



SIGNED OFF BY	Chief Finance Officer
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TO	Executive
DATE	Thursday 1 February 2024
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance & Governance

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

SUBJECT:	BUDGET 2024/25 and CAPITAL PROGRAMME 2024/25 to 2028/29
RECOMMENDATIONS:	
That Executive recommend to Council:	
(i) The latest Medium-Term Financial Plan forecast at Annex 1;	
(ii) An increase in Reigate & Banstead's Band D Council Tax of £7.47 (2.99%) and a final taxbase of 64,252.30 Band D equivalents;	
(iii) A Revenue budget requirement of £23.167 million for 2024/25, as set out in this report and at Annex 1, which reflects:	
a) Service budget growth proposals totalling £1.112 million, savings of (£1.754) million, including fees and charges income of (£0.540) million, plus forecast issues, risks and opportunities totalling £0.304 million;	
b) Central Revenue Budget net savings and growth proposals totalling (£0.431) million and £1.750 million growth for the 2024/25 pay award plus forecast issues and risks totalling £0.694 million;	
(iv) The forecast for Revenue Reserves (Annex 3) and the recommended use of £0.998 million from Reserves in 2024/25 comprising:	
a) £0.304 million from the IT Strategy Reserve to fund implementation of the approved IT Strategy (as detailed in the Services budget); and	

- b) Up to £0.694 million from the Government Funding Risks Reserve, where necessary, to fund the forecast reduction in housing benefit subsidy (as detailed in the Central budget);
- (v) A Capital Programme of £53.680 million for 2024/25 to 2028/29 as set out in this report, including net Capital Programme Growth Proposals of £6.919 million (net after allowing for a reduction of (£0.796) for capital programme re-profiling);
- (vi) 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 up 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;
- (vii) 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.
- (viii) Continued funding support for Banstead Commons Conservators for a further three years (2024/25 to 2026/27);
- (ix) Agreement of a new 10 year Section 136 funding agreement with Horley Town Council;
- (x) The Chief Finance Officer's report on the robustness of the Budget estimates and adequacy of Reserves
- (xi) That transfers to Reserves are approved following the allocation of additional Revenue Budget funding of £0.209 million in the Final Local Government Settlement:
 - a) £0.105 million to the Environmental Sustainability Reserve; and
 - b) £0.104 million to a new Community Partnerships Reserve.

That Executive authorise:

- (xii) The Chief Finance Officer to make any necessary final technical adjustments to the Budget and Council Tax arising from final budget refinements or changes to Government funding.

REASONS FOR RECOMMENDATIONS:

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 Five-Year Plan for 2020-2025 and supporting Strategies.

EXECUTIVE SUMMARY:

This report sets out the recommended Revenue Budget and a £7.47 (2.99% per annum) increase in Band D Council Tax for 2024/25. It also presents the recommended Capital Programme for 2024/25 to 2028/29.

Recommendations (i) to (x) are subject to approval by the Council. The Executive has authority to approve recommendation (xi).

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 2024 in line with other national increases contained within the Housing Benefit Regulations 2006 and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012. The new and revised Local Council Tax Support Scheme as detailed in this report is recommended to commence for the Council from 1 April 2024.

FINANCIAL CONTEXT

6. The purpose of this report is to:
 - Set out the recommended Revenue Budget and Council Tax for 2024/25 following scrutiny of the draft budget proposals and the Provisional Local Government Funding Settlement announcement on 18 December 2023;
 - Set out the proposed Capital Programme for 2024/25 to 2028/29;
 - Set out the proposed new Local Council Tax Support Scheme that is recommended to commence from 1 April 2024; and

- Receive a commentary on the budget and adequacy of reserves from the Chief Finance Officer, in accordance with the statutory duty under Section 25 of the Local Government Act 2003.

