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TO	Executive
DATE	Thursday, 16 November 2023
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	ALL

SUBJECT:	SERVICE & FINANCIAL PLANNING 2024/25
RECOMMENDATIONS TO EXECUTIVE:	
<p>(i) That the national and local policy context (Annex 1) and significant financial uncertainties at this stage in the budget-setting process be noted.</p> <p>(ii) That the service proposals set out in this report which seek to respond to this context and deliver our corporate priorities, be endorsed.</p> <p>(iii) That the draft service business plans for 2024/25 to 2026/27 be approved, and that Heads of Service be authorised to finalise the plans for their service areas in consultation with the relevant Portfolio Holders.</p> <p>(iv) That the following be approved for consultation under the Council's budget and policy framework:</p>	

- a. **Medium Term Financial Plan Forecasts and proposed actions to address the forecast Revenue Budget gap (Annex 2);**
 - b. **Service Revenue Budget growth proposals totalling £0.943 million, savings of (£1.719) million and additional income of (£0.540) million (Annex 3);**
 - c. **Continued funding support for Banstead Commons Conservators for a further three years (2024/25 to 2026/27);**
 - d. **Central Revenue Budget savings and growth proposals totalling (£0.376) million, and £1.75m provision for the 2024/25 pay award (Annex 3);**
 - e. **Agreement of a new 10 year Section 136 agreement with Horley Town Council;**
 - f. **Revenue Issues, Risks and Opportunities totalling £0.964 million, to be funded from earmarked Reserves as necessary;**
 - g. **Revenue Reserve Balances at 1 April 2023 of £35.474 million (Annex 6.1); and**
 - h. **A forecast balanced Revenue budget for 2024/25, subject to final confirmation of the outstanding items.**
- (v) That the Capital Programme Growth proposals totalling £3.976 million (Annex 4) be approved.**
- (vi) That the Fees & Charges Policy (Annex 5) be approved.**
- (vii) That the Reserves Policy (Annex 6.2) be approved.**
- (viii) That the following changes to the Local Council Tax Support Scheme be approved and adopted from 2024/25:**
- a. **Removal of the maximum award of 90% Council Tax liability for 1,800 households and increasing the award to 100%;**
 - b. **Removal of the minimum requirement for a household to qualify for £5 per week before support is provided;**
 - c. **Expansion of support awards to cover full Council Tax liability for residents in Bands F to H;**
- (ix) That the following changes Council Tax premiums on empty properties be approved and adopted from 2024/25:**
- a. **Removal of the empty homes discount of 28-days where a property becomes empty and unfurnished;**

- b. For empty and furnished second homes – charge 200% council tax after the first 12 months; and**
- c. For long-term empty properties – commence charging the 100% premium after 12 months.**

REASONS FOR RECOMMENDATIONS:

Recommendations (i) to (ix):

To ensure that the Council continues to plan and manage its resources well, deliver high standards of service and meet the aims and objectives of its Corporate Plan for 2020-2025 and supporting Strategies.

EXECUTIVE SUMMARY:

This report sets out draft Revenue Budget proposals for 2024/25 and Capital Programme proposals for 2024/25 to 2028/29.

The primary objectives of the service & financial planning process are to ensure that the Council continues to be financially sustainable, and that we are able to effectively deliver our services and corporate priorities.

Reigate & Banstead Borough Council is recognised as being a forward-looking local authority that delivers high quality services.

Our five year Corporate Plan looks to build on and further develop the work we have been doing, as well as expanding our efforts to support environmental sustainability, affordable housing and the wellbeing of our residents.

As always, we are seeking to ensure that the borough remains a great place to live and work, and to maintain and improve the quality of our services, all whilst securing savings and investment to remain financially sustainable.

The Council's Medium Term Financial Plan (MTFP) was updated and reported to Executive in July 2023. It covered:

- Objectives and priorities for the 2024/25 budget;
- Context to budget-setting, including updates on the national economic forecast, local government funding, Corporate Plan priorities and specific factors to be taken into account when developing budget proposals;
- Key budget information, including the 2022/23 budget outturn position, current year budgets and forecast new budget pressures and saving opportunities;
- Updates on the Capital Programme and treasury management;
- Information about the service & financial planning process and budget-setting timetables; and
- A summary of budget risks and sensitivities and how they will be managed.

Updated MTFP forecasts are presented in this report (Annex 2). They reflect the fact that the Council no longer receives Revenue Support Grant from Government and faces the prospect of a reduction in retained business rates, resulting in significant financial pressures over the medium term. It also explains the emerging financial risks, issues and opportunities identified during service & financial planning over recent months.

The supporting Reserves and Fees & Charges policies are presented once again for approval.

The 2022/23 Revenue Budget outturn position at year-end was more favourable than had initially been forecast due to underspends in the area of Treasury Management costs.

The Revenue Budget for 2023/24 that was approved in February 2023, was agreed as the financial impacts of the COVID-19 pandemic had essentially drawn to a conclusion. It therefore took into consideration the residual financial impacts on service income and expenditure budgets and on Collection Fund income forecasts for council tax and business rates.

The Council now faces the prospect of further financial challenges as a consequence of the ongoing economic crisis. Consumer Price Inflation remains high at 6.7% (as announced on 19 October 2023), which impacts expenditure, including energy costs and potential pay demands. Interest rates have increased steadily this year with the Bank of England's current rate held at 5.25% (as announced on 2 November 2023), again this will impact on the Council's Treasury Management costs but there are some upsides with regard to interest receipts.

Overall, the Council remains in a relatively strong position to respond to financial challenges. We have established ring-fenced revenue Reserves to manage financial risks and continue to focus on generating new sources of income and reducing costs.

The budget proposals detailed in this report are based on analysis of a range of data and evidence, and the result of extensive discussions over recent months between the Executive and Management Team. This report provides a condensed version of those discussions, describing the national and local context and the service and budget proposals which have been put forward in response.

The draft budget proposals set out within this report include revenue budget savings, additional income-generation proposals, unavoidable budget growth and plans for mitigating significant risks should they arise.

While much of the detail is included in this report, as usual, work on some aspects of Central Budgets and confirming the sources of funding will continue and the outcome will be presented in the final budget proposals in January 2024 following the Government's Provisional Local Government Settlement Announcement which is expected at the end of December. Work also continues on managing the potential budget risks and opportunities identified during service & financial planning.

At the time of preparing this report the Council is potentially able to balance the 2024/25 revenue budget after implementing the actions as described in this report. The extent to which any residual forecast budget shortfall will have to be funded from drawing on Reserves will be confirmed in the final budget report in January.

Over the medium term action will still be required through the Financial Sustainability Programme to continue to pursue projects that generate new sources of income while continually seeking ways to use existing resources more efficiently.

The Financial Sustainability Programme is focusses on four key areas:

- Income Generation;
- Use of Assets;
- Prioritisation of Resources; and
- Achieving Value for Money.

Reliance on one-off measures such as the use of Reserves is not without risks and is not sustainable over the long-term. Going forward, solutions that reduce costs or increase income on a permanent basis will have to be identified.

This report includes new Capital Programme proposals for 2024/25 to 2028/29, including projects to support delivery of the Environmental Sustainability Strategy. The Programme also continues to focus on delivery of previously-approved capital projects and continuation of existing rolling programmes for asset refurbishment and replacement. The final Capital Programme will be confirmed in the January budget report; it should also be noted that further capital growth requests will be presented for decisions in December with regard to the utilisation of Electric Vehicles and transition of the existing diesel refuse collection vehicle fleet to run on Hydrotreated Vegetable Oil (HVO). In addition, this report seeks approval for the outcomes of the review of the Local Council Tax Support Scheme during 2024/25 and new proposals for council tax premiums for empty properties.

If the Executive accepts the budget recommendations in this report, further work will be undertaken over the coming weeks to test and refine the proposals, including consultation with the Overview & Scrutiny Committee's Budget Scrutiny Panel and other stakeholder groups. This will help ensure that the Council adopts a balanced budget for 2024/25 and is in the best position to prepare for anticipated budget challenges in 2025/26 onwards.

In summary the Revenue Budget proposals are based on:

- | | |
|--|---|
| Service Budgets | <ul style="list-style-type: none">• Savings proposals of (£1.719) million• Additional income of (£0.540) million from reviewing current income budgets and from updating charges in line with the Fees & Charges Policy;• Growth of £0.943 million due to unavoidable budget pressures and obligations. |
| Service Budget Issues, Risks & Opportunities | <ul style="list-style-type: none">• Potential growth due to Government funding cuts (housing benefit subsidy and grants) of up to £0.964 million;• £0.200 million for planned investment in the IT Strategy that was approved in 2022. |
| Call on Reserves for Service Issues, Risks & Opportunities | Forecast use of earmarked Reserves to fund Service Issues, Risks and Opportunities, if other mitigating actions are not sufficient: <ul style="list-style-type: none">• Up to (£0.964) million from the Government Funding Risks Reserve to mitigate forecast housing benefit funding cuts;• Up to (£0.200) million from the IT Strategy Reserve to fund planned investment. |
| Central Budgets | <ul style="list-style-type: none">• Provision of £1.750 million for pay growth (contractual increases and negotiated annual pay award);• Reduction of (£0.200) million in forecast Treasury Management net borrowing costs and investment income;• Other central budget net savings totalling (£0.176 million). |
| Council Tax | <ul style="list-style-type: none">• 2.99% increase for Band D properties and a forecast 1.19% increase in the taxbase which will generate (£0.669) million of additional income. |

NNDR

- Forecast decrease of (£0.650) million in this council's share of business rates.

Government Grants

- No change assumed to the Services Grant, Minimum Funding Guarantee Grant and New Homes Bonus.

One -off use of Reserves and Grants in Previous Years

- Reversal of use of Reserves and one-off grants in 2023/24 £0.857 million

Resulting in a net Revenue Budget change, compared to the 2023/24 budget, of £39k.

Executive has authority to approve recommendations (i) to (x).

STATUTORY POWERS

1. The Local Government Act 1972 requires the Council to set the associated annual budget as part of proper financial management. This report is part of that process.
2. The Local Government Act 1992 requires councils to set a balanced budget and announce the Council Tax level by 11 March each year. Section 65 of the Act requires the Council to consult representatives of those subject to non-domestic rates in the Borough about its proposals for expenditure for each financial year.
3. The Chief Finance Officer has a key role to play in fulfilling the requirements of the statutory duty under the Local Government Act 2003 to keep the authority's finances under review during the year and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.
4. Council Tax Reduction Scheme: Section 13A(2) of the Local Government Finance Act 1992 (as amended) requires billing authorities to make a reduction scheme for persons in financial need or classes of persons that the authority considers – in general – to be in financial need. Section 13A(1)(c) of this Act gives billing authorities the power to reduce a liability to an extent that is seen fit.
5. Local Council Tax Support Scheme allowances and premiums will be increased on 1 April in line with other national increases contained within the Housing Benefit Regulations 2006 and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.

SERVICE & FINANCIAL PLANNING

Service Context

6. It is important that our service plans respond to the context in which they will be implemented, in order to provide effective services that meet the needs of residents,

communities and businesses. The local, national and regional context that has informed our service plans is summarised below.

Reigate & Banstead 2025 - Our five-year Corporate Plan

7. The Corporate Plan for 2020-25 sets out the organisation's vision, priorities, aims and objectives, and informs Council decisions at every level. The vision set out in 'Reigate & Banstead 2025' is to be recognised by our residents, businesses and partners as a leading Council. This means:
 - Delivering quality services and support;
 - Providing value for money;
 - Making the borough a great place to live, work and visit;
 - Being proactive about tackling climate change and reducing our environmental impact; and
 - Being flexible and sustainable, responding to the needs and demands of our borough, residents, businesses.
8. The Corporate Plan seeks to deliver against the vision, with priorities grouped around the three themes of People, Place and Organisation. These priorities have been taken into account in developing the 2024/25 service & financial planning proposals.

Service Plans

9. Each Council service has reviewed its future direction in light of the wider context in which it operates, and its role in delivering our updated Corporate Plan priorities. These plans set out the direction of Council services, including key changes and priorities.
10. As in previous years, the service planning process has included a review of service budgets and the staff establishment to ensure that revenue funding is appropriately allocated, and that budgets and the staff establishment are 'rightsized' to the work undertaken in each service area.
11. This has resulted in savings being identified across a number of service areas, including from the deletion of no longer needed budgets, and identification of alternative funding sources for some activities. More detail on specific service savings is detailed at Annex 3. In some instances, a need for growth has been identified, associated with new staff posts, cost inflation and to enable more environmentally sustainable operations. As in previous years, growth is also required in ICT and system licences budgets to accommodate increased costs associated with support and maintenance contracts.
12. Specifically in relation to the Council's property assets, it has been necessary to address forecast void costs and some additional maintenance and running costs and environmental improvements, however increased income from our asset portfolio is also forecast. It should be noted that the financial implications of the current closure of the Harlequin Theatre since September 2023 and the impact on asset management and service budgets is being assessed and will be subject to further progress updates in the January budget report.
13. In addition to the above, a range of changes are proposed to locally-set Fees & Charges, to ensure that they continue to cover the cost of providing the relevant service. The draft budget also reflects an increase in nationally-set planning fees. More information about the approach taken to reviewing locally-set Fees & Charges is provided below.

