

To: All Members of the Strategy and Resources Committee

Dear Councillor,

**STRATEGY AND RESOURCES COMMITTEE - TUESDAY, 11TH NOVEMBER, 2025,
Council Chamber - Epsom Town Hall**

Please find attached the following document(s) for the meeting of the Strategy and Resources Committee to be held on Tuesday, 11th November, 2025.

3. **TOWN HALL MOVE** (Pages 3 - 8)

In May 2025 Full Council agreed to reverse the decision over the relocation of the civic office to 70 East Street and the Council Chamber to Bourne Hall, in light of Local Government Reorganisation. Alternative interim solutions have been investigated, and this report presents four options and their associated costs for utilising the existing town hall building(s).

4. **STAFF PAY AWARD** (Pages 9 - 14)

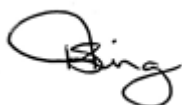
This report provides information and options for the committee to make a recommendation to Council for a staff pay award for 2026/27.

5. **REVIEW OF RESERVES** (Pages 15 - 22)

This report presents a review of reserves and recommends prudent reserve balances to ensure sound management of the Council's finances.

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

Yours sincerely



Chief Executive

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TOWN HALL MOVE

| | |
|---|--|
| Head of Service: | Mark Shephard, Head of Property and Regeneration |
| Report Author | Victoria Potts |
| Wards affected: | (All Wards); |
| Urgent Decision?(yes/no) | No |
| If yes, reason urgent decision required: | n/a |
| Appendices (attached): | None |

Summary

In May 2025 Full Council agreed to reverse the decision over the relocation of the civic office to 70 East Street and the Council Chamber to Bourne Hall, in light of Local Government Reorganisation. Alternative interim solutions have been investigated, and this report presents four options and their associated costs for utilising the existing town hall building(s).

Recommendation (s)

The Committee is asked to:

- (1) Approve Option 1 for implementation as the best value option**
- (2) Approve a capital budget of up to £517,200 for the delivery of Option 1.**
- (3) Nominate and authorise the Director of Environment, Housing and Regeneration, in consultation with the S151 officer, to approve all necessary project expenditure and release of funds from budget/reserves (up to the approved limit above) through to completion and delivery.**
- (4) Nominate and authorise the Director of Environment, Housing and Regeneration, in consultation with the S151 officer and Chair of Strategy and Resources Committee to approve expenditure up to the deferred liability limit (set out in para 2.5 as £477,500) and release of funds from budget/reserves, where necessary, to be able to undertake urgent works.**

1 Reason for Recommendation

- 1.1 Given the timescales associated with Local Government Reorganisation remaining in the existing Town Hall is not known beyond the next 2 years. This paper therefore sets out different options and option 1 presents best value in the short term.

2 Background

- 2.1 Since the Full Council decision in December 2023, the operating context for the council has significantly changed. Local Government Reorganisation will mean that Epsom and Ewell Borough Council in its current form will cease to exist in April 2027. Therefore, it is correct to review the future office site in this context and consider the best use of Council resources.

2.2 The options

- 2.3 Four options have been considered as follows:

- Option 1 – utilising the same space as we currently do and undertaking the necessary essential works only to ensure we meet health and safety requirements and ensure fit for suitable work environment. This predominantly includes essential health and safety works around fire, electrics and security that must take place to be compliant with the law.
- Option 2 – as above with the addition of bringing the vacant 2nd floor back into use. It should be noted that when Surrey County Council left the 2nd floor, it was decommissioned. There is therefore significant cost in bringing it back into use including works to the roof, air conditioning/heating units, water safety and additional ICT costs.
- Option 3 – New Town Hall only without the 2nd floor. Closing the Old Town Hall completely. The additional costs are associated with decommissioning and securing the old town hall, relocating the police counter and adjusting the existing space to accommodate the voluntary sectors.
- Option 4 – New Town Hall only with the addition of the 2nd floor being brought back into use. Closing the Old Town Hall completely. This would incur all the additional costs referred to above.

