

2024/25 BUDGET AND MEDIUM-TERM FINANCIAL PLAN 2024-2028

| | |
|---|--|
| Head of Service: | Brendan Bradley, Head of Finance |
| 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 2024/25, comprising both revenue and capital expenditure plans, and to set a council tax for the year.

The Council Tax recommendation as supported by Financial Strategy Advisory Group is for an increase of £6.57 per annum (Band D property), an equivalent increase of 2.99%.

Recommendations to Council:

See (1) to (12) below

- 1 That it be noted that, under delegated powers, the Chief Finance Officer calculated the amount of the Council Tax Base as 33,762.43 (Band 'D' equivalent properties) for the year 2024/25, 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 2023/24 and the revenue estimates for 2024/25.**
 - b. The capital programme for 2024/25 and the provisional programme for 2025/26 to 2028/29, as summarised in the capital strategy statement.**

Council

13 February 2024

- 3 That the fees and charges recommended by the policy committees be approved for 2024/25.**
- 4 That the Council Tax Requirement for the Council's own purposes for 2024/25 is £7,636,049.**
- 5 That the Council receives the budget risk assessment at Appendix 7 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 9.**
- 7 That the Council agrees the Treasury Management Strategy and prudential indicators and authorised limits for 2024/25 as set out in Appendix 12 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 2024/25 in accordance with sections 31 to 36 of the Act:**
 - a. £57,798,035 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(2) of the Act.
 - b. £50,161,986 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(3) of the Act.
 - c. £7,636,049 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. £226.17 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
13 February 2024

SURREY COUNTY COUNCIL

| Band: | A | B | C | D | E | F | G | H |
|--------|----------|----------|----------|----------|----------|----------|----------|----------|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Amount | 1,172.40 | 1,367.80 | 1,563.20 | 1,758.60 | 2,149.40 | 2,540.20 | 2,931.00 | 3,517.20 |

SURREY POLICE AUTHORITY

| Band: | A | B | C | D | E | F | G | H |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Amount | 215.71 | 251.67 | 287.62 | 323.57 | 395.47 | 467.38 | 539.28 | 647.14 |

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 2024/25 for each of the categories of dwellings.

EPSOM AND EWELL BOROUGH COUNCIL

| Band: | A | B | C | D | E | F | G | H |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Amount | 150.78 | 175.91 | 201.04 | 226.17 | 276.43 | 326.69 | 376.95 | 452.34 |

AGGREGATE OF COUNCIL TAX REQUIREMENTS

| Band: | A | B | C | D | E | F | G | H |
|--------|----------|----------|----------|----------|----------|----------|----------|----------|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Amount | 1,538.89 | 1,795.38 | 2,051.86 | 2,308.34 | 2,821.30 | 3,334.27 | 3,847.23 | 4,616.68 |

11 That the Council agrees the Medium-Term Financial Plan for 2024-2028, including an updated Medium-Term Financial Strategy.

12 That the Council agrees that a scheduled programme of discretionary service and asset reviews should be presented to Strategy & Resources Committee for approval and subsequent delivery.

1. Introduction

1.1. The Council is required to agree a budget for 2024/25 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;

Council

13 February 2024

- The setting of prudential indicators which determine the level of Council borrowing and capital expenditure, together with the treasury management strategy;
- The Council's Chief Finance Officer to report on the robustness of the estimates and the adequacy of the reserves;
- The Council to consider the risks in its budget strategy.

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

1.4. This report provides an overview of the General Fund Revenue Account budget position for 2024/25 and future years as a basis for determining council tax.

1.5. The budget report is based on the Financial Strategy Advisory Group's recommended increase of £6.57 per annum, or 2.99% (for Band D property) in Council Tax. The report reflects the provisional grant settlement figures from central government, with the final settlement due to be approved in the House of Commons in 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, linked to the key priority to be an Effective Council:-

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 2028;

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 2024, 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

13 February 2024

| Committee | 2023/24 | | |
|---------------------------------|-------------------------|--------------------------------|-----------|
| | Current Approved Budget | Q1 Forecast (Probable Outturn) | Variance |
| | £'000 | £'000 | £'000 |
| Strategy & Resources | 331 | 61 | (270) |
| Environment | 4,920 | 4,998 | 78 |
| Community & Wellbeing | 4,948 | 5,149 | 200 |
| Licensing & Planning Policy | 760 | 850 | 90 |
| Capital charges | (2,669) | (2,669) | 0 |
| Total budget requirement | 8,289 | 8,387 | 98 |

3.2. The 2023/24 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 2023/24 the Council will make a contribution of £98,000 from working balances, decreasing the general fund reserve to £3.0 million.