National and Regional Context

14. Legislation, policies from national government, and decisions made by partner organisations (e.g. Surrey County Council), will continue to have a significant effect on our residents, and therefore on the support and services that the Council provides. Annex 1 provides a summary of the international, national and sub-national context within which this Council will need to operate in 2024/25.
15. There continues to be considerable uncertainty about the direction of various elements of national policy that impact on local government and the work that we do, and the longer term approach to supporting local authorities. However, the overarching context remains one where there is increasing demand for Council services, whilst simultaneously experiencing a real-terms reduction in funding and resources.
16. Whilst Reigate and Banstead remains a prosperous area, factors around the cost of essential items such as food and energy, unaffordability of housing, and constraints on all public sector resources are presenting challenges for the borough and many of its residents. The Council is continuing to work to respond to these challenges by increasing efficiencies and generating income, but this context continues to present an increasing pressure of work to meet the needs of our residents.
17. It is important that our service plans respond to the context in which they will be implemented, in order to provide effective services that meet the needs of residents, communities and businesses. The local, national and regional context that has informed our service plans is summarised below.

FINANCIAL CONTEXT

18. The Council continues to manage its finances well and has continued to deliver significant service improvements and priority projects despite increasing pressures on services and increased costs due to inflationary pressures and rising interest rates.

Chancellor's Autumn Budget Statement and Spending Review

19. As explained in the Medium Term Financial Plan at Annex 2, there is still uncertainty when the Provisional Local Government Funding Settlement will be announced but it is assumed to be at the end of December. Also the Chancellor of the Exchequer is expected to present his Autumn Budget Statement on 22 November 2023. Current assumptions are summarised below:
 - It is anticipated that there will again be a one year funding settlement for 2024/25 which will be based on core principles including maintaining council tax increases at the 2023/24 level, i.e. 2.99%.
 - It is also anticipated that there will effectively be an extension of Spending Review 2021 (SR21). There is still little sector confidence that forecast inflationary pressures on council budgets will be funded, notwithstanding the expectation that inflation levels are expected to reduce later this year alongside interest rates in year 2024/25.
 - The last Spending Review was based on 3% real terms growth for local government in 2023/24 (excluding any additional growth raised by increasing Council Tax to the 2.99% level) whereas CPI is now running at 6.7% as was announced by the Office for National Statistics on 20 September 2023.
 - The timing of the Fair Funding review is once again unknown; and this is likely to be pushed back to 2025/26 or 2026/27 after the next general election which is due by January 2025.

- It is assumed that the Services Grant will continue and the Minimum Funding Guarantee grant will also continue for another year (based upon 2023/24 principles). This will be subject to confirmation in the December Provisional Settlement.
- There is no confirmation yet on whether a further year of New Homes Bonus payments will be announced, however, if 2023/24 funding principles are continued by the Government, then a further year of funding would follow. There are no longer any legacy payments from the scheme.
- The Business Rates (National Non-Domestic Rates - NNDR) revaluation in April 2023 will not have a significant impact on this Council's funding position (or its own NNDR costs) as transitional relief will be provided by the government to mitigate the impacts.
- For local government, the September 2023 CPI figure of 6.7% is important as it will be used to index the NNDR multiplier, and to uplift Revenue Support Grant (RSG) and the baselines within the Business Rates Retention System (BRRS). We still do not know whether the Chancellor will decide to freeze, cap or fully index the business rates multipliers in 2024-25. That is a decision that is likely to be announced in the Autumn Statement on 22 November 2023.
- In 2024-25 there is a further potential complication of de-coupling the small and standard NNDR multipliers. To date, both multipliers have been updated on the same basis, with the BRRS using the small multiplier to update the baselines. If the Non-Domestic Rating Bill receives Royal Assent in time, then ministers will have the powers to de-couple the multipliers. One option might be to fully index the standard multiplier (for larger businesses), and to freeze the multiplier for smaller businesses. We do not yet know enough about how this new system will operate to be able to reflect it in MTFs forecasts.

20. Other points of note include:

Local Government Funding

- There have been no updates from since last year about local government funding reforms (Fair Funding Review and business rates changes) – it is assumed they have now been pushed back to at least 2025/26 after the next general election.
- Similar uncertainty surrounds whether local government will receive a multi-year funding settlement, a further one year settlement is probable;
- There has been no indication whether New Homes Bonus will cease for 2024/25, or whether it will continue for the remainder of the spending review period; and
- Continuation of the Services Grant and Minimum Funding Guarantee Grant (the latter introduced in 2023/24) is yet to be confirmed.

Council Tax

- Council tax referendum limits are expected to remain at similar levels to last year – assumed to be 2.99% or £5 per band D property (to be confirmed in the Settlement Announcement in December); and

- The adult social care precept levied by Surrey County Council will likely remain (also to be confirmed in December);
- Business Rates**
- No announcements have been made yet regarding continuation of the additional Reliefs introduced during the pandemic or about the planned Baseline reset or any other business rates reforms;
 - The Multiplier may be frozen again, however it is likely that the Under-Indexing Multiplier Grant will be increased (as it was in 2023/24 by an inflation linked adjustment) to ensure that councils' shares of business rates income are not adversely affected.
 - It is anticipated that Top Up and Tariff payments for councils will remain at similar levels to financial year 2023/24.
 - No further progress has been made regarding the intended consultation on an Online Sales Tax; and
- Housing and Homelessness**
- It is assumed that support for asylum seekers, the Rough Sleeping Initiative and Homelessness Prevention Grant will continue.

Government Funding Assumptions 2023/24 Onwards

21. The Council still expects to see a significant decline in Government funding support over the medium term as retained business rates receipts are cut; with a net reduction in future years as shown in the table below.

Table 1: BUSINESS RATES FORECAST	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Forecast NNDR Resources	3.994	3.344	2.524	2.574	2.624	2.678
Annual Increase / (Reduction)	-	(0.650)	(0.820)	0.050	0.050	0.054
Cumulative Increase / (Reduction)	-	(0.650)	(1.470)	(1.420)	(1.370)	(1.320)

NOTE:

1. Subject to confirmation in the January Budget report following the Provisional Settlement announcement.
2. An additional negative RSG tariff payment to be deducted each year from the resources above has been mooted by the Government since 2018, however, this still dependent upon the outcome of the Fair Funding and Business Rates review which is now unlikely until 2025/26 at the earliest. Therefore, and for the sake of clarity, negative tariff deductions have been excluded from the table above until definitive proposals are received from the Government.

22. These forecasts will be updated when the Provisional Local Government Settlement is announced in December and the Final Settlement in January or February 2024.

Specific Grants

23. There is still an expectation that these will be rolled into the funding system when 75% business rates retention is introduced (still expected as part of a longer-term Spending Review).

New Homes Bonus

24. At the time of preparing this report it remains unclear if 2023/24 was the final year of New Homes Bonus allocations or whether there will be a further annual allocation.

Council Tax Reform

25. No significant changes are expected following latest government policy changes and announcements. However council tax policy remains a mechanism that the Government may opt to use to assist households with the cost of living crisis.

Partner Funding

26. Like the majority of authorities, Surrey County Council continues to face financial constraints. The County implemented £18.9 million of budget efficiencies in 2023/24 with further significant savings plans identified for delivery through to 2026/27.
27. County service reductions will continue to potentially impact on residents in this borough and make it more difficult for us to deliver on our own corporate priorities within the context of our already challenging financial position. Further constraints at the county level mean that this Council needs to continue to work closely with the County Council and other partners to ensure that residents continue to receive the services they need, delivered in an efficient and cost-effective way.

COVID-19 Pandemic / Cost of Living Crisis

28. During previous financial years the Covid-19 pandemic put a strain on the Council's income and expenditure budgets and reserves, however, the budget outturn position at year-end was generally more positive than initially feared, in part due to the ability to carry forward unspent Government funding to continue to fund pandemic expenditure and income losses during the year.
29. At the time of preparing this report the budget impacts of the pandemic have been addressed, having taken action during budget setting for 2023/24 to re-baseline those income budgets that had not recovered to pre-pandemic levels.
30. The Council is however facing continued challenges arising from the national economic crisis and inflationary pressures combined with higher interest rates. Several budgets are proving increasingly challenging to forecast accurately in the current economic climate. The budget-setting process has therefore included consideration of how the risks will be funded if they crystallise, primarily by ensuring that adequate funding is held in Reserves to cover them. Examples include property rents, recycle prices, homelessness costs, housing benefit costs and funding and treasury management costs impacted by the increases in interest rates.
31. Nevertheless, overall, the Council remains in a relatively strong position to respond to financial challenges. We have established ring-fenced revenue Reserves to manage financial risks. However, use of Reserves represents a short solution as they only provide funding in the year they are used. The Council continues to work towards generating new sources of income to secure our long-term financial stability.

Medium Term Financial Planning

32. The Council has been planning for the loss of Government funding, with the objective to become financially self-sufficient going forward. In order to achieve self-sufficiency we need to continue to find budget efficiencies whilst also generating new sustainable sources of additional income.
33. The Council's Medium Term Financial Plan (MTFP) was last approved in July 2023 and sets out the financial direction of the Council over the medium term to ensure that the Council plans and manages its resources effectively. It sets out the priorities

that will be taken into account when preparing the draft budget for 2024/25. The latest updates to the MTFP are summarised at Annex 2.

Medium Term Financial Plan Forecasts

34. At the time of preparing this report and in considering the details presented within it, in terms of growth, savings and additional income, it will be possible to balance the 2024/25 revenue budget without significant use of additional reserves, however, this will all be subject to the Government funding proposals for 2024/25 which will be announced in the Provisional Local Government settlement in December and any pre-announcements that fall out of the Chancellor's Autumn Statement that is due on 22 November 2023.
35. The final position and MTFP forecasts for 2024/25 onwards will therefore be set out in the January budget report which will follow the Final Local Government settlement due in January.

Financial Sustainability Programme

36. Reliance on one-off measures such as the use of Reserves is not without risks and will not be sustainable over the long-term. Going forward, solutions that reduce costs or increase income on a permanent basis will have to be identified for 2024/25 onwards.
37. A Financial Sustainability Programme has been implemented, focussing on four key areas:

Income Generation

- Pursuing opportunities to generate new income streams;
- Optimising Fees & Charges; and
- Implementation of the Commercial Strategy.

Use of Assets

- Making effective use of existing assets, including the repurposing and sale of surplus properties.

Prioritisation of Resources

- Reviewing in-year budget monitoring forecasts to identify new opportunities for savings and efficiencies;
- Reviewing the level of service provided and focussing resources on priority services; and
- Managing pay costs and making effective use of staff resources.

Achieving Value for Money

- Actively pursuing options to share with other councils to realise efficiency savings; and
- Identification of invest to save opportunities – including investment in technology and assets to reduce operational costs.

38. The Corporate Governance Group (comprising statutory officers and directors) oversees progress in the identification and delivery of initiatives in the Plan while delivery of individual projects is managed through officer management Boards.
39. Progress is reported to Executive, Overview & Scrutiny and individual Portfolioholders as part of quarterly performance reporting.
40. More information on the Programme is provided at Annex 2.

Commercial Strategy

41. While service efficiencies and council tax increases are important, their contribution to addressing the financial challenges faced by the Council is limited. It is therefore important that the Council also operates more commercially in some areas, where this is consistent with the ethos of the organisation. This means maximising existing net income streams and generating new ones to support service delivery. This requires investment – and will have an element of risk – but it will also enable the Council to develop and grow into a self-sustaining organisation.
42. To guide its work in this area, the Council has adopted a Commercial Strategy (Part 1 - November 2020 and Part 2 - December 2021).
43. The definitions and principles that the Strategy includes, and the categories of activities it sets out, are intended to assist in the understanding of why this Council needs to undertake commercial activity, and how such activity will be approached, and future investment focused.

