

BUDGET REPORT 2022 - 2023

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 2022/23, 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 £4.95 per annum (Band D property), an equivalent increase of 2.38%.

Recommendation (s)

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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 33,251.43 (Band 'D' equivalent properties) for the year 2022/23, 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 2021/22 and the revenue estimates for 2022/23.**
 - b. The capital programme for 2022/23 and the provisional programme for 2024 to 2027, as summarised in the capital strategy statement.**

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- 3 That the fees and charges recommended by the Policy Committees be approved for 2022/23.**
- 4 That the Council Tax Requirement for the Council's own purposes for 2022/23 is £7,089,537.**
- 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 Prudential Indicators and Authorised Limits for 2022/23 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 treasury management prudential indicators.**
- 8 That the following amounts be calculated for the year 2022/23 in accordance with sections 31 to 36 of the Act:**
 - a. £57,560,657 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(2) of the Act.
 - b. £50,471,120 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(3) of the Act.
 - c. £7,089,537 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. £213.21 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.

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- 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	1,084.26	1,264.97	1,445.68	1,626.39	1,987.81	2,349.23	2,710.65	3,252.78

SURREY POLICE AUTHORITY

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	197.05	229.89	262.73	295.57	361.25	426.93	492.62	591.14

- 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 2022/23 for each of the categories of dwellings.

EPSOM AND EWELL BOROUGH COUNCIL

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	142.14	165.83	189.52	213.21	260.59	307.97	355.35	426.42

AGGREGATE OF COUNCIL TAX REQUIREMENTS

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	1,423.45	1,660.69	1,897.93	2,135.17	2,609.65	3,084.13	3,558.62	4,270.34

1 Introduction

1.1. The Council is required to agree a budget for 2022/23 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

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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 2022/23 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 £4.95 per annum, or 2.38% (for Band D property) in Council Tax reflecting the final grant settlement figures received after the Financial Policy Panel meeting, which allowed district councils to increase Council Tax by up to £5 or 2% whichever provided the higher increase in income.

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:-

Council Tax

- Ensure that Council Tax stays below the average of the Surrey Districts

Budget Position

- Produce a balanced revenue budget each year.
- Maintain a minimum working balance of £2.5 million at 31 March 2024.
- Maintain a prudent level of strategic reserves and a minimum of £1 million in the Corporate Projects Reserve.
- 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 2022, 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.

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3.2. Covid-19 continues to have a significant impact on the Council's financial position for 2021/22, creating significant losses in income from services. The overall forecast deficit on the General Fund prior to Government support was c£2.7 million. The Government is expected to provide funding of just £0.5 million to partly mitigate these losses.

	Current Approved Budget 2021/22	Probable Out-turn 2021/22	Variance
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Strategy & Resources Committee	2,285	2,077	
Environment & Safe Communities Committee	2,574	4,034	
Community & Wellbeing Committee	6,423	7,838	
Capital Charges	(2,669)	(2,669)	
Total	8,612	11,280	+2,668

3.3. The 2021/22 budget included no planned use of the working balance to finance services. For the purpose of preparing this budget report it has been assumed that in 2021/22 the Council will require a contribution of £883,000 from working balances, reducing the general fund reserve to £2.5 million. Any additional funding shortfall will be met from the Council's strategic reserves.

	£'000
Projected Deficit, Pre-Government Support	2,668
Less Government Income Protection Scheme	(506)
Projected Deficit, Post-Government Support	2,162
<u>Provisional Funding for 2021/22 Deficit</u>	
Corporate Contingency for Covid-19	(950)
Corporate Projects Reserve	(329)
General Working Balances	(883)
Total Funding	(2,162)