Government Funding

7. The 2024/25 Provisional Local Government Finance Settlement was published on Monday 18 December 2023 and the Final Local Government Settlement was published on Monday 5 February 2024. The Settlements follow the announcement of the Autumn Statement on 22 November 2023 and a policy statement that was issued on 5 December 2023. The 2024-25 settlement is effectively the second year of a two-year settlement. In short, the settlement rolls-over of the core elements of Spending Review 2021 (SR21) funding levels and funding principles already announced in the previous years' Autumn Statement of 2022.
8. The emphasis of the Settlements once again this year, is to provide stability by rolling forward key elements of 2023/24 funding alongside extra funding for priority areas, such as social care, and a commitment to increase district and borough authorities' Core Spending Power (the Government's measure of the resources available to local authorities to fund service delivery).
9. The Provisional Settlement 2024/25 settlement has again provided a Minimum Funding Guarantee grant increase of 3% and the Final Settlement, confirmed on 5 February 2024, increased this by a further 1% plus a minor increase in Service Grant as outlined below. The Provisional and Final Settlements confirmed the ability for district and borough councils to increase their Council Tax by up to 2.99% without the need for a council tax referendum. In addition to the other elements received in the Settlements (summarised below) the Department for Levelling Up, Housing and Communities (DLUHC) advises that this effectively, increases council resources by at least 7.5%, after taking account of the increased council tax referendum limit. While the Settlement is welcomed it is important to note that CPI still remains high at 4.0% at January 2024 and a cost of living crisis still exists across the UK therefore council budgets remain pressured.
10. The key principles of one-year settlements are listed below. It should also be noted that the current expectation again, is that local government funding reforms will not take place until after the next general election, therefore no earlier than 2025/26.

The main points from the settlement are set out below:

- **Council Tax** – the council tax referendum limit will be 3% for lower tier authorities. There will be a continuation of the adult social care precept (to benefit the County Council) allowing a further 2% on Band D council tax.
- **Business Rates (NNDR) Retention** – the business rates multiplier has once again been frozen instead of increasing in line with inflation. Therefore, the three elements of the NNDR Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) remain at 2023/24 levels. However, the Under-Indexing Multiplier Grant has been increased to £0.491m to ensure that local authorities' shares of NNDR income is not impacted (although the indexing basis is now RPI instead of CPI). The NNDR Revaluation in April 2023 is not anticipated to have significant impacts on this Council's funding position (or its own NNDR costs) due to the associated transitional support arrangements.
- **Top Up/Tariff Adjustments ('Negative RSG')** – as in previous years, DLUHC has eliminated the negative RSG impact for another year.
- **Lower Tier Services Grant** – this grant has been deleted from 2023/24

- **Services Grant** – this grant has been retained but reduces to £0.017m (net after a minor adjustment of £0.002m in the Final Settlement).
- **Minimum Funding Guarantee Grant** – this continues from 2023/24 onwards – and represents funding to ensure an increase in all authorities' Core Spending Power for this Council has increased to £1.329m in the Provisional Settlement, and increased again in the Final Settlement to £1.536m – an increase of £0.207m.
- **New Homes Bonus** – for 2024/25 one year allocations are announced. The 'deadweight' of 0.4% has been maintained but there are no longer any 'legacy' payments in respect of previous years' allocations. The allocation for this council for 2024/25 is £0.806m – a reduction compared to 2023/24.
- **Revenue Support Grant** an amount of £0.158m has been allocated to this Council to fund continuation of the Local Council Tax Administration Grant and the Family Annex Allowance which is a council tax discount that is applied.
- **Homelessness Prevention Grant** – £0.695 million Homelessness Prevention Grant for 2024/25 was announced in the Settlement which is the second year allocation from the existing Government scheme.

11. The Council's allocation of Government grant funding increased by £0.209 million in the Final Settlement announcement on 5 February 2024, comprising additional Service Grant of £0.002 million and additional Minimum Funding Guarantee Grant of £0.207 million.

12. The 2024/25 Revenue Budget was balanced before receipt of this additional funding. It is therefore recommended that £0.209 million is transferred to earmarked Revenue Reserves:

- £0.105m to the Environmental Sustainability Reserve; and
- £0.104m to a new Community Partnerships Reserve.

MEDIUM TERM FINANCIAL PLANNING

13. The Council has been planning for the continued loss of Government funding, with the objective to become financially self-sufficient going forward. In order to achieve self-sufficiency the Council needs to continue to find budget efficiencies whilst also generating new sustainable sources of additional income.