Part 1 sets out three guiding principles for commercial activity:

- **Principle 1:** Our commercial activity will be ethical, and consistent with the Council's statutory responsibility to promote economic, environmental and social wellbeing in the borough, and our corporate objectives as well as in line with all relevant advice and guidance;
- **Principle 2:** Any decisions which have a commercial aspect will be based on a robust assessment of the business case using consistent relevant criteria, and appropriate due diligence and risk assessment; and
- **Principle 3:** Surplus income generated through our commercial activities will be used to ensure the financial sustainability of the Council and continued delivery of services for local people.

Part 2 explains that the main elements of a commercial approach will be:

- A project pipeline to establish new income streams from asset activity while also delivering broader corporate objectives.
- Ensuring that existing income streams we already rely on from our assets are maintained and where possible increased; and that we repurpose, redevelop or dispose of those assets that cost us money.
- Investing in new assets to secure income or deliver savings whilst also delivering corporate priorities.
- Continuing to sell or trade services where we already do this; and looking to introduce new trading activity where this aligns with our local government remit and areas of expertise.
- Taking a more commercial approach to fees and charges.

The Strategy also includes a Commercial Activity Action Plan, progress on which will be reported annually. The Action Plan will support delivery of new income generation opportunities for inclusion in future MTFP forecasts. An annual report on progress against Strategy objectives is presented in December each year.

44. The Partner, Shareholder and Trustee Executive Sub-Committee, supported by other Executive Members, has been working to develop and implement the Council's commercial agenda. This has included (and will continue to include) consideration of potential investment opportunities, opportunities to improve the performance of the Council's existing asset portfolio and activity in relation to companies within which the Council has an interest. The sub-committee considers all potential and existing commercial activity in the context of the wider economic and policy framework within which the Council needs to operate.
45. The 2024/25 budget proposals and MTFP include forecasts for income from the newly-constructed leisure and commercial units at The Rise (Marketfield Way) development. These are based on an assessment of confirmed rental income net of landlord overheads and handover expenses. Forecasts will be updated in future budget and MTFP reports as the remaining units at the development are handed over and tenancies are signed.
46. Forecasts for other commercial projects, including the vacant commercial units at Wheatley Court (Cromwell Road), will be included when lettings are confirmed.
47. Work also continues under the Strategy to review the Council's property assets in order to identify potential development opportunities that can be formulated into a project pipeline.

REVENUE BUDGET

48. The Revenue Budget comprises five 'building blocks' as follows:
 - a. **Net Cost of Services:** These are the direct costs incurred in delivering services through the three Directorates, net of specific income generated by them;
 - b. **Central Budgets:** These are costs incurred and income received that are not service-specific, eg. treasury management costs and income and audit fees;
 - c. **Sources of Funding:** These income budgets are general, non-service specific income sources. They include other grant funding from Central Government and this Council's share of Non-Domestic Rate income which includes the continued impact (benefit) of the one-off elimination of 'Negative Revenue Support Grant' that was announced by the Government in September 2019 and has continued in subsequent years pending the outcome of local government funding reforms;
 - d. **Council Tax:** After the budget requirement has been established for the other blocks then the amount required by this Council from council tax can be calculated; known as the 'Demand on the Collection Fund'; and
 - e. **Contributions (to)/from Reserves:** This relates to use of Earmarked Revenue Reserves, which have been allocated to fund specific purposes. The impact of the use of Reserves is a reduction in the total income demand on council taxpayers. It also refers to the use of funds from the General Fund Balance to support the annual revenue budget.

Revenue Budget Outturn position for 2022/23

49. The 2022/23 Original Revenue Budget approved by Council in February 2022 was £19.980 million.

50. At 31 March 2023 the full year provisional outturn for Services and Central Budgets was £18.301 million against a management budget of £20.062 million, resulting in an overall net underspend of (£1.761 million) (8.8%).

Table 2: REVENUE BUDGET MONITORING AT 31.3.23	Original Budget £m	In-Year Adjustments £m	Management Budget £m	Year-end Outturn £m	Year End Variance £m
Service Budgets	18.023	(0.043)	17.980	17.826	(0.154)
Central Budgets	1.957	0.124	2.082	0.475	(1.606)
Sub-Total	19.980	0.081	20.062	18.301	(1.761)

51. The service & financial planning process for 2024/25 has included an assessment of whether any budgets require realignment to reflect historic outturn trends.

Service Budgets

52. The 2022/23 Original Budget for Services approved by Council in February 2022 was £18.023 million. At 31 March 2023 the full year outturn was £17.826 million against a management budget of £17.980 million resulting in an underspend of £0.154 million (0.9%).

53. The key variances leading to the underspend were:

Organisation

- Property & Facilities Energy Costs - £0.393 million overspend due to higher costs of electricity and gas;
- Property & Facilities - £0.388 million overspend due to lower than budgeted rental income and higher rates and property maintenance costs;
- Legal Services - £0.170 million underspend due to vacancies.

Place

- Refuse & Recycling - £0.702 million underspend due to increased income from a higher volume of garden waste subscriptions & lower waste disposal costs;
- Car Parking - £0.515 million underspend due to higher than expected income from pay & display car parks;
- Environmental Health & JET – £0.140 million underspend due to successful court actions against landlords and higher income from EV charging points.

People

- Revenues, Benefits & Fraud - £0.824 million overspend due to net impact of lower subsidy and higher Housing Benefit costs partially offset by lower net staff costs and higher fees & charges income;
- Harlequin - £0.147 million underspend driven by higher income from amateur shows and lower staff costs due to vacancies.

Management Team

- £0.124 million underspend driven by lower cost of restructured team.

Central Budgets

54. The 2022/23 Original Budget for Central Budgets approved by Council in February 2022 was £1.957 million. At 31 March the outturn was £0.475 million against a management budget of £2.082 million resulting in an underspend of £1.606 million (77.1%). This underspend is mainly as a result of lower Treasury Management costs and a lower Minimum Revenue Provision requirement.

Revenue Budget 2023/24

55. The Revenue Budget for 2023/24 was approved in February 2023. In summary it comprises:

Table 3: REVENUE BUDGET SUMMARY 2023/24	Budget 2023/24 £m
1. Net Cost of Services	20.618
2. Central Budgets	2.576
NET EXPENDITURE	23.194
3. Council Tax	16.293
4. Business Rates (NNDR)	3.994
5. Other Un-ringfenced Grants	
• Services Grant	0.093
• New Homes Bonus Grant	1.034
• Minimum Funding Guarantee Grant	0.803
6. Grants Transferred to Reserves:	
• Homelessness Prevention	0.686
• Transfer to Reserves	(0.686)
7. Call on Earmarked Reserves:	
• Government Funding Risks Reserve	0.484
• IT Strategy Reserve	0.493
Use of funds from the General Fund Balance to support the Revenue Budget ¹	-
NET SOURCES OF INCOME	23.194

NOTE 1: The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2023/24. Over recent years the budget outturn has been an underspend position with no requirement to call on Reserves.

Service Budgets

56. Service budgets are summarised in the table below:

Table 4: SERVICE BUDGETS	Budget 2023/24 £m
ORGANISATION	
Communications / Customer Service	1.170
Finance	1.260
ICT	2.396
Legal & Governance	2.358

Table 4: SERVICE BUDGETS	Budget 2023/24 £m
Organisational Development & HR	0.733
Corporate Policy, Projects & Performance (including Environmental Sustainability)	0.532
Property & Commercial	0.431
PLACE	
Economic Prosperity	0.288
Neighbourhood Operations	4.803
Place Delivery	0.334
Planning	0.595
PEOPLE	
Community Partnerships	1.306
Housing	0.898
Revenues, Benefits & Fraud	2.161
Leisure & Culture	0.408
SENIOR MANAGEMENT TEAM	0.946
TOTAL	20.618

57. In 2023/24 onwards the cost of housing benefit payments and associated government funding is being reported in budget monitoring as Central Budget item instead of within Service budgets (Revenues, Benefits & Fraud) on the basis that these are costs that are generally outside Council's direct control.

Grant-Funded Posts

58. An area for future consideration as part of budget-setting relates to posts that are currently funded through calling on the Homelessness Prevention grant that is held in an Earmarked Reserve. They comprise:

- Housing 10.9 FTE £0.414m
- Revenues, Benefits & Fraud 1.0 FTE £0.033m

59. The 2023/24 Homelessness Prevention grant allocation of £0.668 million was confirmed in December 2021 along with £0.011 million of new burdens funding. This has been transferred to an earmarked Reserve until called upon to fund related expenditure. While there is currently sufficient grant funding available for these posts to continue in 2023/24 there remains a risk that the grant may cease and a decision will be required whether to continue to fund these posts through the Revenue budget as part of next years' service & financial planning process.

60. Other posts that are funded fully or in part from fixed term resources include:
- Community Partnerships 1.0 FTE £0.045m East Surrey Heartlands NHS
 - Community Partnerships 0.4 FTE £0.019m Surrey County Council
 - Leisure & Intervention 4.3 FTE £0.167m Refugee Support Grant
 - Leisure & Intervention 4.0 FTE £0.163m East Surrey Partnership
 - Planning & Development 2.0 FTE £0.087m Community Infrastructure Levy

2023/24 Service Budget Monitoring Forecasts

61. The full year forecast at the end of Quarter 1 (30 June) for Service budgets was £0.021 million lower than the management budget. The reasons for this forecast included:

- Property & Facilities: £103k overspend is mostly attributable to higher maintenance costs at the Harlequin and Clarendon Road Car Park;
- Organisational Development & Human Resources: £117k overspend driven by interim staff costs to bridge resourcing gaps whilst the 2023/24 restructure is effected;
- ICT; £98k overspend driven by higher cost of contract renewals, cyber security upgrade costs, new system contract costs but offset by underspends on ICT Strategy;
- Street Cleaning; £99k underspend driven by lower pay costs due to vacancies.
- Car Parking: £154k underspend driven by historic budget not yet adjusted following the termination of Surrey County Council on-street parking contract.

Central Budgets

62. Central budgets are set out in the table below. They comprise those budget items that are corporate in nature and are not associated with delivery of specific services.

Table 5: CENTRAL BUDGETS	Budget 2023/24 £m
Insurance	0.467
Treasury Management – net borrowing costs/investment income	(0.087)
Housing Benefits – net subsidy	(0.714)
Budget for Central Pay Costs	0.243
Employer Pension Costs	2.240
Central Vacancy Turnover Provision	(0.150)
Apprenticeship Levy	0.080
Central Recruitment & Visa Expenses	0.045
Central Training Budget	0.082
External Audit Fees	0.150
Internal Audit Fees	0.065
Preceptor Grants – Horley Town Council Section 136 (Double Taxation) Grant	0.044
Funding Contribution – Banstead Commons Conservators	0.111
TOTAL	2.576

63. As reported above, in 2023/24 onwards the cost of housing benefit payments and associated government funding is reported in budget monitoring as Central Budget item.

2023/24 Central Budget Monitoring Forecasts

64. The full year forecast at the end of Quarter 1 (30 June) for Central budgets £0.649 million lower than budget, mainly as a result of higher than budgeted interest income due to favourable rates, more funds on deposit and borrowing costs being less than that currently budgeted for.

Revenue Budget Funding

65. The sources of funding for the revenue budget in 2023/24 are set out in the table below.

Table 6: REVENUE BUDGET FUNDING	Budget 2023/24 £m
Council Tax	16.293
National Non-Domestic Rates	3.994
Other Un-ringfenced Grants:	
• Services Grant	0.093
• New Homes Bonus Grant	1.034
• Minimum Funding Guarantee Grant	0.803
Call on Earmarked Reserves ¹ :	
• Government Funding Risks Reserve	0.484
• IT Strategy Reserve	0.493
Use of funds from the General Fund Balance to support the Revenue Budget	-
TOTAL	23.194

NOTE 1: The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2023/24.

