

## BUDGET REPORT 2023/24

<b>Head of Service:</b>	Lee Duffy, Chief Finance Officer
<b>Wards affected:</b>	(All Wards);
<b>Urgent Decision?</b>	Yes
<b>If yes, reason urgent decision required:</b>	Statutory requirement to set Council Tax
<b>Appendices (attached):</b>	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.**

# Council

## 14 February 2023

- 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:-**

Council  
14 February 2023

**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

# Council

## 14 February 2023

- 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:-

### Council Tax

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

### Budget Position

- 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.

Council  
14 February 2023

	Current Approved Budget 2022/23	Probable Out-turn 2022/23	Variance
Committee	<u>£000</u>	<u>£000</u>	<u>£000</u>
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)	
<b>Total</b>	<b>8,626</b>	<b>8,384</b>	<b>(243)</b>

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.

# Council

## 14 February 2023

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:-

Council  
14 February 2023

	2022/23 Published Budget	2023/24 Recommended Budget	Variance
Committee	£000	£000	£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)	
<b>Total</b>	<b>8,626</b>	<b>8,290</b>	- 336
External Funding (Council Tax, Government Grant, Retained Business Rates)	(8,626)	(8,290)	- 336
<b>Shortfall of income to cover planned expenditure &amp; required use of Working Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

# Council

## 14 February 2023

- 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.



# Council

## 14 February 2023

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)	(1,085)
			Collection Fund Surplus (Council Tax)	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%.

# Council

## 14 February 2023

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
<b>Settlement Funding Assessment</b>	<b>1,420</b>	<b>1,526</b>

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 EBC 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.

# Council

## 14 February 2023

- 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
<b>Total</b>	<b>174</b>	<b>135</b>

- 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.

# Council

## 14 February 2023

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
<b>Core Spending Power</b>	<b>9,045</b>	<b>9,527</b>

\* 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.

# Council

## 14 February 2023

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
<b>NNDR Baseline</b>	<b>10,359</b>	<b>10,037</b>	<b>8,937</b>	<b>9,931</b>	<b>Rates kept before tariff</b>
Less 'Tariff'	-8,939	-8,939	-8,939	-8,770	Tariff set by govt. to go to 'top-up authorities'
<b>Retained Business Rates</b>	<b>1,420</b>	<b>1,098</b>	<b>-2</b>	<b>1,161</b>	
Less: loss of 50% of underlying growth	-	-186	-186	-181	-
<b>Est. of Retained Business Rates</b>	<b>1,420</b>	<b>912</b>	<b>-188</b>	<b>980</b>	
Add back: Small Business Rate Relief Grant	-	694	694	673	Separate grant funding for extension of SBRR
<b>EEBC Income including relief grants</b>	<b>1,420</b>	<b>1,606</b>	<b>506</b>	<b>1,653</b>	

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 rates and/or council tax income. The following estimate is made of that reserve:-

# Council

## 14 February 2023

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

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:-

Council  
14 February 2023

	<b>Balance 31 March 2021 £000</b>	<b>Balance 31 March 2022 £000</b>	
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.

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

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:-

# Council

## 14 February 2023

- 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	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>
	<u>Budget £000</u>	<u>Budget £000</u>	<u>Budget £000</u>	<u>Budget £000</u>
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
<b>Net Cost of Services (excluding interest and planned use of reserves)</b>	<b>11,394</b>	<b>11,342</b>	<b>11,746</b>	<b>12,241</b>
Interest on Balances	-720	-830	-880	-830
Contributions to / (from) reserves	-2,383	-266	-150	-100
<b>Forecast Net Cost of Services</b>	<b>8,290</b>	<b>10,246</b>	<b>10,716</b>	<b>11,311</b>
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
<b>Collection Fund Income</b>	<b>8,290</b>	<b>9,645</b>	<b>9,054</b>	<b>9,275</b>
<i>Funding Shortfall</i>	<i>0</i>	<i>601</i>	<i>1,662</i>	<i>2,037</i>



# Council

## 14 February 2023

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.

# Council

## 14 February 2023

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.

# Council

## 14 February 2023

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.

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

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.

# Council

## 14 February 2023

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:-

<b>Council Tax Requirement 2023/24</b>	<b>£</b>	<b>£</b>
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)
<b>Council Tax Requirement</b>		<b>7,361,247</b>

# Council

## 14 February 2023

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
<b>Total</b>	<b>73,922,538</b>	<b>100</b>

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
<b>Total</b>	<b>2,135.17</b>	<b>2,205.25</b>	<b>70.08</b>	<b>3.28</b>

## 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.

# Council

## 14 February 2023

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.

# Council

## 14 February 2023

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:

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

Council  
14 February 2023

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