- 2.4 Option 1 is the lowest -cost option at £431,000. While this option minimises immediate expenditure, there are deferred liabilities associated with end-of-life but currently serviceable assets. These may crystallise if equipment fails unexpectedly or if the Council remains in occupation beyond the next 2–3 years.

2.5 Options cost comparison

| Option | Total cost (essential, GBP) | *Possible liability (GBP) | **Potential saving (per annum, GBP) |
|--------|-----------------------------|---------------------------|-------------------------------------|
|--------|-----------------------------|---------------------------|-------------------------------------|

| | | | |
|---|----------|----------|---------|
| 1 | £431,000 | £477,500 | — |
| 2 | £748,500 | £477,500 | — |
| 3 | £507,000 | £537,500 | £58,015 |
| 4 | £740,500 | £537,500 | £58,015 |

*The possible liabilities are aspects of the building that are end-of-life but currently serviceable assets. These include aspects of the ventilation, atrium roof, heating, automatic door air reception. These may crystallise if equipment fails unexpectedly or if the Council remains in occupation beyond the next 2–3 years.

**Potential savings are from the estimated running costs savings of closing the old town hall. These savings may not materialise and are minimal as the old town hall is not differentiated by the valuation office for the purpose of calculating business rates. Therefore, there is no Business rate saving that can be applied..

- 2.6 Options 2 and 4 are significantly greater costs as these involve bringing back into use the vacant second floor and more fundamental essential works are required to ensure this space can be occupied.
- 2.7 All options require a level of budgeted contingency due to the potential liabilities, and it should be noted that beyond 2-3 years occupation these liabilities are more likely to start being incurred.

2.8 Pros and cons of each option

| Option | Key pros | Key cons |
|--------|--|--|
| 1 | <ul style="list-style-type: none"> • Cost savings by not amending the space • Minor disruption • Maintain council chamber • Police and vol orgs unaffected | <ul style="list-style-type: none"> • No major change to the working environment from staff perspective |
| 2 | <ul style="list-style-type: none"> • More space to work and collaborate • More open-plan space; more modern working environment • Minor disruption • Maintain council chamber • Police and vol orgs unaffected | <ul style="list-style-type: none"> • Additional costs to fit out the second floor |
| 3 | <ul style="list-style-type: none"> • Everyone in one location; greater inclusivity • Some potential savings on Old Town Hall running costs • Potential savings on PPM and service contracts • Potential Business rates reduced on non-occupied space | <ul style="list-style-type: none"> • Building work costs to amend space (relocate police counter and voluntary orgs) • Reduced space could affect working environment • Short-term disruption while fitting out • Loss of members' area and four offices • Relocation of Council Chamber (possibly external) • Minimal savings and not immediate |

| | | |
|----------|--|--|
| 4 | <ul style="list-style-type: none"> • Everyone in one building; greater inclusivity • Some potential savings on Old Town Hall running costs • Potential savings on PPM and service contracts • Potential Business rates reduced on non-occupied space • Provides a members' area | <ul style="list-style-type: none"> • Police and vol orgs disrupted • Building work costs to amend space (relocate police counter and voluntary orgs) and bring 2nd floor back into use. • IT costs for the second floor • Relocation of Council Chamber • Reinstatement of plant/services currently switched off on second floor • Minimal savings and not immediate • Police and vol orgs disrupted |
|----------|--|--|

2.9 Summary

2.10 The best value options are 1 and 3, with 1 having the least disruption and least negative impacts (i.e. impact on voluntary sector partners and relocation of police counter; loss of the council chamber, meeting rooms and significant reduction in desk space and therefore occupation capacity on any given day).

3 Risk Assessment

Legal or other duties

3.1 Equality Impact Assessment

3.1.1 There are no equalities implications.

3.2 Crime & Disorder

3.2.1 There are no Crime and disorder implications.

3.3 Safeguarding

3.3.1 There are no safeguarding implications.

3.4 Dependencies

3.4.1 There are no dependencies identified.

3.5 Other

3.5.1 Remaining in the existing Town Hall is a short-term solution. The timescales of LGR and its implementation are uncertain. Should the Council need to remain in the existing Town Hall beyond three years it is likely to start incurring significant and unsustainable costs to ensure the building is fit for continued occupation by the Council and/or its tenants.