Revenue Budget-Setting Assumptions 2024/25

66. The following assumptions will be used during service & financial planning over coming months when preparing the draft Budget estimates:

- | | |
|--------------------|---|
| Council Tax | <ul style="list-style-type: none"> • To increase by the referendum limit – assumed to be 2.99% • Plus an increase to reflect forecast growth in the taxbase • The impacts of local discounts, exemptions and the local council tax support scheme will be taken into account when preparing income forecasts |
| Government Funding | <ul style="list-style-type: none"> • Fair Funding Review and loss of Negative RSG Grant will continue to be delayed to 2025/26 at the earliest. |

Retained Business Rates Income	<ul style="list-style-type: none"> Reset of Business Rates will continue to be delayed, again until 2025/26 at the earliest.
Fees & Charges	<ul style="list-style-type: none"> The Fees & Charges Policy is attached at Annex 5. For budgeting purposes it is assumed that fees and charges will increase in line with the Policy and that all fees and charged will be reviewed to ensure they comply.
Investment Income and Borrowing	<ul style="list-style-type: none"> Investments and borrowing will be forecast in line with forecast balances (reserves) and capital spending plans
Horley Town Council Double Taxation Grant	<ul style="list-style-type: none"> The current ten year grant ends in March 2024. 2024/25 budget forecasts have been prepared on the assumption that this arrangement will be renewed.
Banstead Commons Conservators Funding Contribution.	<ul style="list-style-type: none"> Budget forecasts have been prepared on the assumption that this will be renewed.
Pay Inflation	<ul style="list-style-type: none"> An allowance for a pay award is included in the draft Budget, in addition to forecast contractual pay increases. This provides the option for pay rises but the specific rate of increase will be subject to established consultation processes.
Employer Pension Costs	<ul style="list-style-type: none"> The latest published actuarial valuation of the Surrey Pension Fund confirmed that the Fund's total assets, which at March 2022 were valued at £5.3bn, were sufficient to meet 102% of liabilities (ie. the present value of promised retirement benefits) accrued up to that date. The resulting total Fund surplus at the 2022 valuation was £101m. Each employer has a contribution requirement set at the valuation, with the aim of achieving full funding within an agreed time horizon and probability measure, as set out in the Fund's Funding Strategy Statement. Individual employer contributions for April 2023 to March 2026 have been set in accordance with this requirement. For Reigate & Banstead this is based on a 15% payroll oncost charge plus a £1.869m lump sum annual deficit payment. There also a requirement to fund a £350k per annum contribution for historic 'compensated added years' that were granted to retirees prior to 2015
Price Inflation	<ul style="list-style-type: none"> The general principle remains that services should first seek to cover price inflation from their existing budgets, unless tied contractually to significant cost increases that warrant additional funding. Significant increases would be subject to approval of budget growth through the service & financial planning process. The current escalating rate of inflation means that it is likely that more bids for inflationary budget growth will have to be considered.

2024/25 Service Budget Proposals

67. Service budget income, savings and growth proposals are detailed at Annex 3 and summarised below, along with the potential impacts of service budget issues, risks and opportunities:

Table 7: SERVICE BUDGET PROPOSALS 2024/25	Approved Budget 2023/24 £m	Proposed Budget 2024/25 £m	Net Service Budget Increase / Decrease £m
ORGANISATION			
Communications / Customer Service	1.170	1.171	0.001
Finance	1.260	1.260	-
ICT	1.903	2.183	0.280
ICT - Reserve-funded growth for Strategy implementation	0.493	0.200	(0.293)
Legal & Governance	2.358	2.180	(0.178)
Organisational Development & HR	0.733	0.733	-
Corporate Policy, Projects & Performance (including Environmental Sustainability)	0.447	0.515	0.068
Property & Commercial	0.431	(0.578)	(1.008)
PLACE			
Economic Prosperity	0.288	0.276	(0.012)
Neighbourhood Operations	4.803	4.537	(0.266)
Place Delivery	0.334	0.334	-
Planning	0.595	0.455	(0.140)
PEOPLE			
Community Partnerships	1.306	1.271	(0.035)
Housing	0.898	0.848	(0.050)
Revenues, Benefits & Fraud	1.597	1.621	0.024
Revenues, Benefits & Fraud – growth for Reserve-funded government funding risks	0.564	-	(0.564)
Leisure & Intervention	0.408	0.408	-
SENIOR MANAGEMENT TEAM	1.030	1.030	-
TOTAL	20.618	18.445	(2.173)
Potential call on Reserves to Fund Budget Issues & Risks	(1.057)	(0.200)	0.857
REVISED TOTAL	19.561	18.245	(1.316)

Service Budget Issues, Risks and Opportunities – 2024/25 Onwards

68. In addition to the service budget growth proposals in this report there are other potential service budget pressures and opportunities that will have to be addressed in 2024/25 onwards:

Issues:

(i) Harlequin Theatre

- Following confirmation of the presence of Reinforced Autoclaved Aerated Concrete (RAAC) at the Harlequin Theatre in September 2023, there is an emerging a risk of income loss and additional costs. Work is in progress to confirm the extent of the problem and the remedial costs required alongside the timeframe for executing the rectification. It had been forecast that increased income would be possible for 2024/25, however the RAAC discovery has negated this income opportunity for the time being.

Risks

69. Budget risks are detailed at Annex 2 – the most significant include:

(i) Geopolitical and economic pressures

- World-wide pressures continue to have a significant impact on the world economy and this impacts on the U.K. business, including local government. Inflationary fears and interest rate rises have affected most councils and there are still concerns over how long inflation and interest rates will remain at current levels and a recession. These pressures, particularly on the supply side impact on prices of energy and other supplies including oil, which are a key element of local council costs.
- The date for the next general election is drawing nearer and the latest date this could be is January 2025. This will fall into the financial year 2024/25 for the council. Any resulting policy changes could have a significant impact on local government.

(ii) Energy Prices

- Escalating electricity and gas costs were flagged as a significant issue when setting the budget for 2023/24 and £0.65m growth was included to address the forecast additional cost.
- 12 month contracts were subsequently renewed in March 2023 (gas) and October 2023 (electricity) and the budget has been adjusted to reflect the new lower tariffs and forecast energy prices in 2024/25. Action also continues to be taken to reduce consumption wherever possible.
- This has resulted in a reduced budget requirement of £0.35m as detailed in the service proposals above. However there is ongoing uncertainty due to the volatility of the supply market.

(iii) Temporary accommodation crisis and costs

- Councils provide a safety net for the most vulnerable people and migrants who need help, and the cost and availability of this is a budget risk for this Council for 2024/25 and future financial years.
- Figures from the Department of Levelling Up, Housing and Communities have shown that the cost of temporary accommodation to local authorities reached £1.7bn last year and is increasing rapidly.

- In October 2023 the District Councils network issued a cross-party letter ahead of the Autumn Statement urging the Government to adopt measures to mitigate the impacts. Councils have shared information and explore solutions amid the 'escalating social and financial crisis' created by the soaring need for temporary housing.
- Further updates will be provided on budget developments in this area and reported in the January Budget report.

(iv) External Audit fees

- There is a risk of increases in external audit fees of up to 151%; this is currently being consulted upon with the Public Sector Audit Appointments (PSAA). The PSAA are due to publish their decision and new fee levels by 30 November 2023.

(v) Housing Benefit subsidy

- Up to £0.964 million budget growth may be required in 2024/25 to fund the Forecast shortfall in housing benefit subsidy and grants from Government (Department for Work and Pensions). This is a cautious estimate at November 2023 as the loss of subsidy can go up and down during the year and is dependent on many factors including government funding and discretionary housing payments. This growth requirement will be kept under review and further updates will be provided in the January budget report when firmer data is available to quantify any likely budget pressure.
- This relates to the continued impacts of pressures of up to £0.500 million that were identified during budget setting for 2023/24.
- For 2024/25, any additional growth required if the shortfall increases to the forecast £0.964m will again be funded by calling on the Government Funding Reserve that has been established to help manage this type of risk.
- The key reasons why funding is forecast to be lower than the costs incurred include:
 - The continued transition of claims to Universal Credit leaving this authority to manage those claims where a subsidy shortfall is likely;
 - Increased cost of claims from residents in supported housing which is recognised as a national funding issue for local authorities due to how the benefit rules currently operate;
 - Cost to the council of recovering housing benefit overpayments; and
 - Increased cost of making discretionary housing payments.

Discretionary Housing Payments are provided to support some residents with rental payments, where they also receive Housing Benefit or the housing element of Universal Credit. The Department for Work and Pensions provides some funding to local authorities for this but it is not sufficient to meet demand. Local authorities are able to make payments above the DWP funding, but the additional cost has to be met from the Council's budget. This Council's funding for 2023/24 was £187,890.

(vi) Property Rental Income

- Steady progress has continued over the past year to fill several of the Council's longstanding void commercial properties. This has the dual benefit of maintaining rental income levels and also avoiding having to fund the costs of managing empty buildings (energy, rates, insurance, etc). However there will always be periods of time when some units are vacant.

(vii) Government Resources & Waste Strategy

- An announcement on 20 October 2023 confirmed the outcomes of consultation on proposals set out in the Waste & Resources Strategy from 2018. These outcomes will be introduced via secondary legislation following enactment of the Environment Bill.
- The strategy sets out how the Government intends for the country to preserve material resources by minimising waste, promoting resource efficiency, and moving towards a circular economy.
- Three key measures from the strategy are:
 - Invoke the 'polluter pays' principle and extended producer responsibility (EPR) for packaging;
 - Introduce a deposit return scheme (DRS) for drinks containers, to reward people for bringing back bottles and encourage them not to litter their empties; and
 - Improve recycling rates by implementing the Simpler Recycling system for all LA in the country.
- These measures will have a considerable impact on local authorities, particularly the Simpler Recycling scheme, which will affect how kerbside recycling services are delivered in the near future.
- Timescales were recently confirmed:
 - EPR and DRS elements proposed for October 2025;
 - Simpler Recycling scheme for all households by March 2026; and
 - Full recycling for businesses with more than 10 FTE by March 2025 and for micro business 2 years later.
- Current recycling budgets are also experiencing significant volatility due to rapid pricing changes. At times the Council generates an income from recyclates while during other periods it has to pay to dispose of the same waste. This makes future budget planning challenging.
- The Simpler Recycling scheme will require the Council to roll out recycling collections of Dry Mixed Recycling (DMR) and Food Waste to the 5,500 properties who do not yet have the full service by the end of March 2026. The additional costs will have to be assessed as part of service & financial planning for 2025/26 onwards, taking into account any additional funding provided by Government for implementation.

Opportunities

70. Potential budget opportunities include:

- (i) IT Strategy

- The IT Strategy was approved in April 2022 focussing on high priority projects:
 - Improvements in Disaster Recovery;
 - Improvements in Cyber Security;
 - Replacement of the Telephony systems; and
 - Customer Relationship Management (CRM) developments.
- Progress at the time of preparing this report included:
 - The Disaster Recovery implementation has started with go live expected in December 2023;
 - The new contract for the Cyber Security managed service is in the deployment phase;
 - The Telephony system replacement took place in November 2023; and
 - Development of the CRM system continues with over one hundred online processes now available for use by staff and the public.
- 2024/25 budget proposals are based on continuation of implementation, utilising the Revenue Reserve that was allocated to fund the Strategy.

(ii) Environmental Sustainability Strategy

- Embedding awareness of sustainability more consistently across the work of the Council and utilising capital and revenue investment to generate efficiency such as solar panels and use of electric vehicles or changes of fuel use to Hydrotreated vegetable oil (HVO). It should be noted that further capital growth requests will be presented for decisions by Executive and Council in December with regard to the utilisation of Electric Vehicles and transition of the existing diesel refuse collection vehicle fleet to run on Hydrotreated Vegetable Oil (HVO).
- Capturing the need to balance different competing demands upon greenspaces, such as recreation, biodiversity, health, and sustainable practices. There are also a number of new Capital Growth items in Annex 4 which are funded by Community Infrastructure (CIL) and are being specifically introduced for environmental and sustainability consideration over the next five years.
- By ensuring a stronger focus on providing environmentally sustainable behaviours within the borough as a whole including businesses and for residents.

(iii) Procurement Capacity

- Over recent years the Council has been increasingly reliant on external and interim support to manage procurement of the goods and services that support service delivery. This has ensured that contract-letting activity has continued but has also resulted in a lack of in-house skills and knowledge in this area.
- A short-term focus on meeting contract-letting deadlines has also tended to restrict opportunities to take a strategic oversight of future planned procurements and seek opportunities to secure cost savings and/or quality improvements.

- It is therefore important that the Council rebuilds in-house capacity to manage and deliver procurement activities to ensure the Council secures value for money.
- A business case for investment is being developed and will be presented for consideration as part of future budget proposals.

(iv) Tenancy and Commercial Income

- Wheatley Court: After taking account of operating costs, residual income from the tenancies will be held in a property maintenance sinking fund and used to support housing service delivery.
- Income from the commercial units will continue to support the budget in general.
- The Rise: £0.700m income is forecast from confirmed lettings for 2024/25 and this has been factored into the budget proposals in this report.

(v) Leisure Contract Renewal

- The current management contract expires in 2024 and proposals for renewal are being prepared for consideration.