14. An updated Medium Term Financial Plan (MTFP) was approved on 13 July 2023 and forecasts were refreshed in November 2023 with latest information. The MTFP sets out the financial direction of the Council over the medium term to ensure that the Council plans and manages its resources effectively. It also sets out the priorities that have been taken into account when preparing the budget for 2024/25:

- To ensure resources are aligned with the Corporate Plan **priorities**;
- To maintain a **balanced budget** such that expenditure matches income from council tax, fees & charges, and government and other grants and to maintain that position;
- To set a rate for **council tax** which maximises income necessary to deliver our strategic objectives while ensuring that Government referendum limits are not exceeded. The percentage increase will be reviewed annually and be approved by Full Council;

- To maximise other income by setting **fees & charges**, where the Council has the discretion and need to do so, at a level to ensure at least full cost recovery, promptly raising all monies due and minimising the levels of arrears and debt write offs;
- To ensure a long-term sustainable view is taken of our **investments** and that appropriate risk analyses are used when considering new investments;
- To consider and take advantage of **commercial opportunities** as they arise to deliver new income streams; and
- To maintain an adequate and prudent level of **reserves** and regularly review their planned use and allocation to support delivery of our priorities.

15. The latest MTFP forecasts are set out at Annex 1 and indicates a forecast budget gap of £2.353 million for the Council in 2025/26, increasing to £5.586 million by 2028/29. Further work will commence to update MTFP forecasts to support service & financial planning for 2025/26 onwards. The outcome will be reported to Executive in summer 2024.

Financial Sustainability Programme

16. 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 over the MTFP period.

17. A Financial Sustainability Programme has been implemented, focussing on four key areas:

- | | |
|-----------------------------|---|
| Income Generation | <ul style="list-style-type: none"> • Pursuing opportunities to generate new income streams; • Optimising Fees & Charges; and • Implementation of the Commercial Strategy. |
| Use of Assets | <ul style="list-style-type: none"> • Making effective use of existing assets, including the repurposing and sale of surplus properties. |
| Prioritisation of Resources | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • 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. |

18. 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.

19. Progress is reported to Executive, Overview & Scrutiny and individual Portfolio holders as part of quarterly performance reporting. A further update on the programme was

provided in the Service & Financial Planning report presented in November 2023 at Annex 2 (Appendix 5).

Commercial Strategy

20. 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.
21. To guide its work in this area, the Council has adopted a Commercial Strategy (Part 1 - November 2020 and Part 2 - December 2021).
22. 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 that the Council already relies on from its assets are maintained and where possible increased; and that assets are repurposed, redeveloped or disposed of where they are a cost to the Council to retain them.
- Investing in new assets to secure income or deliver savings whilst also delivering corporate priorities.
- Continuing to sell or trade services where the Council already does this; and looking to introduce new trading activity where this aligns with the Council's local government remit and areas of expertise.
- Taking a more commercial approach to fees and charges.

23. 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. As noted above, for this Council, consideration of commercial matters is now primarily taking place within the context of the wider Financial Sustainability Programme. This shares many of the objectives of the Commercial Strategy but also reflects the recent tightening of the Prudential Code 2021 and considers financial sustainability from a broader, more complete perspective. The Prudential Code 2021 specifically restricts councils from borrowing in advance of need, i.e. borrowing to purchase assets with the sole intention of making a return or yield. The Commercial Strategy adheres to these requirements.
24. 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.
25. 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.
26. 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, notwithstanding the requirements to comply with the Prudential Code restrictions in terms of borrowing in advance of need. An annual report on progress against the Council's Commercial Strategy was provided in December 2023.

REVENUE BUDGET

27. The Revenue Budget comprises five 'building blocks' as follows:
 - **Net Cost of Services:** These are the direct costs incurred in delivering services, net of specific income generated by them;
 - **Central Budgets:** These are costs incurred and income received that are not service-specific, eg. Pension Fund deficit contributions and treasury management costs and income;
 - **Sources of Funding:** These income budgets are general, non-service specific income sources. They include other grant funding from Central Government and our share of Non-Domestic Rate income;
For 2024/25 it includes the continued impact (benefit) of the one-off elimination of 'Negative Revenue Support Grant'. Over the medium term this is expected to cease (now no sooner than 2025/26) resulting in a significant future budget pressure;

- **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
- **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.