3.5.2 **Equipment end-of-life risks** - Unplanned failure of non-essential assets could require immediate spend, drawing on the possible liability noted in the appraisal.

3.5.3 **Mitigations and contingencies** - Pre-approve a contingency budget to respond to end-of-life failures quickly.

4 Financial Implications

4.1 The essential cost for Option 1 is £431,000. These costs are based on informed estimates. However, it would be prudent to allow a contingency of up to 20% for any price variation during the full tender process and/or unforeseen works and work is undertaken. The total budget requested is therefore option 1 with a 20% contingency.

4.2 Given the possible deferred liabilities, it is prudent to set aside a further contingency for these liabilities within available funding envelopes.

4.3 Options 2 and 3 are significantly greater costs as these involve bringing back into use the vacant second floor and more fundamental essential works are required to ensure this space can be occupied.

4.4 **Section 151 Officer's comments:** The council has a committed reserve to fund this work, which represents best value for money in the context of Local Government Reorganisation.

5 Legal Implications

5.1 There are no direct legal implications.

5.2 **Legal Officer's comments:** None arising from the content of this report.

6 Policies, Plans & Partnerships

6.1 **Council's Key Priorities:** The following Key Priorities are engaged:

- Effective Council.

6.2 **Service Plans:** The matter not included within the current Service Delivery Plan.

6.3 **Climate & Environmental Impact of recommendations:** No direct implications.

6.4 **Sustainability Policy & Community Safety Implications:** No direct implications.

6.5 **Partnerships:** The voluntary sector partners and commercial tenant will remain unaffected by Option 1.

6.6 **Local Government Reorganisation Implications:** Risks on this decision of LGR have been highlighted within the body of the report.

6.7 Background papers

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

Previous reports:

- Full Council report December 2023 (Restricted access).
- [Full Council report May 2025](#)

STAFF PAY AWARD

| | |
|---|------------------------------|
| Head of Service: | Jackie King, Chief Executive |
| Report Author | Andrew Bircher |
| Wards affected: | (All Wards); |
| Urgent Decision?(yes/no) | No |
| If yes, reason urgent decision required: | N/A |
| Appendices (attached): | None |

Summary

This report provides information and options for the committee to make a recommendation to Council for a staff pay award for 2026/27.

Recommendation (s)

The Committee is asked to:

- (1) Recommend to full council a pay award for staff for 2026/27 based on one of the options (as set out in section 5 below) being:**
 - 1.1 **Option 1** – a 2% pay award or;
 - 1.2 **Option 2** – a 3% pay award, or;
 - 1.3 **Option 3** – an alternative % increase put forward by members
- (2) Recommend to full council that funding is approved to support the implementation of the Real Living Wage from April 2026.**

2 Reason for Recommendation

- 2.1 The reasons are set out in the report below.

3 Background

- 3.1 Last year, the council agreed a 2% pay award for staff for 2025/2026 financial year. This was a one-year deal. Consultation with staff favoured one year rather than multiyear pay award deals, both this year and last year

- 3.2 In the run up to this year’s pay award decision, we have again consulted with staff. We proposed a 3% pay award, along with one additional day’s annual leave for all staff. Feedback from the consultation broadly supports this.
- 3.3 At this time of year, it is common for councils to consider the latest September Consumer Prices Index (CPI) when reviewing in year pay awards. The CPI for September has been released at 3.8%. However, for the 2025/26 financial year, a 2% pay increase has already been implemented at the start of the year. While the September CPI figure can be a useful reference point when planning the 2026/27 pay award, it is important to note that it reflects past inflation and may not fully capture future economic conditions.
- 3.4 In addition to the cost of living pay award, many staff have an incremental pay rise of approximately 2% as they move through the pay scale. However, it is worth noting that we have a reasonable number of staff (18%) who are at the top of their pay scale and will therefore not be eligible for an incremental pay rise alongside the pay award. This is due to them reaching the top of grade for their current role.
- 3.5 Any pay award will lead to the same increase in Members’ Allowance.
- 3.6 Initially as part of last year’s Medium Term Financial Strategy (MTFS), we had assumed a 2% pay award in 2026/27. However, following a review, this assumption was revised to 3% in July 2025, which amounted to approximately £150,000 and contributing to the projected deficit to £2 million in 2026/27.
- 3.7 For illustrative purposes, every 1% increase in staff pay equates to an additional cost of approximately £150,000 per annum. Therefore, if the Council decides to make a recommendation to increase the pay award above the 3% mentioned above this would increase the 2026/27 deficit as shown in the table below.

