

# Financial Strategy Advisory Group

## 30 January 2026

### BUDGET AND COUNCIL TAX REPORT 2026/27

<b>Head of Service:</b>	Cagdas Canbolat, Director of Corporate Services and Section 151 Officer (Chief Finance Officer)
<b>Report Author</b>	Cagdas Canbolat, Sue Emmons
<b>Wards affected:</b>	(All Wards);
<b>Appendices (attached):</b>	None

#### Summary

This report provides an update on the preparation of the budget for 2026/27. The report seeks final guidance from the group prior to the finalisation of the Budget and Council Tax report for Full Council on 10 February 2026.

#### Recommendation (s)

##### The Panel is asked to:

- (1) Provide the Chief Finance Officer with any further feedback needed to finalise the 2026/27 Budget and Council Tax report before the paper is taken to Full Council.
- (2) Note the provisional Local Government Financial settlement for 2026/27 announced on 17 December 2025.
- (3) Support that any surplus/deficit on 2025/26 business rates income, and any change in projected business rates income for 2026/27, will be offset by a transfer to / from the Collection Fund Equalisation Reserve.
- (4) Support a recommendation to Council of a council tax increase of 2.98% (£6.93 per annum for a Band D equivalent property) for 2026/27.

#### 1 Reason for Recommendation

- 1.1 The recommendations will assist the Council to meet its statutory duty to set a balanced budget for 2026/27.

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### 2 Background

- 2.1 The service estimate reports for 2026/27 have been prepared for each of the four policy committees and circulated to all Councillors, via Members' News, in the draft Budget Book 2026/27
- 2.2 In July 2025, the council reported approx. £1.928 million gap for 2026/27 and approx. £5.063 million over 3 years of the MTFS period. Please see table 7.3 for how this has been addressed.
- 2.3 Services were asked to identify further efficiencies for 2026/27 where possible and seek new opportunities to reduce pressure on council budgets.
- 2.4 The revenue figures in this report reflect the latest outcome of the above discussion and the provisional local government finance settlement for 2026/27 which has been favourable to the council.
- 2.5 Following identification of savings and favourable government funding announcement the council has set a balanced budget for 2026/27.
- 2.6 The general fund summary position as contained in the 2026/27 Budget Book reflects the draft services estimates and the source of funding.
- 2.7 Historically we have reported on the pay inflation, and the pay rise budget allocation for 2026/27, based on a pay rise of 3.0%, equates to £619,000. This is subject to members approving in accordance with the options presented to Strategy & Resources on 27 January 2026 for recommendation to Full Council on 10 February 2026.
- 2.8 It has assumed Members allowance will be uplifted in line with the same rate as staff pay awards at 3%.
- 2.9 The capital programme was considered and supported by Financial Strategy Advisory Group in November 2025, subject to schemes being supported by policy committees in the January 2026 committee cycle.

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### 3 Local Government Financial Settlement

- 3.1 The provisional local government finance settlement for 2026-27 to 2028-29 has been published by central government.
- 3.2 Funding distribution was last updated in 2013-14 and we now have a full baseline reset with changes to all the Relative Needs Formulas (RNFs), and the simplification of many grants.
- 3.3 Surrey has the lowest increase in Core Spending Power amongst the county councils (+0.97%). The next lowest increase for shire counties is East Sussex (+11.0%).
- 3.4 However, shire districts (with high temporary accommodation RNFs) will receive very large increases in Core Spending Power (Harlow +38%, Crawley +33%, Worthing +32% & +20% Epsom & Ewell).
- 3.5 Hence, the council has had a favourable Fair Funding Review outcome compared to many district councils across the country.
- 3.6 However, the increase in CSP in the 3-year settlement is very reliant on councils applying the maximum increase in Band D and delivering the assumed taxbase growth.
- 3.7 Council tax is becoming an increasingly important share of local government's funding settlement, and the growth of resources within it. The biggest change in core funding is as follows:

Funding	2025/26	2026/27	Change
	£'000	£'000	£'000
Council Tax	(7,884)	(8,175)	(291)
Business Rates	(2,109)	(2,097)	12
Gov grants (un-ringfenced)	(409)	(1,687)	(1,278)
Collection Fund (prior years)	133	(79)	(212)
<b>Total</b>	<b>(10,269)</b>	<b>(12,038)</b>	<b>(1,769)</b>

- 3.8 In the event that government makes any changes to the provisional settlement, it will be reported to the Full Council and changes will be managed through the Collection Fund Equalisation Reserve.