Service Savings, Additional Income and Growth Proposals

71. Service savings, additional income and growth proposals (as detailed at Annex 3) result in the following net budget movements:

TABLE 8.1: SERVICE BUDGET PROPOSALS FOR 2024/25		2024/25	
		FTE	£m
Budget Movements:			
Annex			
3.1	Services – Pay	5.0	0.129
3.2	Services – Non-Pay	-	(1.445)
NET BUDGET GROWTH / (SAVINGS)		5.0	(1.316)

TABLE 8.2: FORECAST SERVICE BUDGET ISSUES, RISKS & OPPORTUNITIES IN 2024/25		2024/25	
		FTE	£m
Annex			
3.3	Budget Risks – Government Funding Reductions	-	0.964
	Budget Risks – ICT Strategy Costs	-	0.200
BUDGET GROWTH FOR FORECAST ISSUES, RISKS & OPPORTUNITIES - FUNDED FROM RESERVES¹		-	1.164

NOTE 1: Actual values to be confirmed through in-year budget monitoring.

Service Fees & Charges

72. Income from Fees & Charges in 2023/24 contributes £16.7 million to support service delivery.
73. A review of Fees & Charges has been carried out during 2023/24 to support delivery of MTFP and Commercial Strategy targets for increasing sustainable income streams to support the budget. Actions that have been taken include:

- Monitoring the Council’s strategic approach to Fees & Charges;
- Ensuring that income budgets reflect forecast levels of demand; and
- Reviewing expanding existing charges for services that have scope for growth.

74. The review was undertaken in accordance with the Fees & Charges Policy, and has included consideration of service delivery costs, benchmarking and published inflation rates. The table below provides headline information about the proposed changes. A full breakdown of changes to individual Fees & Charges is provided for members within the Modern.Gov portal. For the avoidance of doubt, the table below does not include statutory charges set outside of the Council’s control.

Table 9: – FEES AND CHARGES 2024/25	Increase %	Additional Income £m	
Waste & Recycling	3 - 7	0.146	Garden waste: increase from £68 to £70 (3%) Other charges - 7%
Parking	7	0.138	Based on 7% rounded to nearest 10 pence with introduction of differential pricing in Horley
Planning	7 - 28	0.160	Statutory planning fees - 28% (national tariff) Non-statutory fees – 7% Budget re-baselined to reflect forecast volumes
Greenspaces	3 - 7	0.021	Allotments: increase from £97.90 to £100.72 (2.8%) Advertising, cemeteries & sports pitches - 7%
Community Centres	4	0.025	Budget re-baselined to reflect forecast volumes
Licensing	5.5 - 7	0.024	Licensing advice - 7% Taxi licensing - 5.5% and budget re-baselined
Revenues & Benefits	7	0.023	Increase in line with F&C Policy
Street Naming & Numbering	7	0.003	Increase in line with F&C Policy

75. It should be noted that amending some Fees & Charges requires statutory notification and consultation. Further information about the approach that is being taken to meet these statutory requirements is included in the Consultation section later in this report.

76. The Policy on Fees & Charges is attached at Annex 5.

Commercial Income

77. The Medium Term Financial Plan includes the objective of:

- To consider and take advantage of **commercial opportunities** as they arise to deliver new income streams.

78. Delivery of this objective is supported by the allocation of funds in the Capital Programme to purchase or develop assets that will generate new income streams as well as supporting delivery of corporate objectives. These purchases will be financed through prudential borrowing therefore provision will have to be made in the revenue budget for the costs of repaying that debt. It will also be necessary to ensure that borrowing for this purpose complies with Government and CIPFA guidance, specifically 'borrowing in advance of need' and enhanced restrictions on PWLB borrowing.
79. The main new sources of additional income that are being progressed are the commercial units at the new Cromwell Road development (Wheatley Court); and at the Marketfield Way (The Rise) development. This is in addition to the work that is already in progress to ensure maximum occupancy of existing property assets. Initial estimates for the income to be delivered have been included in MTFP forecasts; they are however subject to confirmation as tenants are confirmed.
80. Other asset management priorities include maintaining high levels of occupancy in all other commercial properties and maximising their commercial attractiveness and therefore income receipts. Also to review underutilised assets on a regular basis to inform future plans for their use.

Central Budget Proposals 2024/25

81. Proposed changes to Central budgets are summarised in the table below.

Table 10: CENTRAL BUDGETS	Approved Budget 2023/24 £m	Proposed Budget 2024/25 £m	Net Central Budget Increase / Decrease £m
Insurance	0.467	0.516	0.049
Treasury Management	(0.087)	(0.287)	(0.200)
Housing Benefits – net cost	(0.714)	0.250	0.964
Housing Benefits – reserve funding	-	(0.964)	(0.964)
Employer Pension Costs	2.240	2.240	-
External Audit Fees	0.150	0.159	0.009
Unused Historic Pay Budget	0.243	-	(0.243)
Budget for Pay Increases for 2024/25	-	1.750	1.750
Preceptor Grants – Horley Double Taxation	0.044	0.047	0.003
Banstead Commons Conservators – funding contribution	0.111	0.111	-
Apprenticeship Levy	0.080	0.080	-
Central Recruitment & Visa Expenses (check Jan numbers)	0.045	0.045	-
Central Training Budget	0.082	0.082	-

Table 10: CENTRAL BUDGETS	Approved Budget 2023/24 £m	Proposed Budget 2024/25 £m	Net Central Budget Increase / Decrease £m
Internal Audit Fees	0.065	0.071	0.006
Central Vacancy Turnover Provision	(0.150)	(0.150)	-
TOTAL	2.576	3.950	1.374

NOTES:

1. Annual employer deficit contribution and compensated added years payments.
2. The budget for 2023/24 pay increases has been allocated across service budgets.

82. The significant increases and reductions are as follows:

- Increase in insurance costs due to inflationary pressures that have resulted in increased premium costs;
- Reduction in forecast treasury management costs following a review of borrowing and investment requirements and interest on balances – £0.200 million;
- Inclusion of a budget for 2024/25 pay increases - £1.750 million;
- Forecast increase in external audit fees following the recent award of the new contracts by Public Sector Audit Appointments - awaiting final fee confirmation which is due at the end of November 2023;
- Central budgets include £0.047 million funding for a preceptor grant Horley Town Council. The budget includes the first instalment under a proposed new 10-year agreement (2024/25 to 2033/34) to eliminate 'double taxation' whereby Horley residents pay direct to the Town Council for the local services that it provides; and
- Central budgets also include continuing the current funding contribution to Banstead Commons Conservators for a further three years, subject to formal agreement.

Other central budgets have been increased in line with agreed contract terms (preceptor grant; internal audit fees) or forecast costs (apprenticeship levy).

83. While the majority of Central Budgets have been reviewed while preparing this report, as highlighted in the table above, further work is in progress in order to confirm the remainder for inclusion in the final budget proposals in January 2024.

Revenue Budget Funding 2024/25

84. The sources of funding for the revenue budget are set out in the table below.

Table 11: REVENUE BUDGET FUNDING 2024/25	Approved Budget 2023/24 £m	Draft Budget 2024/25 £m	Net Increase / Decrease £m
Council Tax	15.855	16.524	0.669
National Non-Domestic Rates (NNDR)	3.994	3.344	(0.650)

Use of Reserves

85. Based on the outcome of service & financial planning work to date, as explained above, it is necessary to call on earmarked Reserves to fund potential budget risks but there is no call on the General Fund Balance to balance the budget.
86. The latest MTFP at Annex 2 is based on initial assumptions regarding use of Reserves. These figures will be updated in the final budget report in January when the outstanding budget items (as explained in this report) are confirmed.
87. Work is also still in progress to update the funding forecasts for inclusion in the final budget proposals. Factors to be taken into account will include:

Council Tax

- The final recommendation on the council tax increase will be included in the January budget report following confirmation of the referendum limit by Government;
- Council tax income forecasts for 2024/25 will be dependent on the outcome of work that is currently in progress to forecast the council tax base for 2024/25.

National Non-Domestic Rates
Government Grants

- Includes retained Business Rates, Negative RSG Grant, Fees & Charges and Other Grants;
- These are expected to be confirmed in the Provisional Settlement announcement in December;
- The timing for removal of 'Negative RSG Grant' remains unclear but it will not be implemented in 2024/25.

Contributions To/From Reserves

- The call on Reserves will be finalised for inclusion in the January budget report;

Forecast Budget Gap at November 2023

88. The current forecast budget gap over the next five years is set out below. Further details are provided in the MTFP at Annex 2 (Appendix 2).

Table 12: MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26	Forecast Budget 2026/27	Forecast Budget 2027/28	Forecast Budget 2028/29
	£m	£m	£m	£m	£m	£m
FORECAST GAP	Balanced	0.039	2.353	3.849	5.357	5.586
Annual Increase in Gap	-	0.039	2.314	1.535	1.508	0.229
Gap as % of current budget requirement	-	0.16%	9.9%	16.6%	23.1%	24.1%

89. The above forecasts confirm that there remains a small budget gap to be addressed for 2024/25, however that will be subject to confirmation in the January budget report.
90. Key factors that have influenced this gap can be summarised as follows:

Service Expenditure

- Service budget pressures and savings have been reviewed as part of the service & financial planning process. Further work will continue to review the proposals for the January budget report.
- Ongoing delivery of Financial Sustainability Programme initiatives.

	<ul style="list-style-type: none"> • While an estimate for the 2024/25 pay award has been included in the MTFP forecast this is subject to consultation and has to be considered in the context of the significant financial challenges faced over the medium term. Employee costs comprise 40.9% of gross direct expenditure in the 2023/24 budget. • Budget forecasts include forecasts for the net income to be delivered from The Rise development of £0.700 million in 2024/25.
Central Budgets	<ul style="list-style-type: none"> • Over the next three years net borrowing costs are forecast to remain fairly constant at around 3% of the net Revenue Budget and other Central budget costs are not expected to change significantly
Council Tax	<ul style="list-style-type: none"> • Council tax setting assumptions are based on a 2.99% increase and forecast growth in the taxbase of 1.19%.
NNDR	<ul style="list-style-type: none"> • Removal of Negative RSG Grant and the Business Rates reset continue to be delayed; when implemented they are likely to have the effect of negating the benefit of forecast business rates growth over the MTFP period.
Use of Reserves & Grants	<ul style="list-style-type: none"> • While the 2023/24 budget was based on nil use of funds from the General Fund Balance Reserve, it does require a one-off call of up to £0.964m from the Government Funding Risks Reserve (for Housing Benefit subsidy reduction) and £0.200m from the IT Strategy Reserve. The ongoing requirement for this funding will be assessed as part of service & financial planning over coming months. • Government grant funding that is being used to help fund the net budget requirement in 2023/24 include: Services Grant (£0.093m); New Homes Bonus (£1.034m) and Minimum Funding Guarantee Grant (0.803m). These are expected to continue for 2024/25 and have been included in the budget proposals in the 2024/25 base budget.

91. Over the medium term, the Financial Sustainability Programme will continue to be targeted to address the forecast budget gap and will be subject to regular monitoring and review, focussing on the four key areas:

- Income Generation;
- Use of Assets;
- Prioritisation of Resources; and
- Achieving Value for Money.

Further details are provided in this report.

USE OF RESERVES

92. The Council holds Reserves to provide protection against financial risks. Our current level of Reserves provides a relatively secure financial base compared to many authorities; it is important to ensure an appropriate balance between securing the financial position of the Council and investing in delivery of services.

93. Reserves can be held for four reasons:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;

- A contingency to cushion the impact of unexpected events or emergencies;
- A means of building up funds to meet known or predicted liabilities; and
- A means of setting aside sums for future identified uses and / or investments.

94. There is an opportunity cost of holding Reserves in terms of restricting capacity to invest in current service delivery but this is offset by the additional flexibility that Reserves provide when manage budget risks and adverse variations.

95. Current Revenue Reserves are summarised below and detailed at Annex 6.1

Table 13: RESERVES SUMMARY	Balance at 1 April 2023 ¹ £m
General Fund Balance	3.500
Other Earmarked Reserves	31.974
TOTAL	35.474

NOTE:

1: Balances after decisions made during budget setting for 2023/24 to redistribute funds between Reserves.

96. The legal requirement for the Council to agree a balanced budget means that Council may be required to draw on its Reserves to address any shortfall between forecast expenditure and forecast income.

97. The Council has set a minimum level for unallocated General Fund Reserves of 15% of the net revenue budget, which equates to £3.500 million (for 2023/24). The balance on the General Fund Reserve is compliant with this limit.

98. The Council's Reserves Policy is attached at Annex 6.2

NEW HOMES BONUS

99. The New Homes Bonus was introduced in 2011/12. Authorities are rewarded with a financial bonus, equal to the national average council tax on each additional property built which is paid for a number of years as a non-ring-fenced Government grant. 80% of the Bonus is paid to the district council and 20% to the county council. There is an enhanced payment for new affordable homes.