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4 Budget Strategy

- 4.1. The 2022/23 revenue budget and the capital investment programme comprise the Council's spending plans for the forthcoming year.
- 4.2. The overall budget target for 2022/23 was agreed at Strategy & Resources Committee on 21 September 2021 as follows:-
- 4.3. That estimates be prepared including the delivery of savings already identified in the Financial Plan for 2022/23 totalling £342,000.
- 4.4. That at least £210,000 additional revenue is generated from an increase in discretionary fees and charges.
- 4.5. That a provision for pay award is made of £416,000 that would allow for a 2% cost of living increase.
- 4.6. That a £600,000 contingency is provided within the 2022/23 budget to mitigate the potential impact of Covid-19 on the Council's finances in 2022/23.
- 4.7. That any additional new growth items supported by Policy Committees will need to be fully funded from existing budgets.
- 4.8. The Financial Policy Panel has received updates and given guidance on the preparation of the estimates. For more detail, Councillors may wish to refer to background papers on these agendas. The following specific agendas may provide useful background to the budget review programme:-
 - September 2021: Financial planning and budget targets (including efficiency savings, cost reduction plan).
 - November 2021: Review of reserves, treasury management, capital programme, capital reserves, section 106 funds and CIL.
 - February 2022: Government financial settlement, Council Tax and Business Rates Retention.

5 2022/23 Revenue Budget

- 5.1. The draft Budget Book was issued to all Councillors via Members' Update on 14 January and was available prior to when the estimates were considered by the Policy Committees.
- 5.2. The 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.

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

5.4. The comparison to the 2021/22 published budget is also shown in the table below at committee total level:-

	2021/22 Published Budget	2022/23 Recommended Budget	Variance
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Strategy & Resources Committee	2,380	2,345	
Environment & Safe Communities Committee	2,308	2,273	
Community & Wellbeing Committee	6,593	6,678	
Capital Charges	(2,669)	(2,669)	
Total	8,612	8,626	+ 14
External Funding (Council Tax, Government Grant, Retained Business Rates)	(8,612)	(8,626)	- 14
Shortfall of income to cover planned expenditure & required use of Working Balance	0	0	0

5.5. A Committee Terms of Reference Review is due to be presented to Full Council - should any service areas transfer between Committees, the associated budgets will also be transferred accordingly at the appropriate time, in accordance with the Financial Regulations.

Staff Budget

5.6. A total of £13.3 million of staff costs, staff on-costs and agency costs have been included in the policy committee estimates compared to £13.1 million in 2021/22. 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.

5.8. The Strategy and Resources Committee agreed a Pay & Reward procedure for 2020 to 2024 and an annual pay award of 3.0% for 2022/23 in January 2022.

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- 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.

Pensions

- 5.10. Following the 2019 pension fund valuation there was an increase to the level of employer's pension on-cost rate from 15.4% to 17.4% to meet the deficit on the fund. No additional provision has been made for deficit funding in 2022/23. The next valuation will be based on the Surrey Pension Fund position at 31 March 2022.

6 Fees and Charges

- 6.1. Each policy committee has received a report on fees and charges for 2022/23. 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, totalling £238,000 is attached at Appendix 3.

7 Economic Indicators

- 7.1. The latest Treasury economic indicators (January 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. The risks have remained similar to 2021/22 due to the continuing impact of Covid-19 and the highest service financial risks are now around income generation and the increasing demands for housing and homelessness prevention services.

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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 2022/23 is deemed to remain at medium to high, dependent on the long-term impact of Covid-19 on demand for Council services.

9.4. A higher risk remains with the financial outlook beyond 2022/23 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 the 2023/24 settlement.

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 2022/23

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 2021/22 was £8,612,000. The budget requirement for 2022/23 is calculated as follows:-

Net Expenditure on Services	£000	External Finance	£000
Gross Expenditure	48,435	Lower Tier Services Grant	64
		Retained Business Rate Income	912
Gross Income net of reserve transfers	- 39,809	Small Business Rate Relief Grant	694
		Collection Fund Deficit (Business Rates)	-180
		Collection Fund Surplus (Council Tax)	47
Net Expenditure	8,626	External Finance & Brought Forward Collection Fund Balances	1,536
T/F from Working Balance	0	Council Tax Income	7,090
Budget Requirement	8,626	Income from External Finance and Council Tax	8,626

10.4. The increase in the Budget Requirement (net spending) is 0.2%.

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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 2022/23 is £7,089,537 subject to agreement at the Council meeting.

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

- Increases/decreases in domestic properties.
- 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 2021.

11.2. The spending round is for one year only and, as announced by Rishi Sunak, 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 2023/24.