4. Medium-Term Financial Plan 2024–2028

- 4.1. Budget decisions should be taken in the context of longer-term plans, such as the Council's Corporate Plan, and draft Medium-Term Financial Plan 2024-2028, which is attached at Appendix 1 and includes an updated Medium-Term Financial Strategy (MTFS).
- 4.2. Financial Strategy Advisory Group has recommended approval of the plan and the new Medium-Term Financial Strategy.
- 4.3. The plan provides a detailed analysis of the Council's current finances and projected financial outlook. To prevent duplication, reference is made in this report to the relevant section of the Financial Plan.
- 4.4. The Financial Plan also provides a summary of the economic environment and resource forecasts taking into account legislative and other changes after next year including:-
 - 4.4.1. Increased levels of homelessness.
 - 4.4.2. Contingencies to mitigate elevated inflation and associated cost pressures.

Council

13 February 2024

5. Budget Strategy

- 5.1. The 2024/25 revenue budget and the capital investment programme comprise the Council's spending plans for the forthcoming year.
- 5.1.1. To address a projected annual budget deficit by 2027/28, Strategy & Resources Committee agreed in July 2023 that the following workstreams should be progressed:-
- 5.1.2. Officers to be tasked with identifying further efficiencies, although these are becoming harder to achieve after over a decade of austerity.
- 5.1.3. A base review, which entails reviewing the year end position for 2022/23, identifying any potential savings, additional cost pressures and areas where savings can be developed.
- 5.1.4. Service Reviews focusing primarily on discretionary services to be undertaken over the next four years with the aim of increasing efficiencies and effectiveness whilst reducing cost.
- 5.1.5. Review of existing asset utilisation, to realise cost reductions in Council operational buildings and increased income from investment properties.
- 5.1.6. Investigate income streams to maximise revenue from new and existing services, such as invest to save opportunities. Ensure any new powers are considered to generate additional income for the Council, such as the pending new charging policy for waste.
- 5.1.7. Undertake a review of reserves, providing a justification for the level of reserves retained.
- 5.1.8. A target to increase fees and charges income by 6% in both 2024/25 and 2025/26, then by CPI+1% for both 2026/27 and 2027/28. Heads of Service review fees and charges annually to ensure increases are achievable and report fees and charges to policy committees for approval.
- 5.1.9. To maximise external funding and partnership opportunities.
- 5.1.10. That owing to the Council's projected budget deficit, any additional new revenue growth items (i.e. service enhancements resulting in increased net expenditure) supported by Policy Committees will need to be fully funded from existing budgets.
- 5.2. Financial Strategy Advisory Group has been updated on the budget process and given guidance on the preparation of the estimates. Financial Strategy Advisory Group has also recommended that Full Council approve the Treasury Management Strategy at Appendix 12. For more detail, councillors may wish to refer to the following agenda that provides a useful background to the budget review programme:-

Council

13 February 2024

5.2.1. Strategy & Resources Committee, 13 July 2023 – 2024/25 Strategic Financial Planning;

5.2.2. Financial Strategy Advisory Group, 26 January 2024 - Treasury Management, 2024/25 Budget and Financial Plan 2024 - 2028.

6. 2024/25 Revenue Budget

- 6.1. The draft Budget Book was issued to all Councillors via Members News on 12 January and was available prior to when the estimates were considered by policy committees.
- 6.2. The draft Budget Book and figures at Table 6.7 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.
- 6.3. The draft Budget Book contained provisional estimated business rates income for 2024/25, pending submission of statutory returns to the Department of Levelling Up, Housing and Communities (DLUHC) due by 31 January 2024.
- 6.4. Figures in this report represent final business rates estimates, with any changes met by an appropriation from the Collection Fund Equalisation Reserve (within S&R Committee) as planned.
- 6.5. Figures in this report represent the provisional government finance settlement announced in December. On 24 January, central government announced modest additional funding for the sector, however government has not confirmed individual authority allocations at the time of drafting this report. The settlement will only be confirmed in the House of Commons in February after publication of this report. Any additional funding for EEBC in the Final Settlement is expected to be modest and, when confirmed, will be included in the final Budget Book and used to reduce the drawdown from the Corporate Projects Reserve that is required to balance the budget.
- 6.6. 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 2 to this report.
- 6.7. The main year-on-year changes in the cost of service provision are detailed in Appendix 3 to this report.
- 6.8. The comparison to the 2023/24 published budget is also shown in the table below at committee total level:-