100. New Homes Bonus was revised for the 2017/18 financial year with the length of time it is paid reducing from six to five years (for the 2017/18 award) and to four years from 2022/23 onwards. A new 'baseline' of +0.4% growth was also introduced before any Bonus is paid. The retained funds were used by the Government to support authorities with adult social care responsibilities.

101. The Government originally set out its intention to end New Homes Bonus as part of the Fair Funding Review. The objective is to replace this mechanism with a different means of incentivising and rewarding housing growth. The detail and timing remain unclear due to the delay in the Fair Funding review.

102. New Homes Bonus allocations are used to support the overall Revenue Budget. A further one year allocation, if it is to be made available for 2024/25 will be subject to announcement in the Provisional Local Government Settlement in December.

103. Forecast New Homes Bonus allocations are set out in the table below:

Table 14: NEW HOMES BONUS	2023/24 £m	2024/25 £m
New Homes Bonus – ‘legacy’ payment for previous year’s allocations	0.325	nil
New Homes Bonus – annual allocation	1.034	TBC In December 2023

COUNCIL TAX

Council Tax Precepts 2023/24

Table 15.1: ANALYSIS OF COUNCIL TAX BY PRECEPTOR		
Authority	£000	% share
	£	%
Surrey County Council	106,359,931	74.64%
Surrey Police & Crime Commissioner	19,719,742	13.84%
Reigate & Banstead Borough Council	15,855,416	11.13%
Horley Town Council	524,965	0.37%
Salfords & Sidlow Parish Council	42,915	0.03%
	142,502,969	100.00%

Table 15.2: ANALYSIS OF COUNCIL TAX CHANGES BY PRECEPTOR				
Authority	2022/23	2023/24	Increase	
			£	%
Surrey County Council	1,626.39	1,675.08	48.68	2.99
Surrey Police & Crime Commissioner	295.57	310.57	15	5.07
Reigate & Banstead Borough Council	242.46	249.71	7.25	2.99
Horley Town Council	43.17	47.76	4.59	10.63
Salfords & Sidlow Parish Council	29.72	29.72	0.00	0.00
	2,237.31	2,312.84	75.52	3.38%

104. The referendum cap is expected to be confirmed with the Provisional Local Government Funding Settlement Announcement in December 2023. It is anticipated to be the higher cap (without requiring a referendum) of 2.99% or £5 per Band D property for district councils.
105. Final recommendations will be included in the January Budget and Council Tax reports when the referendum cap has been confirmed by the Government.

Council Tax Collection Performance 2022/23

106. This Council’s collection performance This Council’s collection performance for council tax in 2022/23 was 98.60% (98.17% in 2022/21).

Council Tax Options 2024/25

107. Each 1% increase in Council Tax generates £0.159 million additional income for this borough. A 2.99% increase in 2024/25 would yield £0.479 million additional income.
108. For MTFP modelling purposes, based on a 2.99% increase and a 1.19% increase in the taxbase, the Council Tax income forecast at November 2023 is set out below:

Council Tax Forecasts

Table 16: COUNCIL TAX FORECAST	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Forecast Resources	15.855	16.524	17.228	17.921	18.641	19.390
Annual Increase in Income	0.756	0.669	0.704	0.693	0.721	0.749
And Cumulative Increase in Income	0.756	1.425	2.129	2.821	3.542	4.291
All Band D	£249.71	£257.18	£264.87	£272.79	£280.95	£289.35
Band D Increase	£7.25	£7.47	£7.69	£7.92	£8.16	£8.40
Taxbase Increase	1.96%	1.19%	1.23%	1.00%	1.00%	1.00%
Annual Band D % Increase	2.99%	2.99%	2.99%	2.99%	2.99%	2.99%

NOTE: Subject to confirmation in the January Budget report when forecasts for the number of new homes and Local Council Tax Support claims are updated. Also subject to confirmation of the referendum limit by Government in December.

109. Although council tax is a significant source of funding for local government, it remains subject to restrictions by Government. The Localism Act included a requirement to hold a local referendum if any council tax increase is deemed 'excessive'; a limit for increases is set each year by the Government.
110. The forecast amount of council tax to be collected takes into account local decisions on discounts, exemptions and reliefs and Local Council Tax Support scheme claim numbers.
Local Council Tax Support Scheme
111. Under the Local Council Tax Support Scheme this Council, as the billing authority, awards council tax reductions to eligible working-age claimants. The cost of lost council tax income falls on the Collection Fund as a consequence of these claims resulting in a reduction in the council tax base which is calculated as part of budget-setting.
112. The precepting authorities collectively fund the cost of Local Council Tax Support Scheme claims as the costs fall on the Collection Fund and are distributed between authorities in line with their share of the council tax bill.
113. In addition, the full administration costs of processing awards, and of any discretionary awards, are met directly by this Council as the billing authority. Caution therefore has to be exercised when amending the Scheme to ensure that the cost to this Council of administering changes does not exceed any reduction in the cost of the Scheme overall.

114. There are several factors that make the annual cost of funding Council Tax Support very difficult to predict:

- Council tax increases by precepting authorities will increase overall Scheme costs;
- There was an increased number of claims during the COVID-19 pandemic. The number of claims has been steadily decreasing since then, and has reduced by 11% since April 2022, and is now back at pre-pandemic levels;
- The scheme has on average 3,300 claims. Of these 59% are classed as vulnerable, through receiving related disability benefits and premiums. This group can receive support covering up to 100% of their Council Tax liability; 41% are either from employed households or those receiving other benefits. These groups can only receive support covering up to 90% of their Council Tax liability.

115. The Local Scheme applies to working age households; pensioner claims are assessed and funded through a national scheme. It covers claims from three main categories of claimants:

Table 17: LOCAL COUNCIL TAX SUPPORT SCHEME (June 2023)				
Category	Number of Claims		Annual Cost £m	
	2022	2023	2022	2023
Vulnerable	1,875	1,930	2.923	3.169
Working Age – employed	601	403	0.552	0.379
Working Age – not employed	1,178	949	1.512	1.253
Annual Cost to Preceptors			4.987	4.801

116. The Vulnerable group is mainly made up of households with a disability benefit in payment. The two Working Age groups have to pay at least 10% of their Council Tax, and there are several other restrictions in place, including a cap to Band E and no awards below £5 per week.

117. The December 2022 Settlement Announcement also included funding for additional Council Tax Support in 2023/24, representing up to an extra £25 in support for working age and pensioner households for cost of living pressures.

118. The Scheme was scheduled for review during 2023/24. Any changes proposed are subject to consultation and would need to take into account the impacts on recovery performance if support is reduced.

119. There have been no major changes to the Scheme since its introduction in 2013, other than to increase support in line with other national benefits. After seeking Member and Officer views during 2023/24 on potential scheme designs, the law requires consultation with taxpayers and preceptors as well as advice groups and other stakeholder before any final decisions are made on changes.

120. Options for change would be to:

- Reduce the level of support to households, which would have negative impacts on household finances;

- Increase the level of support, by allowing all households receiving support to qualify for up to 100% of their Council Tax liability to be covered; or
 - Maintaining the scheme as it is.
121. After considering the options and taking into consideration the cost-of-living pressures on households, the planned approach is to increase levels of support for 2024/25.
122. Before considering the proposed increases for the Council Tax Support Scheme, it should be noted that all Council Tax support awards are strictly means tested before approval and for claimants and this is dependent upon a number of conditions. The key criteria for these conditions are:
- Claimant's circumstances (for example income, number of children, benefits and residency status);
 - Overall household income available (including savings, pensions and a partner's income) and
 - How many children or other adults live with the resident of the Borough.
123. The following increases are recommended for the revised Council Tax Support Scheme; that the maximum 90% support for households is increased to 100%, and other restrictions are removed. These other restrictions include removing the minimum limit of support of £5 per week, lifting the Band restriction of Band E and above and increasing capital limits to match those within the vulnerable scheme.
124. The implementation of these changes would increase the level of LCTS by approximately £0.250m.
125. The costs of this increase will be offset by removing the 28-day discount to homes that are empty and unfurnished.
126. A full breakdown with further explanation is provided at Annex 7.

Council Tax Policy

127. Changes to council tax charges on empty homes were approved during 2019/20 and further updated in 2020/21:
- Homes that have been empty and substantially unfurnished for more than two years and less than five years are charged a Council Tax long term empty premium equivalent to 100% of the Council Tax in addition to their current Council Tax;
 - Homes that have been empty and substantially unfurnished for more than five years and less than ten years are charged a Council Tax long term empty premium equivalent to 200% of the Council Tax; and
 - Homes that have been empty and substantially unfurnished for ten years and more are charged a Council Tax long term empty premium equivalent to 300% of the Council Tax.
128. As these changes help deliver a county-wide initiative to reduce the number of empty properties throughout Surrey, the County Council has agreed to reallocate its share of the increased funding that results from changes in Empty Homes policies. Under this commitment the Boroughs and Districts receive reallocated funding where agreed conditions are met.
129. No new changes to council tax policy were introduced in 2023/24.

130. As part of budget-setting for 2024/25 onwards consideration has been given to new opportunities to levy additional council tax premiums to encourage owners to bring properties back into use:
- Empty and unfurnished properties - removal of the 28-day council tax discount. This will mainly affect landlords and housing providers, in relation to the turnaround time between tenants. The level of this discount in 2022/23 was £0.521m, and in the first two quarters in 2023/24 is £0.262m.
 - Empty and furnished second homes – charge 200% council tax after the first 12 months - this is part of the Levelling-up and Regeneration Bill which received Royal Assent on 26 October 2023 and therefore is now an Act of Parliament and the changes will be enacted for 2024/25; and
 - Long-term empty properties – commence charging the 100% premium after 12 months - instead of the current 24 months – again this is also part of the Levelling-up and Regeneration Bill and now an Act of Parliament and therefore the changes will also be enacted in 2024/25.
 - Any changes above will be consulted upon with relevant stakeholders including Raven Housing Association.
131. It is proposed that these changes will be introduced for 2024/25 as it is now lawful.
132. The changes will offset the costs of increasing Local Council Tax Support to low-income households.

BUSINESS RATES (NATIONAL NON-DOMESTIC RATES)

133. In 2013, the Government introduced a scheme through which local authorities retain a proportion of any business rates growth above a set 'baseline'. The purpose was to give authorities a financial incentive to encourage and foster economic growth within their area and to work collaboratively with other authorities and business organisations to achieve that growth.
134. While this scheme was broadly welcomed by the sector, there remain concerns over the potential volatility of this income stream due to the level of appeals; even a small variation in the overall revenue generated can result in a significant financial impact.
135. The current expectation for the funding reforms to take effect no earlier than the financial year 2025/26.
136. The Government was previously undertaking a review of how business rates will operate going forward and had stated its intentions to achieve 75% localisation of business rates from 2022. However this is no longer the intention and further updates are awaited.
137. As explained above, in 2025/26 onwards, the Council could see further significant decline in Government funding support as retained business rates receipts and Negative RSG Grant' are phased out. It remains unclear how these reductions will be implemented but we are assuming this will be clearer when the outcome of the Fair Funding Review and Business Rates Reset are announced. Current MTFP forecasts are based on the information that is currently available.
- Business Rates Pooling
138. A small number of Surrey authorities are once again planning to establish a voluntary Business Rates Pool for 2023/24 with Surrey County Council using the same methodology as in previous years. The Pool is not open to Reigate & Banstead due to the relative size of this Council's business rates Tariff.

Business Rate Appeals

139. Business rate forecasts include an assessment of the likelihood of successful appeals.

Business Rates Collection Performance 2022/23

140. Collection performance for business rates in 2022/23 was 99.95% (was 99.80% in 2021/22); this was at the second highest performance levels in the country of all English local authorities.

141. The following Business Rates forecast is provided in the table below for the period to 2028/29.

Table 18: NNDR FORECAST	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Forecast NNDR Resources	3.994	3.344	2.524	2.574	2.624	2.678
Annual Increase / (Reduction)	-	(0.65)	(0.82)	0.05	0.05	0.054
Cumulative Increase / (Reduction)	-	(0.65)	(1.47)	(1.42)	(1.37)	(1.32)

NOTE: Subject to confirmation in the January Budget report following the Provisional Settlement announcement.

142. The forecast for retained business rates income is based on the latest figures published by DLUHC after taking account of recovery performance. The forecast is subject to confirmation when the Provisional Local Government Settlement is published in December. Any changes when the final income from business rates is confirmed are managed through a call on, or contribution to, the Government Funding Risks Reserve.