28. The table below summarises the final Revenue Budget for 2024/25

Table 1: BUDGET SUMMARY	Budget 2023/24 £m	Budget 2024/25 £m
1. Net Cost of Services	20.618	18.578
2. Central Budgets	2.576	4.589
NET EXPENDITURE 2023/24	23.194	23.167
3. Council Tax	16.293	16.675
4. Business Rates (NNDR)	3.994	3.344
5. Other Un-ringfenced Grants		
• Services Grant	0.093	0.017
• New Homes Bonus Grant	1.034	0.806
• Minimum Funding Guarantee Grant	0.803	1.536
6. Grants Transferred to Reserves:		
• Homelessness Prevention	0.686	0.695
• Transfer to Reserves	(0.686)	(0.695)
7. Transfers to Reserves – Following the Final Settlement:		
• Community Partnerships Reserve	-	(0.104)
• Environmental Sustainability Reserve	-	(0.105)
8. Call on Earmarked Reserves:		
• Government Funding Risks Reserve	0.484	0.694
• IT Strategy Reserve	0.493	0.304
NET SOURCES OF INCOME	23.194	23.167

NOTE

1. The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2024/25. Over recent years the budget outturn has been an underspend position with no requirement to call on Reserves. The call on Government Funding Risk Reserve will depend on the extent of additional excessive demand for supported housing which is unmatched by Housing Subsidy Grant from Government.

2024/25 Service Budget Proposals

29. Service budget proposals are summarised below:

Table 2: SERVICE BUDGET PROPOSALS	Approved Budget 2023/24 £m	Proposed Budget 2024/25 £m	Net 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	0.304	(0.189)
Legal & Governance	2.358	2.223	(0.135)
Organisational Development & HR	0.733	0.733	-
Corporate Policy, Projects & Performance (including Environmental Sustainability)	0.447	0.515	0.068
Property & Commercial	0.431	(0.581)	(1.012)
PLACE			
Economic Prosperity	0.288	0.276	(0.012)
Neighbourhood Operations	4.803	4.542	(0.261)
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 risk	0.564	-	(0.564)
Leisure & Culture	0.408	0.393	(0.015)
SENIOR MANAGEMENT TEAM	1.030	1.030	-
TOTAL	20.618	18.578	(2.040)

30. From 2023/24 onwards the cost of housing benefit payments and associated government funding has been 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

31. 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 £0.409m
- Revenues, Benefits & Fraud 1.0 FTE £0.033m

32. The 2023/24 Homelessness Prevention grant allocation of £0.668 million was confirmed in December 2022 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

33. Other posts that are funded fully or in part from fixed term resources include:

- Community Partnerships 1.0 FTE £0.045m E. Surrey Heartlands NHS
- Community Partnerships 0.4 FTE £0.019m Surrey County Council
- Community Partnerships 0.2 FTE £0.008m Safer Streets Redhill
- Leisure & Intervention 4.3 FTE £0.167m Refugee Support Grants
- Leisure & Intervention 4.0 FTE £0.158m East Surrey Partnership
- Planning & Development 2.0 FTE £0.087m Community Infrastructure Levy
- Corporate Policy 0.8 FTE £0.042m UK Shared Prosperity Fund

34. As reported to Executive in 2023/23, work is underway on preparing the new Local Plan which will continue until 2028, funded through a call on the Corporate Plan Delivery Fund Reserve. The Council's response to the Development Consent Order relating to Gatwick airport expansion is also in progress and is expected to be completed by the end of 2024/25.

35. Net Service savings, additional income and growth proposals of £0.776 million (consisting of £0.943 million growth minus savings of (£1.719) million) were approved in the Service & Financial Planning 2024/25 report to Executive on 16 November 2023. This included the deletion of 1.0 FTE vacant funded post and (£0.540) million additional income from Fees & Charges.

36. Since the Service & Financial Planning report to Executive on 16 November, there have been new Service revenue budget growth proposals identified which total £0.169 million and new proposals or revisions to savings/income which total (£0.035) million. A number of these items relate to recommendations that were approved by Executive on 14 December 2023. Details are provided at Annex 2.