Council
13 February 2024

| | 2023/24 Published Budget | 2024/25 Recommended Budget | Variance |
|---|---|---|--------------------|
| Committee | <u>£000</u> | <u>£000</u> | <u>£000</u> |
| Strategy & Resources | 960 | (214) | |
| Environment | 4,482 | 4,218 | |
| Community & Wellbeing | 4,829 | 5,509 | |
| Licensing & Planning Policy | 688 | 1,237 | |
| Capital Charges | (2,669) | (1,941) | |
| Total | 8,290 | 8,809 | + 519 |
| External Funding (Council Tax, Government Grant, Retained Business Rates) | (8,290) | (8,809) | - 519 |
| Shortfall of income to cover planned expenditure & required use of Working Balance | 0 | 0 | 0 |

Staff Budget

6.9. A total of c.£14.6 million of staff costs, staff on-costs and agency costs have been included in the policy committee estimates compared to £13.6 million in 2023/24. This will form the salary control total for budget monitoring purposes, subject to adjustments needed where service changes are agreed by the Council.

6.10. 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.

6.11. Full Council agreed an annual staff pay award of 6.0% for 2024/25.

6.12. 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.

6.13. Any required changes to members allowances budgets would be offset by an appropriation to/from the Corporate Projects Reserve in 2024/25. The mayoral budget, used for discharging the mayor's civic duties, will increase by 6.7% (September 2023 CPI).

Council

13 February 2024

Pensions

6.14. 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 2024/25 the secondary rate contribution will decrease to £817,000, from £874,000 in 2023/24 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.

7. Fees and Charges

7.1. Each policy committee has received a report on fees and charges for 2024/25. Income from the recommended charges has been included in the committee estimates.

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

8. Economic Indicators

8.1. The latest Treasury economic indicators as at November 2023 are shown at Appendix 6.

9. Equalities Implications

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

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

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

10. Risk Management

10.1. 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 7.

10.2. Financial risks remain elevated for 2024/25 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, potentially increasing demands for housing and homelessness prevention services in a cost-of-living crisis, and potential loss of a commercial tenant (and associated rental income), including at properties owned by EEPIIC.

10.3. Appendix 7 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 2024/25 is deemed to remain at medium to high.

Council

13 February 2024

10.4. A higher risk remains with the financial outlook beyond 2024/25 due to the uncertainty on the outcome of a UK General Election next year, its impact on Government's 'Fair Funding' Review, and the possibility of further cuts in core funding for Epsom and Ewell Borough Council in future settlements.

10.5. 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.

11. Revenue Budget Overview 2024/25

11.1. 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.

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

11.3. The budget requirement in 2023/24 was £8,290,000. The budget requirement for 2024/25 is calculated as follows:-

| Net Expenditure on Services | £000 | | External Finance | £000 |
|---------------------------------------|----------|--|--|---------|
| Gross Expenditure | 48,247 | | Revenue Support Grant, Services Grant and Minimum Guaranteed Funding Grant | 112 |
| Gross Income | (37,692) | | Retained Business Rate Income | 2,040 |
| Net transfers from earmarked reserves | (1,746) | | Collection Fund Deficit (Business Rates) | (1,037) |
| | | | Collection Fund Surplus (Council Tax) | 58 |
| Net Expenditure | 8,809 | | External Finance & Brought Forward Collection Fund Balances | 1,173 |
| T/F from Working Balance | 0 | | Council Tax Income | 7,636 |
| Budget Requirement | 8,809 | | Income from External Finance and Council Tax | 8,809 |

11.4. The increase in the Budget Requirement (net spending) is 6.3%.

11.5. 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.

Council

13 February 2024

11.6. The Council Tax Requirement for 2024/25 is £7,636,049 subject to agreement at the Council meeting.

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

11.7.1. Increases/decreases in domestic properties.

11.7.2. Increases/decreases in Council Tax.

12. Local Government Finance Settlement

12.1. Details of the provisional Local Government finance settlement were sent to all Councillors via Members News in December 2023.

12.2. 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 2025/26.

