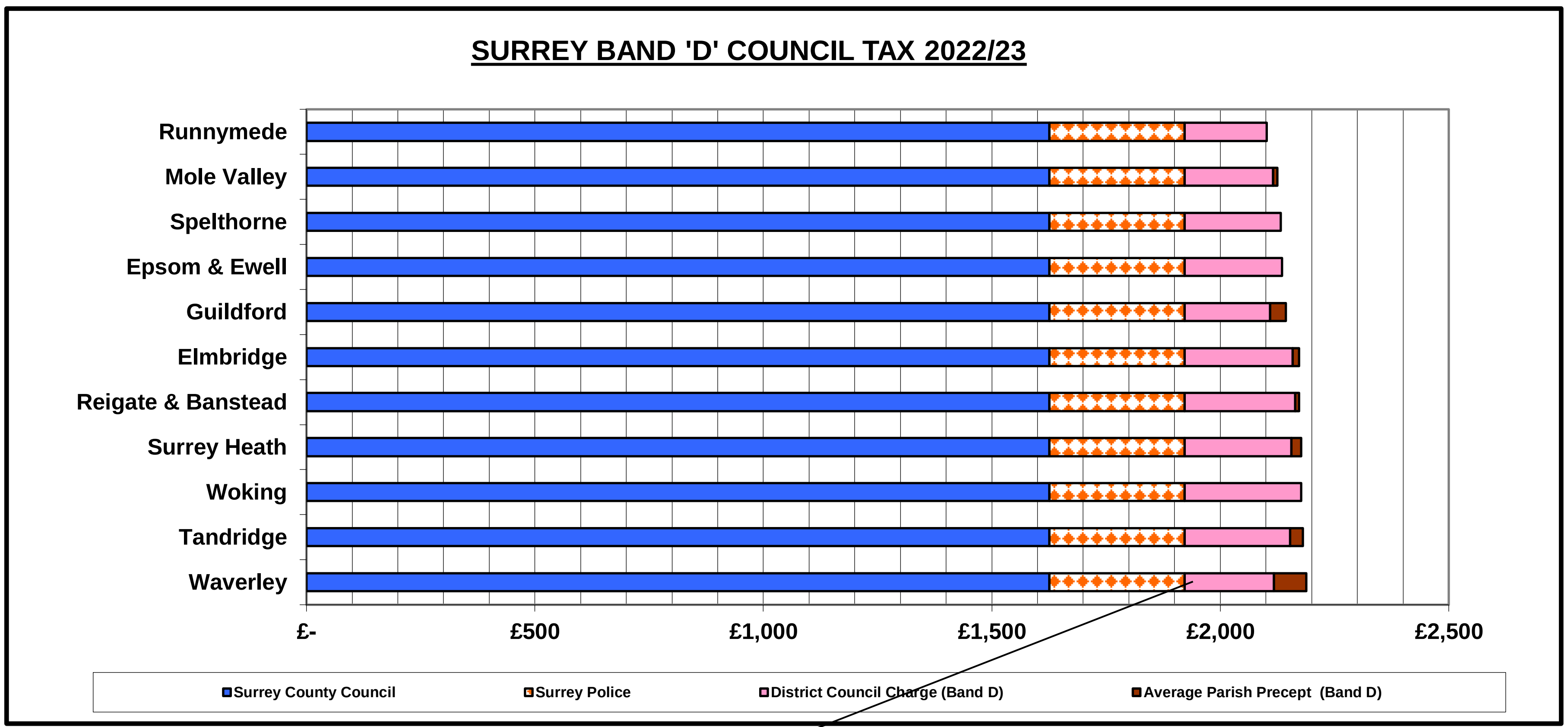
Section 5 provides a brief economic update from our independent financial advisors, Link Group.