| Percentage increase in Pay Award | 2026/27 Deficit |
|----------------------------------|------------------------------------|
| 2% | £1.85 million |
| 3% | £2 million (Reported in July 2025) |
| 4% | £2.15 million |
| 5% | £2.3 million |

- 3.8 There is currently ongoing work to plug the deficit and ensure a balanced budget before Full Council on 10 February 2026.

The Real Living Wage (RLW)

- 3.9 As part of the Council's pledge to tackle poverty, it is proposed that the council adopts the Real Living Wage.
- 3.10 The Real Living Wage is different to The National Living Wage (NLW). The latter is the UK government's legally mandated minimum hourly rate for workers aged 21 and over, currently set at £12.21 per hour as of April 2025. It is designed to ensure a basic standard of living and is part of the statutory wage framework.
- 3.11 The Real Living Wage is a voluntary rate calculated independently by the Living Wage Foundation, based on the actual cost of living including essentials like housing, food, and energy. While over 16,000 employers have adopted the Real Living Wage, it is not legally required but aims to provide a more sustainable income for workers.
- 3.12 In October 2025 the Real Living Wage has been announced as £13.45 (to be implemented if approved by 1 May 2026). The National Living Wage for April 2026 has not been announced but estimates from the Low pay Commission range from £12.55-£12.86 with a median estimate of £12.71. These figures below show what the potential financial impact could be:

| Rate | Additional cost of adopting the RLW in April 2026 rather than legally mandated NLW |
|---|---|
| Based on current NLW of £12.21 | £68,052 |
| Lower estimate of NLW increase in April 2026 to £12.55 | £52,397 |
| Median estimate of NLW increase in April 2026 to £12.71 | £43,355 |
| Upper estimate of NLW increase in April 2026 to £12.84 | £34,878 |

- 3.13 Adopting the Real Living Wage (RLW) above National Living Wage (NLW) is an important step in supporting low-paid workers. While the NLW sets a statutory minimum, the RLW reflects the actual cost of living and pays accordingly.
- 3.14 For the Council, this move demonstrates a commitment to social responsibility, equity, and the wellbeing of its workforce, especially the lowest paid. Although the additional cost is estimated to be in the region of £35,000 to £68,000, it will be managed as part of the Council MTFs.

4 Risk Assessment

Legal or other duties

4.1 Equality Impact Assessment

4.1.1 An Equality Impact Assessment is not considered necessary here as the pay award to staff is not related to or dependent on any protected characteristics.

4.2 Crime & Disorder

4.2.1 There are no issues arising from this report.

4.3 Safeguarding

4.3.1 There are no issues arising from this report.

4.4 Dependencies

4.4.1 Whatever is agreed as a pay award will feed into the 26/27 Council budget.

4.5 Other

4.5.1 None.

5 Financial Implications

5.1 The financial implications are shown above.

Options for members to consider

5.2 **Option 1** – This would be a 2% pay award as assumed in last year's MTFS with a deficit of £1.850m in 2026/27.

5.3 **Option 2** – This would be a 3% pay award, increasing the council's projected budget deficit by £150,000 as reported in July 2025, to £2.000m.

5.4 **Option 3** – Any alternative % increase put forward by members will need to bear in mind the financial pressures reported above.

5.5 **Section 151 Officer's comments:** The proposed 3% pay award, alongside the additional day of annual leave, reflects a balanced approach to staff pay award in the context of current financial circumstances and feedback from staff consultation. While this exceeds the original MTFS assumption of 2%, the financial implications have been modelled and are understood. The increase will contribute to a projected budget deficit of £2 million in 2026/27, which is being actively addressed through the budget-setting process.