12.3. The following table shows the Department for Levelling Up, Housing and Communities (DLUHC) provisional Core Spending Power grants for EEBC for 2024/25:

| 2024/25 Provisional Settlement (Core Spending Power) | 2023/24 | 2024/25 (Provisional) | Funding Change since 2023/24 |
|---|--------------|--------------------------|------------------------------------|
| | £'000 | £'000 | £'000 |
| Retained Business Rates - Baseline | 1,473 | 1,542 | 69 |
| Compensation for underindexing the business rates multiplier | 251 | 292 | 41 |
| Funding Guarantee Grant | 223 | 46 | -177 |
| Services Grant | 57 | 9 | -48 |
| Revenue Support / Rolled in Grants | 53 | 56 | 3 |
| SubTotal - Recurring Government Funding | 2,057 | 1,945 | -112 |
| New Homes Bonus | 135 | 498 | 363 |
| Council Tax* | 7,361 | 7,618 | 257 |
| Total Provisional Core Spending Power | 9,553 | 10,061 | 508 (or 5.3%) |

*In its assessment of core spending power, government assumes that councils should increase council tax by the maximum permissible amount.

12.4. Nationally there is an increase in spending power for 2024/25 of 6.5%, but for Epsom and Ewell Borough Council, core spending power will increase by £508,000 or 5.3%.

Council

13 February 2024

- 12.5. The funding increase of 5.3% compared to 2023/24 remains below the rates of inflation from September (CPI 6.7% and RPI 8.9%), which are commonly used for supplier contract uplifts, and next year's staff pay award of 6%.
- 12.6. Furthermore, the overall increase in funding is mainly due to an increased New Homes Bonus (NHB) award. NHB is one-off funding that cannot be relied upon in future years and the higher NHB award has caused some compensatory reductions in EEBC's recurring Funding Guarantee and Services Grants.
- 12.7. The impact of delaying the business rates reset means the Council can retain its surplus business rates income above its baseline for next year at least, which provides a favourable benefit of c.£200,000.
- 12.8. On 24 January, central government announced modest additional funding for the sector, however at the time of writing this report, government has not confirmed individual authority allocations. Final settlement figures will only be confirmed in the House of Commons in February. Any additional funding (or other changes) for EEBC in the final settlement is expected to be modest, but once confirmed, it will be included in the published Budget Book and offset by adjusting the drawdown from the Corporate Projects Reserve that is required to balance the budget.

13. Retained Business Rates

- 13.1. Government sets a level of business rates that should be collectable by a local authority each year and then, using a national formula, determines how much can be retained by the Council (the funding baseline).
- 13.2. Should the local collection of business rates exceed the government-set baseline, the Council retains a 50% share of the surplus above the baseline. However, should local collection of business rates fall short of the baseline, the Council is liable for a 50% share of the deficit.
- 13.3. The 2024/25 government settlement includes £1,542,000 for this Council as a 'settlement funding assessment' which is solely from business rates baseline funding.
- 13.4. The draft Budget Book estimated a retained business rates income for 2024/25 of £1,686,000 based on provisional figures.
- 13.5. As reported to Financial Strategy Advisory Group on 26 January, the following table shows that EEBC can now expect to achieve business rates income in 2024/25 of £1,749,000, as the business rates taxbase in recent years has grown ahead of the government baseline, which allows EEBC to retain 50% of the growth (at least until government resets the baseline in future years):

Council
13 February 2024

| Retained Business Rates | 2023/24 | | | 2024/25 | Description |
|--|----------------|---------------------|----------------------|---------------------|---|
| | Gov't Baseline | EEBC Budget (NNDR1) | EEBC Latest Forecast | EEBC Budget (NNDR1) | |
| | £'000 | £'000 | £'000 | £'000 | |
| Rates Collectable | 25,607 | 24,828 | 23,734 | 24,117 | |
| Less: payable to central government | (12,803) | (12,414) | (11,867) | (12,058) | 50% of total |
| Less: payable to SCC | (2,561) | (2,483) | (2,373) | (2,412) | 20% of local share |
| NNDR Baseline | 10,243 | 9,931 | 9,494 | 9,647 | - |
| Less Tariff | (8,770) | (8,770) | (8,770) | (9,333) | Tariff set by govt. to go to 'top-up authorities' |
| Retained Business Rates | 1,473 | 1,161 | 724 | 303 | - |
| Less: loss of 50% of underlying growth | - | (181) | (503) | (207) | |
| Est. of Retained Business Rates | 1,473 | 980 | 221 | 96 | - |
| Add back: S31 Grants | - | 673 | 1,755 | 1,653 | Specific grant funding for rate reliefs granted |
| EEBC including income relief grants | 1,473 | 1,653 | 1,976 | 1,749 | - |

13.6. The business rates collection fund has a deficit balance brought forward from prior years of £599,152 (EEBC's share); and a projected deficit of £437,457 for 2023/24, resulting in a carried forward deficit of £1,036,609. The deficit on the collection fund is principally due to continued additional mandatory business rates reliefs awarded to eligible businesses during 2023/24, as instructed by central government. The Council should be compensated for these reliefs with additional grant funding from central government to offset a significant element of the deficit incurred on the fund in 2023/24. Any remaining shortfall will be funded in 2024/25 by an appropriation from the Collection Fund Equalisation Reserve.