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### 4 Council Tax

- 4.1 It was announced as part of government's provisional settlement for 2026/27 that District Councils will be allowed to increase their council tax by either £5 per annum (per Band D equivalent property) or up to 2.99% (whichever is highest) before needing to hold a referendum.
- 4.2 The Medium-Term Financial Strategy at the council always assumed the maximum possible increases and the figures above, including the draft Budget Book assumes an annual council tax increase of 2.98% (for rounding reasons), which equates to an additional £6.93 per annum or 13.3 pence per week for a Band D equivalent property.
- 4.3 To the average band 'D' council taxpayer (those not receiving discounts or support), the annual charge for borough services would increase from £232.92 to £239.85 per property.
- 4.4 With CPI inflation at 3.8% (as of September 2025), 3.6% (as of October 2025) and 3.2% (as of November 2025) this still represents a below inflationary increase for residents.
- 4.5 The Group may feel it appropriate not to increase council tax rate by 2.98%. In such circumstances additional savings will be required to balance the budget, both for 2026/27 and for future years.
- 4.6 For example if the council decides to freeze council tax it will need to identify £291,226 worth of savings which will be lost indefinitely and difficult to regain while referendum limits exist.
- 4.7 It is therefore recommended that the council tax is increased to the maximum in order not to lose on future income. This also aligns with government expectations of local funding and if the increase is not applied there will be no compensating support from central government.
- 4.8 It is also expected that most councils in Surrey will increase their council tax rate to the maximum for this reason.

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### 5 Business Rates Retention

- 5.1 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).
- 5.2 The baselines within the BRRS have been updated to take account of the new Fair Funding Allocations (FFA) and the reset Business Rates Baselines (BRB):
  - Baseline Funding Level (BFL). Each authority has an updated BFL that takes account of the BFL quantum (£16.2bn) and its FFA.
  - Revenue Support Grant (RSG). This is calculated by deducting BFL from an authority's FFA.
  - Business Rates Baseline (BRB). New baselines have been issued that will take account of the 2026 Revaluation and the baseline reset. There will be a retrospective adjustment to the 2026-27 BRB to reflect updated gross rates values.
- 5.3 The new BRBs are set using the new rateable values, from which an estimated gross rate figure is calculated. From this, an allowance for appeals and bad debts is deducted.
- 5.4 This is one of the main ways in which local government is financed. The council keeps approximately 40% (before tariff payment) of the amount payable and the rest is passed back to central government and Surrey County Council.
- 5.5 The retained 40%, together with revenue from Council Tax, locally generated income and grants provided by the Government, is used to pay for the services provided by Epsom & Ewell Borough Council.
- 5.6 The draft Budget Book estimated a retained complete business rates income for 2026/27 of £2.097 million.
- 5.7 The Council holds the Collection Fund Equalisation Reserve to mitigate the impact of changes to planned funding from business rates income.
- 5.8 Any changes following the submission of NNDR1 form to government will be managed via the Collection Fund Equalisation Reserve in accordance with relevant council policy.
- 5.9 This reserve essentially helps the Council to mitigate timing differences across financial years, as well as any reductions in income relative to budget.
- 5.10 It's worth noting that there is no business rates pool in 2026/27 for any of the Surrey districts following the government's business rates reset.

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5.11 The funding position on retained business rates income for 2026/27 and the prior year remains provisional, pending submission of statutory collection fund returns to MHCLG at the end of January.

5.12 Any changes in the overall level of funding will be included in the Final Budget Book and offset by a contribution to or from the Collection Fund Equalisation Reserve.

## 6 Revenue Budget Overview

6.1 The service estimates are contained in the draft Budget Book 2026/27 and summarised below showing an increase in total net budget from £10.269 million to £12.038 million, an increase of £1.769 million.

Expenditure	2025/26	2026/27	Change
	£'000	£'000	£'000
Strategy & Resources	1,330	1,304	(26)
Environment	3,803	4,227	424
Community & Wellbeing	5,798	7,161	1,363
Licensing & Planning Policy	1,279	1,287	8
Accounting adjustment	(1,941)	(1,941)	0
<b>Total</b>	<b>10,269</b>	<b>12,038</b>	<b>1,769</b>

6.2 The draft Budget Book currently reports a balanced budget position for next year. The table below reports the budget for each area and source of funding.