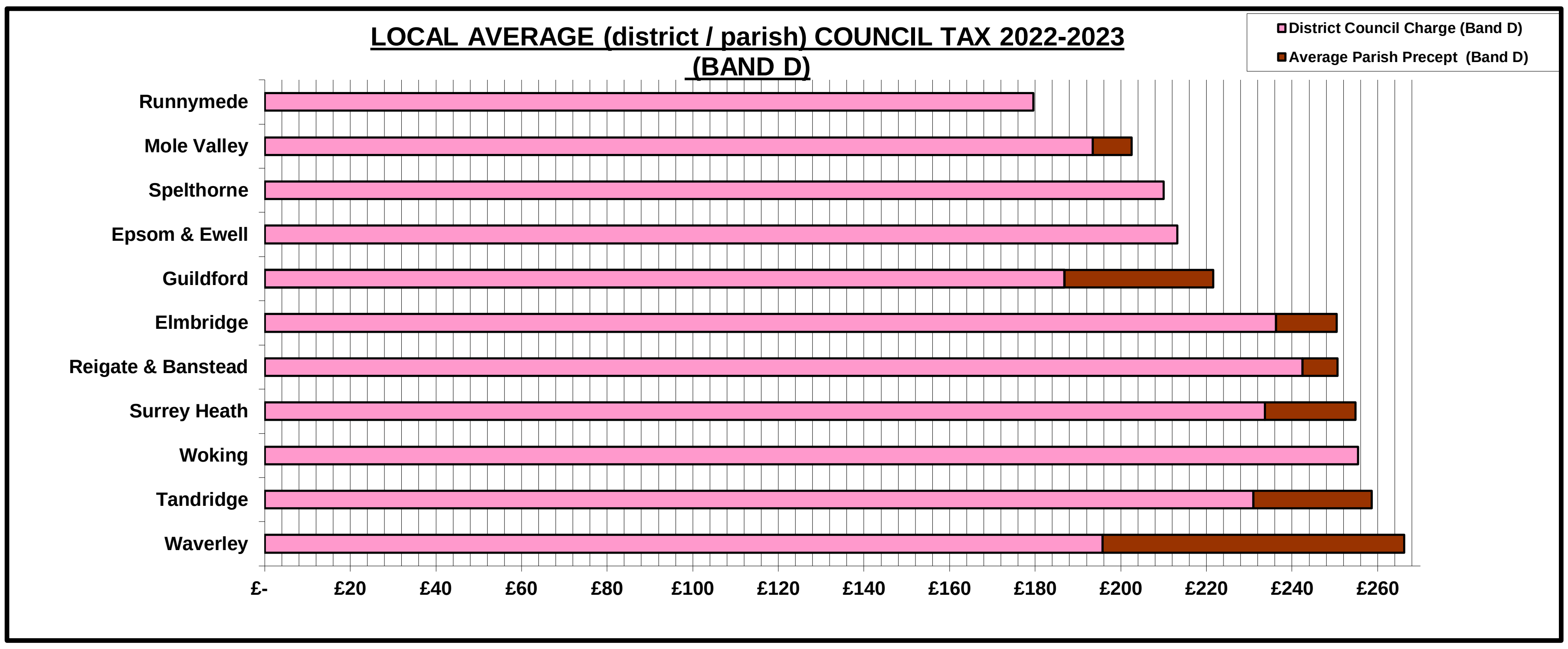
Section 7 provides a list of approved countries for investment. Based on the recommendation of our treasury management advisers, Hong Kong and Luxembourg have been removed from the list for 2023/24. Qatar and Abu Dhabi have also been removed based on the recommendation by Financial Policy Panel (31 January 2023).

COUNCIL

2022-2023 COUNCIL TAX (average per dwelling and Band D for 2 adults)

SURREY DISTRICT		Surrey County Council	Surrey Police	District Council Charge (Band D)	Average Parish Precept (Band D)	Local Average (Band D)	Average Council Tax (Band D)
Runnymede	£	1,626.39	295.57	179.55	0.00	**179.55**	2,101.51
Mole Valley	£	1,626.39	295.57	193.41	9.12	**202.53**	2,124.49
Spelthorne	£	1,626.39	295.57	210.05	0.00	**210.05**	2,132.01
Epsom & Ewell	**£**	**1,626.39**	**295.57**	**213.21**	**0.00**	**213.21**	**2,135.17**
Guildford	£	1,626.39	295.57	186.82	34.79	**221.61**	2,143.57
Elmbridge	£	1,626.39	295.57	236.30	14.15	**250.45**	2,172.41
Reigate & Banstead	£	1,626.39	295.57	242.46	8.15	**250.61**	2,172.57
Surrey Heath	£	1,626.39	295.57	233.66	21.14	**254.80**	2,176.76
Woking	£	1,626.39	295.57	255.46	0.00	**255.46**	2,177.42
Tandridge	£	1,626.39	295.57	230.98	27.67	**258.65**	2,180.61
Waverley	£	1,626.39	295.57	195.79	70.39	**266.18**	2,188.14