- 5.6 Notwithstanding the impact of any Real Living Wage decision, Members should be mindful that any further increase beyond 3% would place additional strain on the Council's financial position and may require further savings or income generation measures to ensure a balanced budget is achieved by February 2026, depending on the outcome of the financial settlement and final outturn position.

6 Legal Implications

- 6.1 **Legal Officer's comments:** None arising from the content of this report.

7 Policies, Plans & Partnerships

- 7.1 **Council's Key Priorities:** The following Key Priorities are engaged:

- Settlement of a balanced budget

- 7.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.

- 7.3 **Climate & Environmental Impact of recommendations:** There are no implications

- 7.4 **Sustainability Policy & Community Safety Implications:** There are no implications

- 7.5 **Partnerships:** N/A

- 7.6 **Local Government Reorganisation Implications:** The pay award will be for next year, prior to any LGR implementation

8 Background papers

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

Previous reports:

- None

Other papers:

- Medium Term Financial Strategy 2025/26-2028/29

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REVIEW OF RESERVES

| | |
|---|---|
| Head of Service: | Cagdas Canbolat, Director of Corporate Services and Section 151 Officer (Chief Finance Officer) |
| Report Author | Cagdas Canbolat |
| Wards affected: | (All Wards); |
| Urgent Decision?(yes/no) | No |
| If yes, reason urgent decision required: | N/A |
| Appendices (attached): | None |

Summary

This report presents a review of reserves and recommends prudent reserve balances to ensure sound management of the Council's finances.

Recommendation (s)

The Committee is asked to:

- (1) **Note the new assumptions made for Property Income Equalisation, Collection Fund Equalisation and Interest Equalisation Reserves.**
- (2) **Reappropriate identified reserves into Corporate Projects and Maintenance Reserves to support council priorities.**

1 Reason for Recommendation

- 1.1 The recommendations will ensure that the Council revises its main reserve assumptions, maintain an appropriate level of reserves for the sound management of the Council's finances and reappropriate reserves to support council priorities.

2 Background

- 2.1 In local government, reserves play a crucial role in sound financial management. They typically exist to enable councils to invest in service transformation for the future, and/or to manage risks by providing resources to respond to unexpected events or emerging needs.

- 2.2 Reserves have been built up over several years, mainly through accumulated surplus of income over expenditure or one-off grants. The council has healthy level of reserves to respond to unexpected change in local government finance.
- 2.3 In July 2025, it was agreed that some of the key reserve's methodologies would be reviewed, and proposals for prudent balance levels would be developed and proposed for approval by Strategy & Resources Committee.
- 2.4 As part of this exercise the following key reserves were reviewed:
- Property Income Equalisation Reserve
 - Collection Fund Equalisation Reserve
 - Interest Equalisation Reserve
- 2.5 It's worth noting the assessment considers the post-pandemic landscape, ongoing uncertainty around funding sources, interest rate stability, income collection rates, unprecedented cost pressures, particularly in housing, and the anticipated financial implications of Local Government Reorganisation, including the expected vesting day of 1 April 2027.

3 Review of Key Reserves

Property Income Equalisation (PIE) Reserve

- 3.1 The Property Income Equalisation Reserve was established to smooth fluctuations in income generated from the council's property investments. Given that rental income can vary due to market conditions, void periods, or tenant defaults, this reserve helps ensure budget stability by offsetting any shortfalls in expected income. It also provides a buffer to manage unforeseen costs related to property issues or market downturns.
- 3.2 The Council typically maintains reserves equivalent to 12 months of rental income for each of its commercial properties for which it has borrowed funds to purchase. However, for the Bracknell property, a higher reserve of 24 months' rental income is held to reflect the elevated level of risk associated with this asset.
- 3.3 Following a review of current market conditions and the stability of commercial income streams with the service, the Council has revised its approach to the level of PIE reserve. Going forward, it will maintain reserves equivalent to six months of rental income for each commercial property. However, for the Bracknell property, a higher reserve of 24 months' rental income will continue to be held, reflecting the risk profile of this asset.