BUDGET SUMMARY	2024/25	2025/26	2025/26	2026/27
	Actual	Original Estimate	Probable Out-turn	Estimate
	£'000	£'000	£'000	£'000
STRATEGY & RESOURCES COMMITTEE	(1,892)	1,330	206	1,304
ENVIRONMENT COMMITTEE	4,995	3,803	3,985	4,227
COMMUNITY & WELLBEING COMMITTEE	6,718	5,798	7,282	7,161
LICENSING & PLANNING POLICY COMMITTEE	1,267	1,279	1,248	1,287
CAPITAL CHARGES	(1,941)	(1,941)	(1,941)	(1,941)
<b>NET BUDGET REQUIREMENT</b>	<b>9,147</b>	<b>10,269</b>	<b>10,780</b>	<b>12,038</b>
<b>FINANCED BY:</b>				
COUNCIL TAX COLLECTION FUND PRECEPT	7,636	7,884	7,884	8,175
REVENUE SUPPORT GRANT, SERVICES GRANT & CSP MINIMUM GUARANTEED FUNDING	207	409	409	1,687
RETAINED BUSINESS RATES	1,749	1,804	1,804	2,097
COMPENSATION FOR UNDERINDEXING THE BUSINESS RATES MULTIPLIER*	292	305	305	0
SURPLUS/(DEFICIT) ON PRIOR YEAR COUNCIL TAX	58	38	38	(38)
SURPLUS/(DEFICIT) ON PRIOR YEAR RETAINED BUSINESS RATES	(1,037)	(171)	(171)	116
<b>EXTERNAL FUNDING FOR THE YEAR</b>	<b>8,905</b>	<b>10,269</b>	<b>10,269</b>	<b>12,038</b>

\*The funding amounts are currently provisional until final figures are confirmed. Any change in the funding will be offset by a compensating entry to or from the Collection Fund equalisation reserve.

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### 7 Medium Term Financial Strategy:

7.1 In line with CIPFA guidance, the Council is required to prepare a Medium-Term Financial Strategy (MTFS) covering a 3–5 year period. Although the Council will be absorbed into the East Surrey Unitary Authority and will not continue in its current form beyond 2026/27, producing an MTFS remains important. It provides the new unitary authority with a clear and accurate understanding of the Council's financial position and future commitments as they stand.

7.2 The financial environment continues to be challenging. The Council is experiencing rising costs in temporary accommodation, agency staffing, and contractual inflation, while income generation and savings targets remain difficult to achieve. We must also plan for the financial implications of local government reorganisation. Despite these pressures, the Council has identified clear actions and opportunities to manage the risks, enabling us to present a balanced budget for 2026/27.

7.3 In July 2025 we reported a gap of £5.063m over the 3 years. Since that date we have identified savings and received favourable government funding which has helped to reduce the gap to £0.579m over the same period, based on the latest assumptions, see table below.

	2026/27	2027/28	2028/29	Total
<b>Published Gap - July 2025</b>	1,928	1,443	1,692	5,063
<b>Change in Assumptions: Pressure</b>	2026/27	2027/28	2028/29	Total
Corporate Items	370	50	50	470
TA - Demand Growth	250	250	250	750
Garden Waste Income	125	-	-	125
Parking Income	100	-	-	100
Waste Savings Unachievable	100	-	-	100
Waste Agency Cost	80	-	-	80
Cemetery Income	70	-	-	70
Trade Waste Income	60	-	-	60
<b>Total</b>	<b>1,155</b>	<b>300</b>	<b>300</b>	<b>1,755</b>
<b>Change in Assumptions: Favourable</b>	2026/27	2027/28	2028/29	Total
FFR- Additional Funding	-1,410	-787	-769	-2,966
EPR- Additional Funding	-743	-	-	-743
Remove Capital Contribution	-500	-	-	-500
Remove Maintenance Contribution	-200	-	-	-200
Efficiency Savings	-230	-750	-850	-1,830
<b>Total</b>	<b>-3,083</b>	<b>-1,537</b>	<b>-1,619</b>	<b>-6,239</b>
<b>New Gap</b>	-	206	373	579