13.7. The safety net threshold for 2024/25 is set at £1,426,280 compared to £1,749,446 income used for the 2024/25 estimates, this limits the exposure to losses to £322,166.

Council

13 February 2024

13.8. For 2024/25, Epsom and Ewell Borough Council will be included within a pooling arrangement with Surrey County Council, London Borough of Sutton and other Surrey district councils, on the terms that this Council gets to retain a share of the levy payments it currently has to pay to Central Government. The financial benefit from this pooling arrangement will be known at the end of 2024/25.

Collection Fund Equalisation Reserve

13.9. 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:-

| Collection Fund Equalisation Reserve Forecast | £000 |
|---|--------------|
| Balance 31 March 2023 | 4,001 |
| Planned use to offset prior year deficit from Collection Fund | (1,090) |
| Forecast balance 31 March 2024 | 2,911 |
| Planned use in 2024/25 to offset prior year deficit & funding shortfall | (974) |
| Planned use of reserve in MTFS | (450) |
| Forecast uncommitted balance 31 March 2025 | 1,487 |

13.10. 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.

14. Funding from Commercial Property Company

14.1. 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.

14.2. For 2024/25, dividend income from EEPIC is currently expected to remain at £0.6m (unchanged from 2023/24), as a temporary reduction in rental income from one tenant remains in place until 31 March 2025 (as agreed at S&R Committee in March 2023). This dividend income is supplemented by a £0.7m transfer from the property income equalisation reserve, until the temporary rent reduction expires in March 2025.

14.3. 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.

Council

13 February 2024

14.4. 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. While 64-74 East Street remains vacant and has been identified as a Town Hall relocation site, the other three properties are budgeted to generate net rental income (including borrowing costs) of £0.59m in 2024/25, which makes an important contribution to the funding of services.

15. Reserves

15.1. The reserves as contained in the financial statements at 31 March 2023 may be summarised as follows:-

| Reserve | Balance 31 March 2022 £000 | Balance 31 March 2023 £000 | Description |
|-------------------------------|---|---|---|
| Capital Receipt Reserves | 3,821 | 3,940 | Receipts from the sale of assets earmarked for capital programme commitments and invested under the Treasury Management policy. |
| Community Infrastructure Levy | 9,320 | 9,296 | Receipts available for funding of infrastructure improvements |
| Earmarked Strategic Reserves | 23,255 | 24,671 | Provisions for future expenditure or against identified liabilities |
| Working Balance | 2,853 | 3,117 | General Fund Working Balance |

15.2. The policies for the reserves are contained in Section 3 of the Financial Plan 2024 - 2028 supported by Financial Strategy Advisory Group in January 2024.

15.3. The levels of revenue reserves are set out in Appendix 8.

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

Council
13 February 2024

| | Capital Receipts Reserves |
|---|---------------------------|
| | £'000 |
| Balance brought forward at 1 April 2023 | 3,940 |
| Estimated use to fund 2023/24 capital expenditure | (1,068) |
| Forecast Receipts in Year | 0 |
| Estimated Balance at 31 March 2024 | 2,872 |
| Planned use for 2024/25 programme | (666) |
| Forecast Receipts in Year | 0 |
| Note: excludes allowance for programme slippage | - |
| Estimated Balance at 31 March 2024 | 2,206 |

15.5. 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 9.

15.6. Next year's budget includes the following significant planned uses of general reserves:-

15.6.1. No use of the General Fund Working Balance to fund services.

15.6.2. £624,000 of Corporate Projects Reserve used to support services, although this figure will be updated in the published Budget Book to offset any changes that arise in the final government settlement in February.

15.6.3. £700,000 contribution from the Property Income Equalisation Reserve to mitigate loss of/reduced rental income from commercial property tenants.

15.6.4. £974,000 of the Collection Fund Equalisation Reserve to finance the deficit on business rates brought forward from 2023/24 and changes to estimated business rates income.

15.6.5. £666,000 of capital receipts to fund the capital programme (including spend to save schemes subject to approval of business case).