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COUNCIL TAX PROPOSAL: CALCULATION FOR 2023/24 BUDGET REPORT
(Includes provisional SPCC and SCC council tax proposals)

		2022/23	**2023/24**	**2023/24**
	EPSOM AND EWELL BOROUGH COUNCIL	*2.38%*	**0.00%**	**3.00%**
		£	**£**	**£**
				Recommendation
	Gross Service Expenditure	*48,435,062*	**46,793,707**	**46,793,707**
	Business Rate Tariff	*8,939,392*	**8,769,848**	**8,769,848**
	Business Rate Estimated Levy	*186,203*	**180,756**	**180,756**
	Gross Expenditure	*57,560,657*	**55,744,311**	**55,744,311**
	Gross Income & Reserve Transfers	*39,808,612*	**38,503,377**	**38,503,377**
	Business Rate Income - (Tariff Element/Levy)	*9,125,595*	**8,950,604**	**8,950,604**
	Budget Requirement	*8,626,450*	**8,076,130**	**8,290,330**
	Business Rate Retained Income	*911,844*	**980,489**	**980,489**
	Small Business Rate Relief Grant	*694,079*	**673,116**	**673,116**
	Revenue Support Grant	*0*	**52,954**	**52,954**
	Lower Tier Services Grant	*63,685*	**57,419**	**57,419**
	CSP Minimum Guaranteed Funding	*0*	**222,615**	**222,615**
	Collection Fund Surplus/(Deficit) - Council Tax	*46,957*	**27,265**	**27,265**
	Collection Fund Surplus/(Deficit) - Business Rates	*-179,652*	**-1,084,775**	**-1,084,775**
	Collection Fund Income	*1,536,913*	**929,083**	**929,083**
	Council Tax Requirement	*7,089,537*	**7,147,047**	**7,361,247**
	Council Tax Base (Band D Equiv. Properties)	*33,251.43*	***33,521.16***	***33,521.16***
	Basic Amount of Council Tax	*£213.21*	**£213.21**	**£219.60**
	Epsom & Ewell Borough Council			
1/9ths	**Valuation Band**			
6	**A**	*£142.14*	**£142.14**	**£146.40**
7	**B**	*£165.83*	**£165.83**	**£170.80**
8	**C**	*£189.52*	**£189.52**	**£195.20**
9	**D**	*£213.21*	**£213.21**	**£219.60**
11	**E**	*£260.59*	**£260.59**	**£268.40**
13	**F**	*£307.97*	**£307.97**	**£317.20**
15	**G**	*£355.35*	**£355.35**	**£366.00**
18	**H**	*£426.42*	**£426.42**	**£439.20**
	Surrey County Council Basic Amount (provisional)			
	£1,675.08			
1/9ths	Valuation Band			
6	A	*£1,032.72*	**£1,116.72**	**£1,116.72**
7	B	*£1,204.84*	**£1,302.84**	**£1,302.84**
8	C	*£1,376.96*	**£1,488.96**	**£1,488.96**
9	D	*£1,549.08*	**£1,675.08**	**£1,675.08**
11	E	*£1,893.32*	**£2,047.32**	**£2,047.32**
13	F	*£2,237.56*	**£2,419.56**	**£2,419.56**
15	G	*£2,581.80*	**£2,791.80**	**£2,791.80**
18	H	*£3,098.16*	**£3,350.16**	**£3,350.16**
	Surrey Police & Crime Commissioner: Basic Amount (provisional)			
	£310.57			
1/9ths	Valuation Band			
6	A	*£190.38*	**£207.05**	**£207.05**
7	B	*£222.11*	**£241.55**	**£241.55**
8	C	*£253.84*	**£276.06**	**£276.06**
9	D	*£285.57*	**£310.57**	**£310.57**
11	E	*£349.03*	**£379.59**	**£379.59**
13	F	*£412.49*	**£448.60**	**£448.60**

APPENDIX 13

COUNCIL TAX PROPOSAL: CALCULATION FOR 2023/24 BUDGET REPORT
(Includes provisional SPCC and SCC council tax proposals)

		2022/23	**2023/24**	**2023/24**
	EPSOM AND EWELL BOROUGH COUNCIL	*2.38%*	**0.00%**	**3.00%**
15	G	*£475.95*	**£517.62**	**£517.62**
18	H	*£571.14*	**£621.14**	**£621.14**