11.3. The following table shows that next year's provisional settlement remains frozen at 2021/22's level:-

Provisional Settlement 2022/23	2021/22	2022/23
	£'000	£'000
Revenue Support Grant (RSG)	0	0
Negative RSG	0	0
Retained Business Rates – Baseline	1,420	1,420
Provisional Settlement Funding Assessment	1,420	1,420

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.£186,000.

11.5. The delay of the Fair Funding Review means that Negative RSG continues to be excluded from 2022/23's settlement. This in turn means that EEBC is absolved, for another year, from the additional c.£625,000 annual budget pressure that Negative RSG could bring. However, it is still unclear whether Negative RSG will be re-introduced from 2023/24, once Government completes its Fair Funding Review.

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11.6. The projections at Appendix 9 now assume that Negative RSG will NOT be re-introduced for 2023/24. If it were re-introduced, it would further increase the Council's projected future deficit.

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. Originally the Council received a rolling 6 years of individual allocations, but from 2018/19 this was reduced down to 4 years, alongside further reductions by only awarding funding for growth in homes above a 0.4% per annum baseline.

12.4. In 2020/21, further changes were announced to remove New Homes Bonus grant and legacy payments from the annual award by 2023/24.

12.5. For context, back in 2016/17 the Council received in excess of £2 million, but now expects to receive £174,000 in 2022/23, with further reductions expected in subsequent years.

New Homes Bonus	2021/22	2022/23
	£'000	£'000
2018/19	219	
2019/20	21	21
2020/21		
2021/22	9	
2022/23		153
Total	249	174

12.6. Since 2019/20, the Council's budget has removed any reliance on New Homes Bonus Grant 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.

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

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13 Other Grants

13.1. In addition to the Finance Settlement and New Homes Bonus, Government announced the continuation of the Lower Tier Services Grant totalling £64,000, and a new 2022/23 Service Grant totalling £98,000. The methodology for distributing this funding is expected to change as part of government's funding review, meaning neither source of funding can be relied on beyond 2022/23.

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	2021/22	2022/23
	£'000	£'000
Retained Business Rates	1,420	1,420
Compensation for Government under-indexing the business rates multiplier	74	117
New Homes Bonus	249	174
Council Tax *	6,904	7,114
Lower Tier Services Grant	60	64
2022/23 Services Grant	0	98
Core Spending Power	8,707	8,986
Covid-19 Support Grant	304	0
Total	9,011	8,986

* From Government's provisional financial settlement

14.3. Nationally there is an increase in spending power for 2022/23 of 6.9%, but for Epsom and Ewell Borough Council, core spending power will increase by £279,000 or 3.2%.

14.4. When the removal of the Covid-19 Support Grant is factored in (not counted by DLUHC in its core spending power calculations), the result is a reduction in EEBC's funding of 0.27% when compared to 2021/22.

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15 Retained Business Rates

15.1. The 2022/23 Government settlement includes £1,420,000 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 enjoy gains 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:

	Gov't Baseline 2021/22	EEBC Budget 2021/22 (NNDR1)	EEBC Latest Forecast 2021/22	EEBC Budget 2022/23 (NNDR1)	
	£000	£000	£000	£000	
Rates Collectable	25,898	25,373	18,858	25,093	
Less: payable to central government	-12,949	-12,686	-9,429	-12,547	50%
Less: payable to SCC	-2,590	-2,537	-1,886	-2,509	20% of local share
NNDR Baseline	10,359	10,149	7,543	10,037	Rates kept before tariff
Less 'Tariff'	-8,939	-8,939	-8,939	-8,939	Tariff set by govt. to go to 'top-up authorities'
Retained Business Rates	1,420	1,210	-1,396	1,098	
Less: loss of 50% of underlying growth		-232	-232	-186	
Est. of Retained Business Rates	1,420	978	-1,628	912	
Add back: Small Business Rate Relief Grant		674	674	694	Separate grant funding for extension of SBRR
COVID-19 Grant Funding		0	2,606		
EEBC Income including relief grants	1,420	1,652	1,652	1,606	

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15.4. The above table includes the estimate of income received from Retained Business Rates plus Government grant awarded to Councils to compensate for the additional Business Rate reliefs in 2021/22 due to Covid-19.