16. Financial Forecast

16.1. The following table summarises the Council's four year budget forecast prepared in February 2024 for the 2024/25 budget report:-

Council

13 February 2024

| Budget Forecast | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---------------|---------------|---------------|---------------|
| | Budget | Forecast | Forecast | Forecast |
| | £000 | £000 | £000 | £000 |
| Net Cost of Service b/f (before interest and planned use of reserves) | 11,393 | 12,457 | 12,041 | 12,118 |
| Pay & Prices Increases | 1,482 | 699 | 713 | 728 |
| Service Changes and Pressures | 394 | -476 | 70 | 100 |
| Increases in Fees & Charges | -456 | -483 | -256 | -264 |
| Identified savings | -356 | -156 | -450 | -430 |
| Forecast Net Cost of Services | 12,457 | 12,041 | 12,118 | 12,252 |
| Interest on Balances | -1,125 | -1,000 | -875 | -750 |
| Use of New Homes Bonus | -225 | 0 | 0 | 0 |
| Transfer from Collection Fund Reserve | -974 | 0 | 0 | 0 |
| Contribution from Property Income Equalisation Reserve | -700 | 0 | 0 | 0 |
| Contribution from Corporate Projects Reserve | -624 | 0 | 0 | 0 |
| Transfer from Working Balance (-) | 0 | 0 | 0 | 0 |
| Forecast Net Expenditure | 8,809 | 11,041 | 11,243 | 11,502 |
| Retained Business Rates Forecast | 1,749 | 1,784 | 1,820 | 1,856 |
| Compensation for underindexing the business rates multiplier | 292 | 301 | 306 | 312 |
| Council Tax Income Forecast | 7,636 | 7,904 | 8,182 | 8,470 |
| Council Tax Surplus | 58 | 0 | 0 | 0 |
| Retained Business Rates Deficit | -1,037 | 0 | 0 | 0 |
| Revenue Support/Other Grants | 111 | 479 | 415 | 423 |
| External Funding* | 8,809 | 10,468 | 10,723 | 11,061 |
| <i>Funding Shortfall / Savings to be Identified</i> | <i>0</i> | <i>573</i> | <i>520</i> | <i>440</i> |

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

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

16.2.2. Council tax is increased annually by 3% for a Band D equivalent property.

16.2.3. Annual pay increase of 2% per annum from 2025/26 (in line with the Bank of England's target figure for inflation).

16.2.4. Retained income from business rates increases by 2% per annum until 2027/28.

Council

13 February 2024

16.2.5. 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 £550,000 by 2026/27.

16.2.6. 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 identified savings of c£1.4 million in the Efficiency Plan will need to be delivered by 2027/28, plus a further £0.5m savings still to be identified and delivered. In total, it is estimated that c.£1.9m of annual savings will be required to achieve a balanced budget at the end of this period.

16.2.7. Given the need for further savings/income to be identified in future years, it is recommended that scheduled programme of discretionary service and asset reviews should be presented in 2024/25 to Strategy & Resources Committee for approval and subsequent delivery.

17. Capital Programme

17.1. The review of capital spending requirements was overseen by the Financial Strategy Advisory Group.

17.2. A provisional five year forward programme was reported to policy committees in January 2024. Supported schemes have been included in the draft capital programme.

17.3. The updated capital strategy statement is attached at Appendix 11 and includes a summary of proposed investment for 2024/25, and forecast for 2025/26 to 2028/29.

17.4. A capital investment programme of £1.951 million is recommended for 2024/25 and the following funding is required to allow the schemes in this programme to be completed:-

17.4.1. £666,000 of capital receipts reserves for the core programme.

17.4.2. £785,000 use of central government grant.

17.4.3. £500,000 use of budgeted revenue contribution.

17.4.4. Schemes will also be carried forward from the 2023/24 programme where not completed by 31 March 2024 and subject to committee approval.

18. Prudential Indicators and Authorised Limits for 2024/25

18.1. The Local Government Act 2003 introduced a system of capital controls for local authorities. Details of the regulations are set out in Appendix 12 to this report.

Council

13 February 2024

18.2. The Financial Strategy Advisory Group (FSAG) 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 2024/25.

18.3. FSAG has also considered the Prudential Indicators and Authorised Limits at Appendix 12, and has recommended them to Council for approval.

19. Council Tax Options

19.1. The current Surrey district council tax levels are shown at Appendix 14.

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

19.3. 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.

19.4. For financial planning purposes, the Medium-Term Financial Strategy 2024-2028 and Budget Book include an annual council tax increase of £6.57 per annum (for Band D), which equates to an additional 12.6 pence per week for a Band D equivalent property.

19.5. The recommendation in the budget report for 2024/25 is for an increase of 2.99%, which represents an increase of £6.57 per annum on a Band D equivalent property.