CAPITAL PROGRAMME 2023/24 ONWARDS

Capital Investment Strategy and Capital Programme

143. The latest Capital Investment Strategy was approved by Executive in July 2023 and sets out how the Council plans to invest in assets to generate income.

2023/24 to 2027/28 Approved Capital Programme

144. The Capital Programme that was approved in January 2023, the unspent balance on previously-approved schemes and in-year approvals is summarised below:

Table 19: CAPITAL PROGRAMME 2022/23 to 2027/28 by SERVICE	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	TOTAL
	BFWD £m	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	
ORGANISATION SERVICES:							
Property Services	6.383	1.420	1.267	0.909	1.597	0.089	11.705
IT Services	-	0.410	0.250	0.200	0.200	0.500	1.560
Organisational Development	-	0.250	0.250	-	-	-	0.500
Environmental Strategy	0.236	0.290	-	-	-	-	0.526
PEOPLE SERVICES:							
Housing	7.444	3.270	1.419	1.419	1.419	-	16.390
Leisure & Intervention	0.064	0.100	0.100	0.100	0.100	0.100	0.564
Community Partnerships	0.108	-	-	-	-	-	0.108
PLACE SERVICES:							
Neighbourhood Operations	1.659	0.897	0.996	1.177	0.902	3.853	9.484
Place Delivery	8,222	2.148	-	-	-	-	10.371
Economic Prosperity	-	-	-	-	-	-	-
CIL Capital Programme:							
CIL Capital Programme	-	3.935	-	-	-	-	3.935
TOTAL APPROVED CAPITAL PROGRAMME	24.116	12.720	4.322	3.805	4.218	5.961	55.142

145. In addition to the sums included in the approved Capital Programme the Council has previously committed to invest.

- £64.0 million for investment in Commercial income-generating assets; and
- £30.0 million for investment in Housing projects, £1.05m of which has been drawn down in 2023/24 to fund Temporary & Emergency Accommodation.

Proposals for use of these funds will be subject to approval of reports by Executive or the Partner, Shareholder and Trustee Sub Committee when the business cases are developed.

Capital Programme Growth 2024/25 onwards

146. Capital Programme growth proposals totalling £3.976 million for 2024/25 to 2028/29 are detailed at Annex 4.

Table 20: CAPITAL PROGRAMME GROWTH 2024/25 to 2028/29	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	
Organisation	1.719	0.162	0.876	0.117	-	2.874
People	-	-	-	-	-	-
Place	0.816	0.262	0.012	0.012	-	1.102
TOTAL	2.535	0.424	0.888	0.129	-	3.976

147. One of the primary reasons for this growth is capital investment in a number of key Environment and Sustainability schemes, some of which are based on measures identified in energy audits and will be delivered over the next five years.

148. In total these Energy and Sustainability schemes mean that **£1.145m** of upgrades will take place at the Town Hall, Community Centres*, Pavilions, Leisure Centres, Multi-storey car parks, Depot, Public Conveniences, Cemeteries & Chapels.
149. A significant element of CIL funding will be utilised to part pay for these schemes and total CIL of **£0.754m** will be allocated to these projects, the remainder of the funding will be from borrowing.
150. It should also be noted that further environmental and sustainability capital growth requests will be presented to Executive for decisions in December with regard to the utilisation of Electric Vehicles and transition of the existing diesel refuse collection vehicle fleet to run on Hydrotreated Vegetable Oil (HVO). These proposals, if approved will be included in the January Budget report for the Council.
151. Capital growth proposals are listed in Annex 4 and are shown over the five year forecast period for the capital programme 2024/25 to 2028/29.
152. The very final Capital Programme proposals and funding requirements will be presented in January budget report.

Capital Programme 2022/23 to 2028/29

153. The Capital Programme for 2024/25 onwards, including previously-approved schemes and the recommended growth is summarised below.

TABLE 21: CAPITAL PROGRAMME 2022/23 to 2028/29	2022/23 BFWD £m	2023/24 Projected £m	2024/25 Projected £m	2025/26 Projected £m	2026/27 Projected £m	2027/28 Projected £m	2028/29 Projected £m	TOTAL £m
Current Approved Capital Programme	24.116	12.720	4.322	3.805	4.218	5.961	-	55.142
Programme Growth 2024/25 to 2028/29	-	-	2.535	0.424	0.888	0.129	-	3.976
Capital Programme 2022/23 to 2028/29	24.116	12.720	6.857	4.229	5.106	6.090	-	59.118

Capital Programme Funding

154. Forecast sources of funding for the 2022/23 Capital Programme are summarised below and will be confirmed in January 2024 when the final treasury management position is finalised:

Table 22: CAPITAL PROGRAMME FUNDING 2022/23 to 2027/28	2022/23 BFDW £m	2023/24 Projected £m	2024/25 Projected £m	2025/26 Projected £m	2026/27 Projected £m	2027/28 Projected £m	2028/29 Projected £m	TOTAL
TOTAL CAPITAL EXPENDITURE 2022/23 to 2028/29	24.116	12.720	6.857	4.229	5.106	6.090	-	59.118
FUNDED BY:								
Capital Reserves	1.039	-	-	-	-	-	-	1.039
Capital Receipts	9.571	-	-	-	-	-	-	9.571
Capital Grants & Contributions	2.875	9.642	3.493	1.607	1.537	1.474	-	20.628
Prudential Borrowing	10.631	3.078	3.364	2.622	3.569	4.616	-	27.880
TOTAL CAPITAL FUNDING 2022/23 to 2028/29	24.116	12.720	6.857	4.229	5.106	6.090	-	59.118

155. The sources of funding for the Capital Programme are explained below:

Table 23: CAPITAL PROGRAMME FUNDING	
Capital Reserves	<ul style="list-style-type: none"> Previously the Council benefitted from access to significant capital Reserves following the sale of its housing stock. Over recent years these Reserves have been utilised to invest in the capital programme.
Capital Receipts	<ul style="list-style-type: none"> Sale of capital assets results in a capital receipt that can be used to invest in new capital assets or to repay prudential borrowing. The main source of capital receipts over the duration of this Capital programme relate to delivery of major schemes including the Marketfield Way (The Rise) redevelopment. These capital receipts have been factored into forecast funding requirements. Flexible use of capital receipts – there are no current plans for use of this funding option.
Capital Grants & Contributions	<ul style="list-style-type: none"> Forecasts of the future grant funding allocation for Disabled Facilities works have been updated to reflect forecast allocations. They also include the Council's share of Section 106 and CIL funding. Revenue funding equivalent to the historic New Homes Bonus grant allocation up to 2020/21 has been allocated to support implementation of the Housing Delivery Strategy.
Prudential Borrowing	<ul style="list-style-type: none"> The primary source of long-term funding for the Capital Programme is now prudential borrowing, primarily from the Public Works Loans Board (PWLB). Loans are managed through the approved Treasury Management Strategy and policies.

Table 23: CAPITAL PROGRAMME FUNDING	
	<ul style="list-style-type: none"> • Interest on borrowing is paid to the PWLB and charged to the annual revenue budget along with the Minimum Revenue Provision that is necessary to set aside funds for eventual repayment of the loan principal. These costs have to be taken into account when setting a balanced Revenue Budget. • There are increasing restrictions on the type of capital expenditure that is eligible for prudential borrowing. Borrowing to fund investment solely for commercial gain is no longer permitted.
Revenue Budget Contributions	<ul style="list-style-type: none"> • There is no expectation that significant capital expenditure will be funded from the revenue budget in 2023/24.

Capital Programme – Revenue Budget Implications

156. As explained above, with the exception of earmarked Section 106 funds and some earmarked Housing capital receipts, the Council no longer has significant capital Reserves, therefore, while a small number of schemes will be continued to be funded from capital grants and other contributions, the majority of the approved Capital Programme must be funded through prudential borrowing. The costs of repaying this borrowing fall on the revenue budget as treasury management costs in Central budgets.
157. Treasury management budgets will be updated to reflect the costs of borrowing for the approved Capital Programme for 2024/25 onwards net of interest on forecast balances. Details will be confirmed in the Treasury Management Strategy for 2024/25 that is reported to Audit Committee, Executive and Full Council for approval in March/April each year.
158. The costs of managing and maintaining new capital assets will have to be taken into account in the revenue budget as new assets come into use. Budgets will also have to be established for any new income streams generated.

Capital Programme – Policy on Capitalisation of Salaries.

159. Costs incurred as a result of staff spending time on capital projects can be capitalised, provided that time can be linked to bringing a specific, separately identifiable asset into working condition, or substantially enhancing the working life of an existing asset.

BUDGET SETTING TIMETABLE

160. The timetable for approval of the 2024/25 budget is summarised below:

Date	Event	Purpose
June / July 23	Management Team budget review meeting	Consider service position and initial forecasts
	Executive & Management Team budget review meeting	Discuss budget setting priorities and 'direction of travel'
6 July 2023	Overview & Scrutiny	Medium Term Financial Plan Update & Capital Strategy Update
20 July 2023	Executive	
September 2022	Executive & Management Team budget review meeting	Consider draft Budget proposals

Date	Event	Purpose
16 October 2023	Executive & Management Team budget review meeting	Agree draft Budget proposals
16 November 2023	Executive	Agree draft Budget
November 2023 to January 2024	Consultation on draft budget	To gather feedback
29 November 2023 7 December 2023	Budget Scrutiny Panel Overview and Scrutiny	Review of draft Budget
14 December 2023	Executive	Receive Scrutiny Panel Feedback
1 February 2024	Executive	Final Budget and Council Tax proposals
20 February 2024	Full Council	Approve Budget and Council Tax

OPTIONS

161. Service & Financial Planning: the following options are available to the Executive:

OPTION 1 - Approve the proposed budget and financial planning changes set out within the report, for consultation under the terms of the Constitution.

This option is recommended for approval, to ensure that service and financial plans are agreed in good time to adopt a balanced budget for 2024/25.

OPTION 2 - Only approve some of the proposed budget and financial planning changes set out within the report, for consultation under the terms of the Constitution.

This option is not recommended, as it would undermine the service plans and would present a risk to closure of the forecast budget gap for 2024/25.

OPTION 3 - Reject the proposed budget and financial planning changes set out within the report, and request that further work be undertaken to develop new proposals for consultation under the terms of the Constitution.

This option is not recommended as it would delay the budget consultation process, undermine service planning and leave the Council and risk of failing to adopt a balanced budget for 2024/25.

LEGAL IMPLICATIONS

162. Service & financial planning: there are no direct legal implications arising from the recommendations in this report subject to the Council adopting a balanced budget for 2024/25 by March 2024 to meet the requirements of the Local Government Finance Act 1992.

163. Local Council Tax Support scheme: consultation during 2024/25 on any potential changes to the scheme will be conducted in a way that ensures compliance with relevant regulations.

FINANCIAL IMPLICATIONS

164. Service & financial planning: these are addressed throughout the report.

EQUALITIES IMPLICATIONS

165. An Equalities Impact Assessment of the final service & financial planning proposals will be undertaken and will be provided as a background paper to the January budget report.
166. An initial assessment of the proposals presented in this paper has indicated that the following proposals could potentially have an equality impact on one or more of the groups protected under the Equality Act 2010. These proposals include:
- Proposals to increase the Borough Council's element of Council tax by the referendum limit;
 - Proposals to reduce some funding to some Voluntary and Community Sector Partners;
 - Proposals to increase some community centre room hire charges;
 - Proposals to increase car park charges; and
 - Proposals to increase fees for the issuing of summons and obtaining liability orders for Council Tax and Business Rates non-payment.
167. Draft equality impact assessments for these proposals have been undertaken. In all instances, consideration has been given to impact mitigation measures and ongoing impact monitoring proposals to reduce or avoid any potential impact. These are provided for members on the modern.gov portal.
168. As part of the budget setting process, consultation on these proposals will be undertaken (see below). The draft equality impact assessments will be published alongside the consultation, and the results of the consultation taken into account before any proposals are finalised. As appropriate, this will include consideration of alternative courses of action and/or actions that could be taken to reduce any potential negative impacts on those with protected characteristics or who are otherwise vulnerable.
169. The Local Council Tax Support Scheme is designed to help low-income council taxpayers, who are largely unemployed, or disabled, or low-income earners or pensioners. The changes proposed do not specifically target any protected characteristic group however residents with protected characteristics or other vulnerabilities are likely to access the support scheme. Overall the changes proposed remove restrictions around the level of support and are therefore not likely to have a negative equalities impact.
170. The Local Council Tax Support Scheme is designed to help low-income council taxpayers, who are largely unemployed, or disabled, or low-income earners or pensioners. There are no changes proposed for the next financial year which would impact on a specific group of taxpayers.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

171. Proposals within this draft budget respond to a number of the 'next steps' set out in the covering paper to the Executive which accompanied the latest Environmental Sustainability Strategy Annual Report (September 2023).
172. Revenue budget growth is being sought for the following, which will contribute to the delivery of the Council's Environmental Sustainability Strategy and Action Plan:
- 1 FTE Sustainability Manager (£0.068m), to provide additional capacity within the Corporate Policy, Projects & Performance service and support the Council work towards its net zero organisation and borough-wide targets;

- 0.5FTE Ecology Officer (£0.02m), to assist the Council in implementing biodiversity improvements; and
- £0.132m increase to base budget in Neighbourhood Services to enable the Council to transition the running of its compatible HGV fleet from diesel to HVO, delivering an estimated 76% reduction in carbon emissions per vehicle and an overall 24% reduction in total annual Council carbon emissions (approx. 475 tCO₂e per year). This revenue growth request figure is based on the purchase of ethically sourced HVO, and is based on 2022/23 vehicle fuel usage, current diesel prices and HVO prices quoted by reputable suppliers.