15.5. The Business Rates Collection Fund has a prior deficit balance brought forward from 2020/21 of nearly £0.5 million, with the Council's share of this deficit being £179,652.

15.6. The safety net threshold for 2022/23 is set at £1,313,000 compared to £1,606,000 income used for the 2022/23 estimates, this limits the exposure to losses to £293,000.

Business Rates Equalisation Reserve

15.7. The Council agreed to set up a Business Rate Equalisation Reserve in 2013/14 to help manage the fluctuations in Business Rates retained under the new arrangements. The following estimate is made of that reserve:-

Business Rate Equalisation Reserve Forecast	£000
Balance 31 March 2021	9,306
Prior Year Surplus from Collection Fund	-321
Covid Grant funding to fund Business Rates reliefs	-6,103
Forecast balance 31 March 2022	2,882
Planned use to offset Prior Year Deficit	-179
Shortfall on expected funding for 2022/23	-79
Planned use of reserve in MTFS	-200
Forecast balance 31 March 2023	2,424

15.8. The Council has agreed to fund any deficit between the forecast and actual level of income from Retained Business Rates from the Business Rates 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.

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16.2. In December 2020, Strategy & Resources Committee approved a lease re-negotiation for one of the property tenants. The re-negotiation, which was necessary due to the economic impact of Covid-19 on the tenant, resulted in a temporary reduction in dividend income from EEPIC, from a budgeted £1.3m in 2020/21 to £600,000 in 2021/22 and 2022/23 year. This reduction will continue to be offset by an appropriation from the Property Income Equalisation Reserve to the General Fund, in order to mitigate the impact on the Council's revenue budget in the short term.

16.3. Dividend income from EEPIC is expected to return to 2020/21 levels in 2023/24, and in the longer term the Property Income Equalisation reserve will need to be replenished.

17 Reserves

17.1. The reserves as contained in the audited financial statements at 31 March 2021 may be summarised as follows:-

	Balance 31 March 2020 £000	Balance 31 March 2021 £000	
Capital Receipt Reserves	4,535	4,050	Receipts from the sale of assets earmarked for capital programme commitments and invested under the Treasury Management policy. Includes £580k earmarked Hospital Cluster Receipt.
Community Infrastructure Levy	7,677	8,419	Receipts available for funding of infrastructure improvements
Earmarked Strategic Reserves	14,948	25,152	Provisions for future expenditure or against identified liabilities
Working Balance	3,426	3,383	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.

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	Capital Reserves <i>£'000</i>
Balance brought forward at 1 April 2021	4,050
Estimated use to fund 2021/22 capital expenditure	- 922
Capital receipts earmarked for Residential Property Fund	- 189
Estimated Balance at 31 March 2022	2,939
Planned use for 2022/23 programme	0
Forecast Receipts in Year	400
Note: excludes allowance for programme slippage	
Estimated Balance at 31 March 2023	3,339

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:-

- No use of the General Fund Working Balance to fund services.
- £262,000 of corporate projects reserve used to support services.
- £755,000 contribution from the Property Income Equalisation to mitigate loss of rental income from commercial property tenant
- £459,000 of the Business Rates Equalisation reserve as per the MTFs and to finance the deficit on the Collection Fund.
- No use 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 2022/23 budget proposals and Central Government public sector spending plans.

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	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>
	<u>Budget</u> £000	<u>Forecast</u> £000	<u>Forecast</u> £000	<u>Forecast</u> £000
Cost of Service b/f (before interest and planned use of reserves)	9,447	10,183	10,700	11,229
Pay & Prices Increases	+ 806	+ 618	+ 631	+ 643
Contingency for Service Changes and Pressures	+ 510	+ 330	+ 120	+ 200
Increases in Fees & Charges	- 238	- 216	- 222	- 229
Star Chamber / Service Savings	- 342	- 215	0	0
Net Cost of Services (excluding interest and planned use of reserves)	10,183	10,700	11,229	11,843
Interest on Balances	- 80	- 180	- 300	- 400
Contributions to / (from) reserves	- 1,476	- 150	- 100	- 50
Forecast Net Cost of Services	8,627	10,370	10,829	11,393
Business Rates Forecast	1,606	1,638	1,671	1,554
Lower Tier Services Grant	64	60	60	0
Council Tax Income Forecast	7,090	7,297	7,480	7,667
Council Tax Surplus / (Deficit)	- 180	0	0	0
Business Rates Surplus / (Deficit)	47	0	0	0
Collection Fund Income	8,627	8,995	9,211	9,221
<i>Funding Shortfall</i>	<i>0</i>	<i>- 1,376</i>	<i>- 1,617</i>	<i>- 2,170</i>