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### 8 Capital Program & Capital Reserves

- 8.1 The Draft Capital Programme for 2026/27 recommended by Financial Strategy Advisory Group in November 2025 proposed various schemes totalling £3,415,000.
- 8.2 These proposals, which were presented to relevant policy committees in January, included £974,000 for the Disabled Facilities Grant (DFG) funding programme
- 8.3 The remaining programme of capital schemes worth £2,441,000 was agreed to be funded via capital receipts and other funding resources. The details can be found in the draft 2026/27 budget book

### 9 Risk Assessment

#### Legal or other duties

##### 9.1 Equality Impact Assessment

- 9.1.1 None arising from the contents of this report.

##### 9.2 Crime & Disorder

- 9.2.1 None arising from the contents of this report.

##### 9.3 Safeguarding

- 9.3.1 None arising from the contents of this report.

##### 9.4 Dependencies

- 9.4.1 None arising from the contents of this report.

##### 9.5 Other

- 9.5.1 The main financial risks will be presented to Full Council in a corporate budget risk assessment in February.

- 9.5.2 The highest service financial risks are the impact of the increased cost of living on the Council's costs and income streams, and the potential for increased demands for housing and homelessness prevention next year, and the reliance on commercial property income to fund services.

- 9.5.3 The Council holds both revenue and capital reserves and has set aside a £200,000 inflation contingency and a £627,000 corporate contingency in next year's budget, to mitigate against financial risk. Despite these contingencies, the level of overall revenue budget risk in 2026/27 is deemed to be high, due to continuing high levels of economic uncertainty within the UK.

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### 10 Financial Implications

- 10.1 The forecast budget position for 2026/27 is summarised in this report. Council tax business rates and government grant is an important source of funding and provides income to support core services delivered by the Council.
- 10.2 In relation to Council Tax, the referendum threshold set by Central Government restricts how much the council can increase the annual charge unless it chooses to seek approval through a public referendum.
- 10.3 An increase of £6.93 for a Band D property, the maximum permitted without triggering a referendum generates additional income of £291,226.
- 10.4 The business rates income budget remains provisional at this stage, as it is still subject to the completion of the NNDR1 return and confirmation of the associated central government funding.
- 10.5 While the final figures have not yet been issued, any resulting adjustments are expected to be minimal. The Council is well placed to manage any minor variations that may arise and can address them through its established financial planning processes.

10.6 **Section 151 Officer's comments:** As detailed in this report.

### 11 Legal Implications

- 11.1 The Council is under a statutory obligation to produce a balanced budget and to comply with its policy on equalities.
- 11.2 **Legal Officer's comments:** None arising from the content of this report.

### 12 Policies, Plans & Partnerships

- 12.1 **Council's Key Priorities:** The following Key Priorities are engaged:
  - Effective Council.
- 12.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 12.3 **Climate & Environmental Impact of recommendations:** None for the purposes of this report.
- 12.4 **Sustainability Policy & Community Safety Implications:** None for the purposes of this report.
- 12.5 **Partnerships:** None for the purposes of this report.

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- 12.6 **Local Government Reorganisation Implications:** The Local Government Reorganisation (LGR) will see the new shadow authority run alongside Epsom & Ewell and other Surrey authorities during 2026/27, therefore it does not have a direct impact on the revenue budget for the new financial year.
- 12.7 Epsom & Ewell will be required to make a contribution of £454,000 towards the costs of LGR but as a one-off cost, this is not included within the 2026/27 revenue budget and is expected to be funded through the Strategic Priorities reserve.

### 13 Background papers

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

#### **Previous reports:**

- [Medium Term Financial Plan 2024-28](#)
- [2026/27 Strategic Financial Planning](#), Financial Strategy Advisory Group - 27 June 2025
- [Final Capital Proposals – 2026/27](#), Financial Strategy Advisory Group - 21 November 2025
- [2026/27 Strategic Financial Planning](#), Strategy & Resources - 15 July 2025
- [Review of Reserves](#), Strategy & Resources – 11 November 2025

#### **Other papers:**

- Policy Committee 2026/27 Budget Reports (January 2026 Committee Cycle).
- [Draft Budget Book 2026/27](#)