COUNCIL TAX PROPOSAL: CALCULATION FOR 2023/24 BUDGET REPORT
(Includes provisional SPCC and SCC council tax proposals)

EPSOM AND EWELL BOROUGH COUNCIL	*2022/23* *2.38%*	**2023/24** **0.00%**	**2023/24** **3.00%**
Council Tax Total			
Valuation Band			
A	£1,365.24	**£1,465.91**	**£1,470.17**
B	£1,592.78	**£1,710.22**	**£1,715.19**
C	£1,820.32	**£1,954.54**	**£1,960.22**
D	£2,047.86	**£2,198.86**	**£2,205.25**
E	£2,502.94	**£2,687.50**	**£2,695.31**
F	£2,958.02	**£3,176.13**	**£3,185.36**
G	£3,413.10	**£3,664.77**	**£3,675.42**
H	£4,095.72	**£4,397.72**	**£4,410.50**

EPSOM & EWELL BOROUGH COUNCIL ELEMENT OF THE COUNCIL TAX - CHANGES

Council Tax at Band D =	*£213.21*	**£ 213.21**	**£ 219.60**
Increase in Council Tax (%)		**0.00%**	**3.00%**
Increase in Council Tax (per annum)		**£0.00**	**£6.39**
Increase in Council Tax (per month)		**£0.00**	**£0.53**
Increase in Council Tax (per week)		**£0.00**	**£0.12**
Income Generated from Council Tax Increase		**£0**	**£214,200**
Use of Working Balance		**£214,200**	**£0**
Equiv. Council Tax support from use of wkg bal.		**£6.39**	**£0.00**
Note:			
Budget Requirement	*8,626,450*	**£8,076,130**	**£8,290,330**
Increase in Budget Requirement		***-6.4%***	***-3.9%***

10%	**EEBC**	**£7,361,247**
76%	**SCC**	**£56,150,625**
14%	**SPA**	**£10,410,667**
		£73,922,538
		£73,922,538

Council Tax Collection Fund Income and Expenditure Account Estimate for the Year Ended 31 March 2023

	2022/23
	£
Expenditure :-	
Surrey County Council Precept	54,079,744
Surrey Police Precept	9,828,125
Epsom & Ewell Borough Council Precept	7,136,494
Increased Provision for Bad Debts	601,384
Distribution in 2022/23 of 2021/22 surplus	460,541
	72,106,289
Income :-	
Council Tax Income	71,825,666
	71,825,666
Surplus/(Deficit) for the year	(280,623)
Balance Brought Forward 1 April	552,048
Balance Carried Forward 31 March	271,425

Surplus allocation 2023/24 Budget:	£
Surrey County Council	206,611
Surrey Police & Crime Commissioner	37,548
Epsom & Ewell Borough Council	27,265
	271,425

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APPENDIX 15

Retained Business Rates Collection Fund Income and Expenditure Account Estimate for the Year Ended 31 March 2023

	2022/23
	£
Expenditure :-	
Central Government (includes tariff & levy)	21,486,191
Surrey County Council	2,509,360
Epsom & Ewell Borough Council	1,098,047
Increased Provision for Bad Debts	14,778
Increased Provision for Appeals	216,122
Cost of Collection Allowance	79,261
	25,403,759
Income :-	
Business Rates Income	22,652,699
Funding from Preceptors in 2022/23 to cover 2021/22 deficit	6,964,238
	29,616,937
Surplus/(Deficit) for the year	4,213,178
Balance Brought Forward 1 April 2022	(6,925,115)
Balance Carried Forward 31 March 2023	(2,711,937)

Deficit allocation for 2023/24 Budget:	£
Central Government	(1,355,968)
Surrey County Council	(271,194)
Epsom & Ewell Borough Council	(1,084,775)
	(2,711,937)

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PROPERTY REVIEW

Head of Service:	Mark Shephard, Head of Property and Regeneration
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	
Appendices (attached):	None

Summary

To set the strategic direction for the Council's potential relocation of the Town Hall.

Recommendation (s)

The Council is asked to:

(1) To agree the Council's strategic direction by identifying 70 East Street, Epsom as a potential relocation opportunity for the Council Offices.

(2) Delegate to the Chief Executive in consultation with the Chair and Vice Chair of Strategy and Resources, the review of 70 East Street and progress feasibility of the relocation.