19.6. To the average band 'D' council taxpayer (those not receiving discounts or support), the charge for borough services would increase from £219.60 to £226.17 per property.

19.7. 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.

19.8. The impact on council tax for the 2.99% increase and a freeze are shown in the following table:

| Council Tax Change | 0% Freeze | 2.99% Increase |
|-------------------------------------|------------------|-----------------------|
| Council Tax (Band D) | £219.60 | £226.17 |
| Increase per annum | £0 | £6.57 |
| Increase per week | 0p | 12.6p |
| Additional Income Generated 2023/24 | £0 | £221,820 |

Council

13 February 2024

| | | |
|--|---------------------|----------|
| Adjustment needed to Draft Budget Book | £221,820 Adverse | £0 |
| On-going Income received in Future Years | £0 | £221,820 |

19.9. The Council should remain below the average of Surrey district council tax levels whatever option is decided.

20. Consultation with Non-Domestic Ratepayers

20.1. The Council has provided information about its spending proposals and business rates reliefs on the website. Any responses specific to the 2024/25 budget will be identified at the meeting.

21. Collection Fund

21.1. In accordance with the Local Authorities (Funds) (England) Regulations 1992, the borough council as the billing authority is required to estimate in 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.

21.2. Where a deficit or surplus in the 2023/24 collection fund is estimated in respect of council tax or business rates, the amount must be apportioned in 2024/25 between authorities that precept on the collection fund in accordance with the ratio of their 2023/24 precepts.

21.3. The calculation of the estimated position on the Council's 2023/24 collection fund in respect of council tax items is detailed at Appendix 15 and this shows a surplus on the fund of £57,717 forecast for this Council and will be credited to the general fund revenue account for 2024/25.

21.4. 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 2023/24 in 2024/25. A deficit of £1,036,609 is forecast for this Council and will be charged to the general fund revenue account for 2024/25. The deficit on the collection fund is principally due to continued additional mandatory business rates reliefs awarded to eligible businesses during 2023/24, as instructed by central government. The Council should be compensated for these reliefs with additional grant funding from central government to offset a significant element of the deficit incurred on the fund in 2023/24. Any remaining shortfall will be funded in 2024/25 by an appropriation from the Collection Fund Equalisation Reserve. The

22. Council Tax Recommendation

22.1. The budget target included an increase of £6.57 per annum on a Band D equivalent property in council tax.

Council

13 February 2024

22.2. 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 and supported by Financial Strategy Advisory group, is based on an increase of 2.99%.

22.3. 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 2024/25 | £ | £ |
|--|-----------|------------------|
| Budget Requirement | | 8,808,971 |
| Services Grant | 9,035 | |
| Revenue Support Grant | 56,461 | |
| CSP Minimum Guaranteed Funding | 46,172 | |
| Business Rates retained | 95,612 | |
| Small Business Rate Relief Grant & S31 Grants | 1,652,534 | |
| Compensation for Under-indexation of Business Rates Multiplier | 292,000 | |
| External Finance: | | (2,151,814) |
| Sub-Total | | 6,657,157 |
| Add: Collection Fund Deficit (Business Rates) | | 1,036,609 |
| Less: Collection Fund Surplus (Council Tax) | | (57,717) |
| Council Tax Requirement | | 7,636,049 |

22.4. Provisional precepts have been issued by Surrey County Council and Surrey Police Authority upon Epsom and Ewell Borough Council, as the billing authority, as per the following table. A schedule of precept dates has been agreed with the precepting authorities:

| Awaiting confirmation | £ | % |
|-------------------------------------|-------------------|------------|
| Surrey County Council (provisional) | 59,374,609 | 76 |
| Surrey Police (provisional) | 10,924,509 | 14 |
| Epsom and Ewell Borough Council | 7,636,049 | 10 |
| Total | 77,935,168 | 100 |

22.5. In accordance with Regulation 3 of the Local Authorities (Calculation of Tax Base) Regulations 2012, the Council calculated the amount of 33,762.43 as its council tax base for the year 2024/25. This represents the number of Band D equivalent properties.

22.6. Based on the recommendation in this report, the change in the council tax levy per Band D equivalent dwelling, when compared to 2023/24 would be as follows:-

Council
13 February 2024

| Recommendations | 2023/24 | 2024/25 | Variation | |
|---------------------------------------|-----------------|-----------------|---------------|-------------|
| | £ | £ | £ | % |
| Surrey County Council (provisional) | 1,675.08 | 1,758.60 | 83.52 | 4.99 |
| Surrey Police Authority (provisional) | 310.57 | 323.57 | 13.00 | 4.19 |
| Epsom & Ewell Borough Council | 219.60 | 226.17 | 6.57 | 2.99 |
| Total | 2,205.25 | 2,308.34 | 103.09 | 4.67 |

23. Robustness of the Estimates

23.1. 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.