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

- The forecast covers existing services plus makes contingencies for changes to funding of services.
- Council Tax have been increased annually by £5 for a Band D equivalent property.
- Annual pay increase of 2% per annum from 2023/24 (in line with the Bank of England's target figure for inflation).
- Retained income from business rates remains broadly at current levels for the next three years until 2025/26.

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- Annual contributions from revenue to the Property Income Equalisation reserve are being reduced in 2022/23 as the target level of earmarked funds of c£5 million has been achieved.
- The forecast assumes Covid-19 to have a £600,000 continued adverse impact on income generated from services.
- Revenue funding towards the financing of a sustainable capital programme is included within the forecast, with £400,000 of the 2022/23 programme being funded from revenue and this increases to £500,000 by 2023/24.
- With the continued uncertainty on Council funding levels from 2022/23 onwards and the significant risks posed by the Government reviews, the latest forecast anticipates that savings of c£2.2 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. The Financial Policy Panel considered the financing requirement for new capital investment in November 2021.

19.2. A provisional five year forward programme was reported to the Policy Committees in the last Committee cycle. 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 2022-2027.

19.4. A capital investment programme of £712,000 is recommended for 2022/23 and the following funding is required to allow the schemes in this programme to be completed:-

- There is no use of Capital Reserves for the core programme.
- Use of Central Government grant of £600,000.
- Use of revenue resources of £112,000.
- Schemes will also be carried forward from the 2021/22 programme where not completed by 31 March 2022.

20 Prudential Indicators and Authorised Limits for 2022/23

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.

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- 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 and further borrowing of up to £300 million was approved in 2017/18 when it was agreed to establish a wholly owned property investment trading company.
- 20.3. From 01 April 2018, new Statutory Guidance on Local Government Investments was introduced by MHCLG. The new guidance means that future acquisitions that are funded by borrowing and where the intention is purely to profit from the investment, would not meet the requirements of the guidance in terms of borrowing.
- 20.4. Due to the provisions in MHCLG's Statutory Investment Guidance the Council agreed in February 2020 to close the £300 million Fund to future acquisitions (ie the remaining £239.7 million will not be spent).
- 20.5. However, the original £80 million 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.
- 20.6. 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 2022/23.
- 20.7. Prudential Indicators and Authorised Limits have been proposed in Appendix 11 on this basis and on the basis of 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 announced capping limits for Council Tax, allowing District Councils to increase their Council Tax by either £5 per annum (Band D equivalent) or 2% 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 £5 per annum (for Band D), which equates to an additional 9½ pence per week for a Band D equivalent property.
- 21.5. The recommendation in the budget report for 2022/23 is for an increase of 2.38%, which represents an increase of £4.95 per annum on a Band D equivalent property.

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21.6. To the average band 'D' Council Tax payer (those not receiving discounts or support), the charge for borough services would increase from £208.26 to £213.21 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 2.38% increase and a freeze are shown in the table below.

Council Tax Change	0% Freeze	2.38% Increase
Council Tax (Band D)	£208.26	£213.21
Increase per annum	£0	£4.95
Increase per week	0p	9½p
Additional Income Generated 2022/23	£0	£165,000
Adjustment needed to Draft Budget Book	£165,000 Adverse	£0
On-going Income received in Future Years	£0	£165,000

21.9. The Borough 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 the Council's spending proposals and Business Rates reliefs on the website. Any responses specific to the 2022/23 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 2021/22 Collection Fund is estimated in respect of Council Tax or Business Rates, the amount must be apportioned in 2022/23 between authorities that precept on the Collection Fund in accordance with the ratio of their 2021/22 precepts.