(3) Approve a budget of up to £25,000 to cover the cost of the above work (including full business case to be brought back to Council), to be funded from the Property Income Equalisation Reserve.

1 Reason for Recommendation

1.1 To ensure that the Council's accommodation remains cost efficient, environmentally sustainable and fit for purpose.

1.2 This is fundamental to the Council's approved Strategic Asset Management Plan 2020-30.

2 Background

2.1 A rare opportunity has arisen for the Council to consider the potential relocation of the Town Hall to a smaller, more suitable Council owned office building at 70 East Street, Epsom.

2.2 The building is held within the Council's commercial property portfolio and has become vacant following agreement with the former tenant to surrender its lease early. The Council is compensated for lost future rental income until August 2024 i.e. although vacant, the property remains income producing until this date.

2.3 To maintain 70 East Street's future commercial income generation, Strategy & Resources Committee approved on 26 January 2023 (confidential item 9) for the building to be prepared for commercial re-letting.

2.4 This report seeks strategic direction from Council to review and consider its own occupation of the building.

2.5 This represents an almost unique opportunity as the building is not only of a potentially suitable size with close proximity to the town centre, but the opportunity can be assessed while the building remains income producing.

2.6 The review will include a full business case and be brought back to Council at the earliest opportunity.

2.7 The anticipated cost of the review will be up to £25,000 and will run in parallel with the previously approved Strategy & Resources paper taken on 26 January 2023.

3 Risk Assessment

Legal or other duties

3.1 Equality Impact Assessment

3.1.1 These implications will be assessed in the full business case to be brought back to Council ahead of a final decision.

3.2 Crime & Disorder

3.2.1 Not applicable

3.3 Safeguarding

3.3.1 Not applicable

3.4 Dependencies

3.4.1 The Council has approximately 19 months before the lease surrender funds are exhausted. Time is of the essence for the building to be refurbished and occupied to mitigate any future dependence on the Property Income Equalisation Reserve (PIE).

3.5 Other

3.5.1 The Asset Management Plan's key property strategies will ensure value for money, maximise asset performance and minimise the Council's exposure to avoidable loss of income.

4 Financial Implications

4.1 Combined with the £40,000 budget previously allocated at Strategy & Resources on 26 January for undertaking refurbishment specification work, the additional £25,000 budget will enable a full business case to be produced and brought back to members. The budget would be funded by the Property Income Equalisation reserve, which holds an uncommitted balance of c.£5.5m. A full forecast of the reserve balance was published as a supplementary agenda item for Strategy & Resources Committee on 26 January.

4.2 **Section 151 Officer's comments**: The full business case will assess financial and other implications of the potential re-location, ahead of a final decision being taken by members.

5 Legal Implications

5.1 **Legal Officer's comments**: At the moment**,** there are no direct legal implications arising from this report. Once the full business case has been prepared, then additional legal implications will be provided.

6 Policies, Plans & Partnerships

6.1 **Council's Key Priorities**: The following Key Priorities are engaged: Opportunity and Prosperity, Effective Council.

6.2 **Service Plans**: The matter is included within the current Service Delivery Plan.

6.3 **Climate & Environmental Impact of recommendations**: A refurbishment of the building (for Council and / or commercial tenant use) will focus on the most sustainable and energy efficient M&E (mechanical and electrical) installations available i.e. where possible, the use of solar PV panels and electric central heating.

6.4 The Government issued the UK Energy White Paper, published on 14 December 2020, which indicated that by 2030 all commercial buildings will require a rating of B. The minimum 2030 requirement is currently a C rating.

6.5 The Council is committed to refurbishment specifications that achieve a minimum B rating and where possible, an A rating will be pursued.

6.1 **Sustainability Policy & Community Safety Implications**: A refurbishment will focus on wellbeing and sustainable transport, for example, building amenities will include shower facilities to promote cycling and fitness.

6.2 Green renewable energy sources will be prioritised, for example, photovoltaic panels, solar hot water panels and air source heat pumps powered by 100% renewable electricity.

6.3 Insulation will be upgraded where necessary and lighting replaced with modern LED equivalents.

6.4 **Partnerships**: Several voluntary organisations occupy the Town Hall and these important partnerships will be retained at a new site. Commercial tenants will also be consulted as part of the process.

7 Background papers

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

Previous reports:

- Strategic Asset Management Plan to S&R Committee 28 July 2020

  https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?CId=132&MId=770

Other papers:

- None