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

23.2.1. The Council produced its draft 2022/23 financial statements in good time, with an unqualified audit opinion expected shortly in 2024.

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

23.2.3. Financial Strategy Advisory Group 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.

23.2.4. Policy committees have received detailed estimates of revenue and capital expenditures for 2024/25 and have also received assessments on the main financial risks.

23.3. 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.

23.4. A corporate budget risk assessment is appended to this report (Appendix 7), as is a statement on the level of revenue reserves (Appendix 8).

23.5. The Chief Finance Officer considers that the budget proposals for 2024/25 are robust and sustainable, based on the Council's current plans and further detail explained at Appendix 9.

Council

13 February 2024

- 23.6. The updated financial forecast (Appendix 10) 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 c.£1.9 million by 2027/28.
- 23.7. 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.
- 23.8. The major challenge in the Medium-Term Financial Plan (Appendix 1) is the delivery of the £1.4 million of additional income and savings already identified and finding a further £0.5m reduction in the Council's net expenditure by 2027/28.
- 23.9. To identify how the Council can deliver this further reduction in net expenditure, members are asked to agree that a scheduled programme of discretionary service and asset reviews should be presented to Strategy & Resources Committee for approval in due course.

24. Legal Implications

- 24.1. The Council is under a statutory obligation to produce a balanced budget and to comply with its policy on equalities.
- 24.2. Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs while s.25 Local Government Act 2003 requires the Council to have due regard to a statement on the adequacy of reserves and the robustness of the budget, produced by the Chief Financial Officer, when making its budget decisions.
- 24.3. The Council is required to set a balanced budget and the Chief Financial Officer must report under s114 of the Local Government Finance Act 1988 if it appears to them that the expenditure of the authority incurred (or proposed to be incurred) in a financial year is likely to exceed the resources available to meet that expenditure.
- 24.4. The Chief Financial Officer has a statutory duty under s.25 Local Government Act 2003 to make a statement on the adequacy of reserves and the robustness of the budget. The Act requires the Council to have regard to this statement in making its decisions at its budget and council tax setting meetings. This statement is set out at Appendix 9 of this report, for consideration.
- 24.5. **Legal Officer's comments:** Decisions taken about the budget will impact the services which can be delivered. In the event of any impact, there will need to be an equalities impact assessment in relevant cases.

25. Conclusions

- 25.1. 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.

Council

13 February 2024

- 25.2. The priorities in the existing Corporate Plan (until it is superseded) will guide the allocation of resources through service plans and annual service targets.
- 25.3. 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 2024/25.
- 25.4. 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 will need to progress a number of strategic reviews, with the aim of delivering a sustainable budget without the need for funding from strategic reserves.
- 25.5. 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£1.9m to achieve a balanced budget by 2027/28.
- 25.6. The main financial risks identified for next year's budget are set out in Appendix 7 to this report.
- 25.7. Given the challenging financial environment including the need for further savings in future years, the draft budget for 2024/25 is based on a £6.57 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.
- 25.8. The Council will maintain its council tax policy under either option presented with the tax being below the Surrey average.
- 25.9. For ease of reference, the appendices attached are listed below:

| | |
|-------------------|--|
| Appendix 1 | Medium-Term Financial Plan 2024-2028 |
| Appendix 2 | Policy Committee Budgets 2024/25 |
| Appendix 3 | Main Changes to Service Budgets for 2024/25 |
| Appendix 4 | Income from increases to discretionary Fees and Charges |
| Appendix 5 | Four Year Efficiency Plan 2024-2028 |

Council
13 February 2024

| | |
|--------------------|--|
| Appendix 6 | Economic Indicators |
| Appendix 7 | Risk Assessment |
| Appendix 8 | Reserves (Revenue and Capital) |
| Appendix 9 | Chief Finance Officers' Statement on Robustness of Estimates and Adequacy of Reserves |
| Appendix 10 | Financial Forecast 2024 – 2034 |
| Appendix 11 | Capital Strategy Statement |
| Appendix 12 | Treasury Management Strategy, including Prudential Indicators & Authorised Limits |
| Appendix 13 | Surrey District Council Tax levels 2023/24 |
| Appendix 14 | Council Tax Calculation 2024/25 |
| Appendix 15 | Council Tax Collection Fund |
| Appendix 16 | Business Rate Collection Fund |