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23.3. The calculation of the estimated position on the Council's 2021/22 Collection Fund in respect of Council Tax items is detailed at Appendix 14 and this shows a surplus on the Fund of £46,957 forecast for this Council and will be credited to the General Fund Revenue Account for 2022/23.

23.4. The Business Rates Retention Scheme was introduced under the 2012 Local Government Finance Act and requires the allocation of estimated surpluses and deficits for 2021/22 in 2022/23. A deficit of £2,785,695 is forecast for this Council and will be charged to the General Fund Revenue Account for 2022/23, with £2,606,043 of the deficit funded by government relief grants and £179,652 funded from business rates 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 £4.95 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 2.38%.

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 2022/23	£	£
Budget Requirement		8,626,450
Lower Tier Services Grant	63,685	
Non Domestic Rates retained	911,844	
Small Business Rate Relief Grant	694,079	
External Finance:		(1,669,608)
Sub-Total		6,956,842
Add: Collection Fund Deficit (Business Rates)		179,652
Less: Collection Fund Surplus (Council Tax)		(46,957)
Council Tax Requirement		7,089,537

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25.4. Precepts have been recommended as follows:-

Awaiting confirmation	£	%
Surrey County Council	54,079,794	76
Surrey Police	9,828,125	14
Epsom and Ewell Borough Council	7,089,537	10
Total	70,997,456	100

25.5. In accordance with Regulation 3 of the Local Authorities (Calculation of Tax Base) Regulations 2012, the Council calculated the amount of 33,251.43 as its Council Tax base for the year 2022/23. 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 2021/22 would be as follows:-

Recommendations	2021/22 £	2022/23 £	Variation	
			£	%
Surrey County Council	1,549.08	1,626.39	77.31	4.99
Surrey Police Authority	285.57	295.57	10.00	3.50
Epsom & Ewell Borough Council	208.26	213.21	4.95	2.38
Total	2,042.91	2,135.17	92.26	4.52

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:-

- The Council received the 2020/21 financial statements in good time, with an unqualified audit opinion.
- The revenue and capital budget monitoring arrangements are effective for the purpose and Members receive quarterly monitoring reports.
- The Financial Policy Panel receives regular reports on financial and risk management, and has been well placed to provide effective advice on the Medium Term Financial Strategy, the capital strategy and on financial planning leading to the preparation of the detailed service estimates.

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- The Policy Committees have received detailed estimates of revenue and capital expenditures for 2022/23 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.

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 2022/23 are robust and sustainable.

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 £1.4 million by 2023/24.

26.7. Given the uncertainty over Business Rate retention forecasts, the Council will need to update the financial forecast and review its spending plans once it knows the outcome of Government's 'Funding' and 'Retained Business Rates' Reviews, which are now expected to be reflected in the 2023/24 settlement.

26.8. The major challenge in the Efficiency Plan (Appendix 4) is the delivery of the £0.56 million of savings already identified and finding a further £1,376,000 reduction in the Council's net expenditure by 2024.

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 Four Year Corporate Plan 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 this year, 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 2022/23.

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 2023/24 without the need for funding from strategic reserves.

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27.5. Albeit with uncertainty over the long-term financial impact of Covid-19 and the 'Fair Funding Review', it is estimated that the financial forecast will need to be improved by c£1,376,000 to achieve a balanced budget by 2023/24.

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 2022/23 anticipates a £5 increase for Band D equivalent properties in Council Tax to strengthen the Council's income base going forward.

27.8. The draft budget for 2022/23 is based on a £4.95 increase for a Band D property, equivalent to an annual increase in Council Tax of 2.38%. 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 2022/23
Appendix 2	Main Changes to Service Budgets for 2022/23
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

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Appendix 9	Financial Forecast 2021 – 2031
Appendix 10	Capital Strategy Statement
Appendix 11	Treasury Management Strategy, including Prudential Indicators & Authorised Limits
Appendix 12	Surrey District Council Tax levels 2021/22
Appendix 13	Council Tax Calculation 2022/23
Appendix 14	Council Tax Collection Fund
Appendix 15	Business Rate Collection Fund