- 3.4 This change in assumptions is expected to reappropriate approximately c.£1 million from existing reserves, which is proposed to be transferred to the Corporate Project Reserve to support council priorities.

Collection Fund Equalisation Reserve

- 3.5 A Collection Fund Equalisation Reserve is used by councils to manage the timing differences and volatility in local taxation income, particularly from Council Tax and Business Rates (NNDR).
- 3.6 It is also held to mitigate the financial impact of fluctuations in Council Tax and Business Rates income. These revenues can vary year to year due to changes in collection rates, appeals, or economic conditions. The reserve helps smooth these variations, ensuring the Council can maintain stable funding for services despite short-term income shortfalls or surpluses.
- 3.7 In anticipation of the Government's proposed Business Rates Reset, the Council rightly assumed reduction in retained business rates income, particularly for district councils, which expected to be disproportionately affected.
- 3.8 The forthcoming Business Rates Reset is expected to be implemented as part of the Government's Fair Funding Review (FFR). While the reset is still likely to reduce the Council's retained business rates income, particularly impacting district councils, recent funding models have suggested that there could be a gain but we are monitoring this closely and we will have a better understanding towards year end.
- 3.9 The Collection Fund Equalisation Reserve has held approximately 24–29% of total collection fund income over the past three years. The maximum annual volatility in collection fund income has not exceeded 14%. With the business rates reset scheduled for implementation in the 2026/27 financial year, it is expected that volatility in business rates income will reduce.
- 3.10 As a minimum, the Council plans to reduce the current reserve level from 24% to 14% of total collection fund income. This would release approximately £1 million, which will be transferred to the Corporate Projects Reserve to support Council priorities.

Interest Equalisation Reserve

- 3.11 The Interest Equalisation Reserve is held to manage the financial risks associated with fluctuations in interest rates. As councils often rely on investment income or may incur borrowing costs, changes in interest rates can have a material impact on the budget. This reserve provides a buffer to smooth out the effects of rate volatility, helping to maintain financial stability and protect the Council's medium-term financial strategy.

- 3.12 As part of the latest Medium Term Financial Strategy, the Council has reduced its forecast for treasury income by £125,000 for 2026/27 and future years, in line with market expectations of falling interest rates.
- 3.13 Over the past three years, the Council has maintained reserves equivalent to approximately 93–113% of total treasury income. Given the planned reduction in the base budget to mitigate potential pressures in this area, it is considered prudent to reduce the current reserve level from 93% to 50%. This revised level is expected to absorb and major reductions in investment balances and interest rates for at least two years. The adjustment enables the reallocation of funds to support corporate priorities.
- 3.14 Accordingly, the Council will reappropriate c.£0.5 million from treasury reserves to the Planned Maintenance Reserve to help address rising costs associated with maintaining key Council assets.

Corporate Projects Reserve

- 3.15 This reserve was established to provide revenue funding for projects that fall outside of the day-to-day delivery of services, such as:
- Spend to save one-off costs - some of the Council's spend to save initiatives involve one-off pump priming costs which cannot be contained within the base budget;
 - Funding for one-off corporate priority projects;
 - Partnership funding - grants of contributions for schemes that cover a number of years can be held in this fund until expenditure is incurred (for example, government new burdens grants).
- 3.16 The uncommitted balance on the corporate projects reserve currently stands at £811,000. However, the quarter 2 revenue budget monitoring report to Audit & Scrutiny in November 2025 indicates that £510,000 of this balance may be required to meet the deficit position on the revenue budget forecast for year end. This would leave a balance of only £301,000 for future Council projects.
- 3.17 The opportunities to replenish this reserve have significantly reduced in recent years, due to reductions in funding from new homes bonus grant, which had been the main source of funding for this reserve in the past.
- 3.18 Replenishing the corporate project reserve with c.£2m will help to ensure it meets council priorities.