173. Revenue savings are identified of £0.025m associated with the installation of CIL-funded solar compacting bins. This saving results from reduced frequency of refuse bin emptying which will also deliver (currently unquantified) carbon emission reductions from reduced vehicle mileage.

174. Capital growth is being sought for the following:

- £0.1m of capital growth for the installation of upgraded energy management systems across key operational buildings. This will contribute to achieving carbon emissions reduction as it will enable better understanding (and therefore control) over energy use in our buildings. This therefore represents an 'invest to save' project. It will also mean the Council has access to more up to date and reliable data for reporting purposes;
- Environmental upgrades to a range of Council buildings to deliver recommendations from the commissioned Energy Audit reports. This is in addition to the approx. £0.8m of strategic CIL secured for the delivery of solar panels, energy management and energy efficiency measures across 9 Council buildings. Growth of £1.145m is being sought, which will fund the installation of measures such as anti-glare film, LED lighting and lighting sensors, sub-metering and switching from gas boilers to either heat pumps or hybrid heating systems. The carbon savings associated with measures delivered through CIL and this additional capital growth combined is estimated at in the region of 330 tCO₂e per year. Should this capital growth be funded from external borrowing over 50 years, borrowing costs of around £0.09m per year are projected; however it should also be noted that investing in energy reduction measures across our operational assets will reduce council energy bills and thus deliver associated revenue savings.

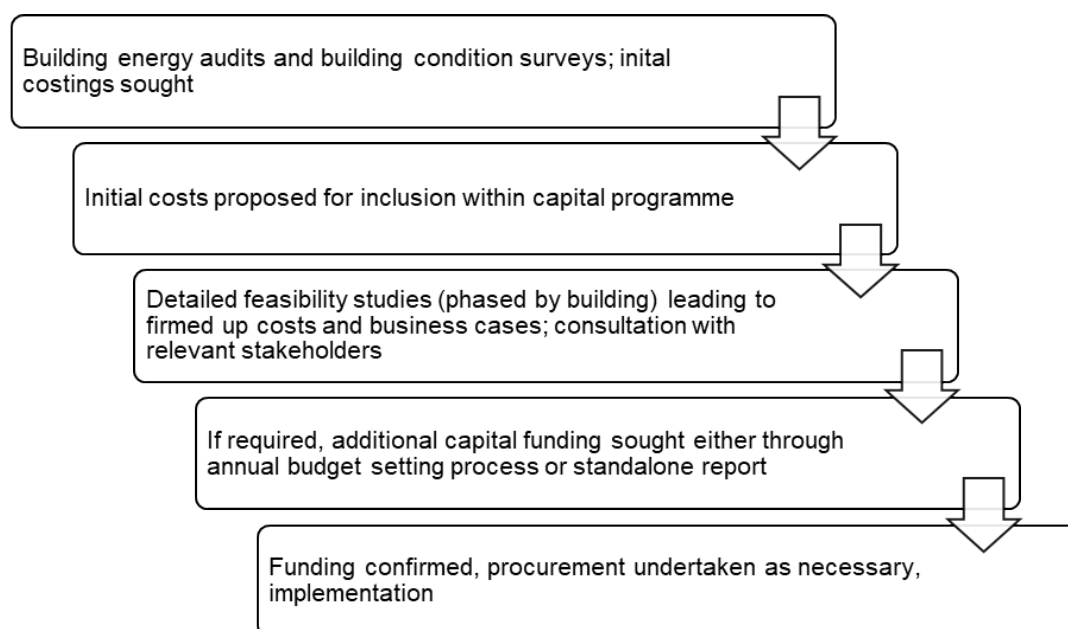
Planning and funding environmental improvements to Council buildings – our approach.

175. The capital growth proposals summarised above reflect a phased approach to undertaking environmental improvements to our buildings. This reflects practical considerations including staff capacity, the minimisation of installation costs and avoiding potentially abortive work (for example installing measures that then need to be removed due to later building refurbishment).

176. The figures provided are based on current information at the time of preparing this report. It should be noted that capital costs for environmental improvements are currently estimated based on recent building condition surveys, however full feasibility work will be required prior to implementing the proposals – this, together

with inflation – may lead to changes to the costs presented in this report. It should also be noted that costs are based on the operational use of buildings remaining the same. If there are substantive changes in the way the Council works, revised proposals and costings will need to be developed.

177. The process that will be progressed through to the point of installation is summarised below:



178. The environmental sustainability implications of individual proposals within the draft budget have been considered. For the majority of proposals no environmental sustainability impact has been identified. Where potential impact has been identified this is as follows:

- Positive impact from proposals to move the emergency planning post into base budget, assisting the Council to respond to the increasing risk and impact of extreme weather events resulting from climate change; and
- Potential positive impact from the proposed increase in parking fees, encouraging car users to consider alternative modes of transport.

179. It is not known whether there will be any sustainability implications from the proposed fee increases in relation to allotments, garden waste and bulky waste. It is not anticipated that the relatively small increases will adversely affect customer numbers but impact on levels of service usage will be kept under review.

180. More generally, the proposed approach for funding the Council's environmental sustainability activity is as follows:

- Base budget funding within the corporate policy team for one sustainability project officer, with non-base budget funding for a second sustainability project officer;
- Retention of the Environmental Sustainability Reserve to progress corporate sustainability project activity;
- Service-specific initiative costs funded within the relevant Council departmental budgets (for example, Fleet, Facilities), with the above sustainability budgets serving to provide 'top up' funding in some instances; and service-level capital funding requests progressed on a project-specific basis; and

- Drawing on external or third party funding opportunities wherever possible, either by the Council working alone or in partnership

COMMUNICATION IMPLICATIONS

181. The Council continues to offer value for money for Council residents – in 2023/24 the average household paid just £4.80 per week to the Borough Council in Council Tax, which pays for the wide range of services that the Council delivers, including household waste and recycling collections, street cleaning, greenspaces maintenance, leisure and community centres, and statutory and regulatory services such as licencing, environmental health and planning.
182. Central to the Council's communications and engagement strategy is not only to promote the good work that the Council does and the great services it provides, but also to make sure that our annual service & financial planning process reflects what our residents and businesses need. Development of the 2020-2025 Corporate Plan was supported by extensive consultation with residents and other partners to ensure that our priorities remain relevant up to 2025.

RISK MANAGEMENT CONSIDERATIONS

183. The Council has strong risk management arrangements in place to ensure that any risks are identified and managed, with regular reports provided to the Audit Committee and the Executive.
184. The risks relating to the long term financial sustainability of the Council remain on the strategic risk register and controls and mitigating actions are regularly reviewed. They are set out in the MTFP at Annex 2.
185. Service & financial planning risks: the service and financial plans contained within this report are aimed at minimising risks and ensuring that the Council continues to deliver great services whilst managing budgets and other resources well.
186. Local Council Tax Support scheme risks: there are ongoing risks associated with not carrying out a review of the Scheme. It needs to current circumstances and the costs of processing claims have to be managed as they all fall on this authority. The window of opportunity for consultation is growing ever smaller and significant changes will require wide consultation to avoid the risks of legal challenge, which again are borne entirely by this authority. This does not however prevent the Council from managing and controlling other areas of the Council Tax base, such as discounts and exemptions.

HUMAN RESOURCE IMPLICATIONS

187. The Council will need to maintain workforce capacity and skills to enable the organisation to diversify and deliver again Corporate Plan ambitions.
188. The service & financial planning proposals for 2023/24 set out in this report result in an overall change in FTE numbers as set out in the table below; the final position will be confirmed in the January budget report.

Table 24: STAFF ESTABLISHMENT – FORECAST FTE MOVEMENTS 2023/24 TO 2024/25		
STAFF ESTABLISHMENT 2023/24 (including fixed term posts)		530.0
Net Permanent Posts to be created / (deleted) as part of 2023/24 Service & Financial Planning Savings and Growth proposals:		
Annex		
3.1	Corporate Policy	1.0
3.1	ICT	3.0
3.1	Legal Services	(1.0)
3.1	Environmental Health & Licencing	1.5
	Planning & Development	0.5
FORECAST STAFF ESTABLISHMENT 2024/25		535.0
NET INCREASE / (DECREASE)		5.0

189. The final budget proposals and Medium Term Financial Plan forecasts will include provision for an annual cost of living pay award for staff. This award is subject to negotiations with staff representatives and will depend on a variety of factors, including economic conditions, inflation levels and staff recruitment and retention considerations. The budget forecast also includes an allocation for contractual pay increases for some staff (primarily incremental pay rises linked to achieving appraisal targets).

CONSULTATION

190. Consultation will be carried out in line with the Council's budget and policy framework. This includes consideration by the Overview & Scrutiny Committee.
191. Budget and policy framework consultation: The Constitution requires a consultation of 8 weeks on the draft budget. The budget consultation will run from November 2023 to January 2024. Publicity will be produced following this meeting explaining how to submit comments in writing or via email. Key partners and stakeholders will also be notified about the budget consultation, and any interested parties will be able to respond to the consultation by way of a survey or written response. A summary of consultation responses received will be provided to the Executive in January 2024 alongside the final proposed budget.
192. As part of the budget and policy framework consultation, the Overview & Scrutiny Committee has established a Budget Scrutiny Panel. The Panel is scheduled to meet on 29 November 2023. It is anticipated that the Panel's report will be considered by the Overview & Scrutiny Committee on 7 December 2023. Any comments or recommendations will be reported to the Executive meeting on 14 December 2023.
193. Statutory consultation/notification: Section 65 of the Local Government Finance Act 1992 requires the Council to consult representatives of those subject to non-domestic rates in the borough about its proposals for expenditure for each financial year. General consultation with local businesses on the proposal in this report will be achieved as in past years through activities coordinated by the Economic Prosperity Team, including business networking events and using the Council's business e-newsletter.

194. Section 70 of the Local Government (Miscellaneous Provisions) Act 1976 establishes requirements for the charging of Fees & Charges in respect of vehicle and operator licences and the making of changes to such charges. Consultation and notification of any proposals to amend these charges will therefore be carried out in accordance with this legislation.
195. Section 35 of the Road Traffic Regulation Act 1984 (and associated enabling legislation) establishes requirements in relation to charging for off-street parking charges and the making of changes to such charges. Consultation and notification of proposals to amend these charges will therefore be carried out in accordance with this legislation.

POLICY FRAMEWORK

196. The budget proposals within this report form part of the Council's budget and policy framework. The annual budget is developed to ensure that the Council can deliver its Corporate Plan and services to residents and businesses.

Background Papers:

Medium Term Financial Plan Update, report to Executive on 13 July 2023

Capital Investment Strategy 2023/24, report to Executive on 22 June 2023

Draft Service Plans, 2024/25 to 2026/27 can be viewed in the Members' Section of the Modern.Gov Library (via the 'Draft Budget November 2023 folder)

Full list of proposed changes to Fees & Charges can be viewed in the Members' Section of the Modern.Gov Library (via the 'Draft Budget November 2023 folder)

Draft Equality Impact Assessment findings can be viewed in the Members' Section of the Modern.Gov Library (via the 'Draft Budget November 2023 folder)

Annexes:

- 1 Policy Context
- 2 Medium Term Financial Plan - Summary
- 3 Revenue Budget – Growth, Income and Savings Proposals
- 4 Capital Programme - Growth Proposals
- 5 Fees & Charges Policy
- 6.1 Revenue Reserves
- 6.2 Reserves Policy
- 7 Local Council Tax Support Scheme – proposed changes