Planned Maintenance Reserve

- 3.19 The Planned Maintenance Reserve is held to fund planned and unforeseen maintenance of the Council's assets, such as buildings, infrastructure, and equipment. This reserve ensures that essential repairs and upkeep can be carried out without placing unexpected pressure on the revenue budget. It supports asset longevity, health and safety compliance, and service continuity by providing a financial buffer for both routine and emergency maintenance needs.
- 3.20 Given the ageing profile of some properties and infrastructure, alongside rising costs of materials and labour, it is prudent to increase this reserve by £0.5 million. This adjustment will strengthen the Council's ability to respond to urgent maintenance needs and reduce the risk of unplanned budget pressures in future years.
- 3.21 The current uncommitted balance of this reserve is £231,000. Over the past three years, an average of £160,000 of the reserve has been used to supplement the planned maintenance programme, therefore the reserve will need to be replenished to allow this support to continue for future years.
- 3.22 The following table shows the changes in the key reserves:

| Reserves | Current | Proposed | Change |
|------------------------------------|---------|----------|--------|
| | £'000 | £'000 | £'000 |
| Property Income Equalisation (PIE) | 6,694 | 5,694 | 1,000 |
| Collection Fund Equalisation | 2,282 | 1,282 | 1,000 |
| Interest Equalisation | 934 | 434 | 500 |
| | | Total | 2.5000 |

4 Risk Assessment

Legal or other duties

4.1 Equality Impact Assessment

4.1.1 None arising directly from the contents of this report.

4.2 Crime & Disorder

4.2.1 None arising directly from the contents of this report.

4.3 Safeguarding

4.3.1 None arising directly from the contents of this report.

4.4 Dependencies

4.4.1 None arising directly from the contents of this report.

4.5 Other

4.5.1 The Council holds reserves both as a contingency against unforeseen expenditure and as provisions for known, future expenditure. The Council's reserves are actively managed as part of the MTFs. Any significant reduction in the level of reserves would naturally carry the risk of reducing the Council's financial resilience and the ability to deal with unforeseen circumstances.

4.5.2 In recent years the level of reserves has enabled the Council to manage the financial impact of Covid-19, elevated interest rates/inflation, energy bill shocks and the loss of commercial property tenants, in a planned and structured way. The prospect of further funding cuts through central government's Fair Funding and Retained Business Rates Reviews means that the retention and ability to use strategic reserves to smooth out any funding reductions changes has become even more critical as reductions to the net budget become harder to deliver.

4.5.3 The Council currently finances its capital financing requirement from £64.4 million of Public Works Loan Board loans and the balance from internal borrowing which relies on cash balances. Should reserve, and consequently cash balances, fall significantly, there is a risk that the internal borrowing would need to be replaced by external borrowing which would increase annual interest rates faced by the Council.

5 Financial Implications

5.1 The financial implications are set out in the body of the report.

5.2 **Section 151 Officer's comments:** The Council maintains a reasonable level of reserves and balances to help manage the risks faced. Change in local government and Surrey landscape has meant that councils are reviewing their reserve assumptions along with other priorities.

5.3 The council continues to have healthy levels of reserves, and any reappropriation of reserves would ensure to help meet other council priorities.

6 Legal Implications

6.1 **Legal Officer's comments:** None arising from the content of this report.

7 Policies, Plans & Partnerships

7.1 **Council's Key Priorities:** The following Key Priorities are engaged:

- Effective Council.

- 7.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 7.3 **Climate & Environmental Impact of recommendations:** None arising from the contents of this report.
- 7.4 **Sustainability Policy & Community Safety Implications:** None arising from the contents of this report.
- 7.5 **Partnerships:** None arising from the contents of this report.
- 7.6 **Local Government Reorganisation Implications:** The £0.380 million recently announced by government to 'cover the cost' of proposals (for the whole of Surrey) was woefully inadequate but an indication of the level of funding that may be available for Councils in Surrey to address LGR. It is for this reason the council will review its reserves to ensure it has funds to cover unexpected costs during a time of such uncertainty.

8 Background papers

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

Previous reports:

- [Review of Reserves to Financial Strategy Advisory Group on 27 June 2025.](#)

Other papers:

- None.

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