Service Budget Issues, Risks and Opportunities – 2023/24 Onwards

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

Issues:

(i) Temporary accommodation crisis and costs

- Councils provide a safety net for the most vulnerable people including refugees who need help, the cost and availability of this is a significant budget risk for this Council for 2024/25 and future financial years.
- Figures from the Department of Levelling Up, Housing and Communities indicate 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 are exploring solutions amid the ‘escalating social and financial crisis’ created by the soaring need for temporary and emergency housing.
 - An increase to the previously frozen Local Housing Allowance (LHA) was announced in the Autumn statement, any increase is welcome and needed however the level of increase is not due to be announced until the end of January. The increase is supposed to bring the LHA back up to the 30th percentile of local private rents.
- (ii) 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 action required with the timeframe for executing the rectification.
 - It had previously been forecast that increased income would be possible for 2024/25, however the RAAC discovery has negated this opportunity for the time being. The impacts on ongoing service delivery were being assessed at the time of preparing this report and further updates to Executive are planned when the outcome of that work is confirmed.

Risks:

(i) 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 local authorities.
- These measures will have a considerable impact on local authorities, particularly the Simpler Recycling scheme, which will affect how kerbside recycling services are delivered.

- Timescales were recently confirmed:
 - EPR and DRS elements to be implemented by 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.
- The Simpler Recycling scheme will require the Council to introduce recycling collections of Dry Mixed Recycling (DMR) and Food Waste to the 5,500 properties that 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 the additional funding provided announced by the Department for Environment, Food and Rural Affairs (Defra) on 9 January 2024.
- In summary, Defra has announced grants for the capital transitional costs for the introduction of weekly food waste collections. This capital funding is intended for the purchase of food bins (including internal kitchen caddies, external kerbside caddies and communal bins) and food waste collection vehicles.
- Confirmed funding comprises:
 - a capital grant for transition costs in 2023/24. The grant for this Council is £201,834 of which £102,300 is allocated for vehicles;
 - Further transitional funding from 2024/25 from Defra. These funds will be provided to authorities that have to implement a weekly food waste collection service either partially or fully.
 - Ongoing funds will then be provided from April 2026 to all waste collection authorities, including those that have already fully implemented a food waste collection service.
- Defra is currently calculating transitional and ongoing resource allocations and they are expected to be confirmed in due course for Local Authorities.
- Current recycling budgets are 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.
- Further updates will be provided to Executive as plans for implementing the Strategy are developed and further funding from Defra is confirmed.

(ii) Geopolitical and economic pressures

- World-wide pressures and international crises continue to have a significant impact on the world economy and this impacts on the UK 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 current level of CPI inflation as announced on

17 January 2024 increased to 4.0% from the December indicator at 3.9% and inflation this impacts on the cost of council borrowing and overall treasury management. A cost of living crises is affecting the country nationally in all regions.

- The next general election is drawing nearer and the latest date this could be is January 2025, falling within financial year 2024/25. Any resulting policy or funding changes could have a significant impact on local government.

(iii) Energy Prices

- Escalating electricity and gas costs were flagged as a significant issue when setting the budget for 2023/24 and £0.650m 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. Ongoing work to improve the energy efficiency of our buildings and introduce renewable energy generation will in the longer term provide more resilience to price volatility.
- This has resulted in a reduced budget requirement (saving) of £0.350m as detailed in the 2024/25 service proposals above. However there remains uncertainty due to the volatility of the supply market and the impact of CPI inflation on prices.

(iv) External Audit fees

- The Public Sector Audit Authority (PSAA) published their decision and new fee levels by 30 November 2023 and they are within the budget allocation allowed for 2024/25 which the council had already planned and budgeted for.

(v) 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.

Opportunities

(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 includes:
 - 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;
 - Development of the CRM system continues with over one hundred online processes now available for use by staff and the public; and
 - Planning for the further transition of locally-hosted systems to the Cloud.
 - 2024/25 budget proposals are based on continuation of implementation, utilising the IT 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). Since the Service & Financial Planning report to Executive in November further capital growths requests have been approved by Executive for inclusion in the final budget with regard to the purchase of one electric garden waste collection vehicle. The transition of the existing diesel refuse collection vehicle fleet to run on Hydrotreated Vegetable Oil (HVO) was also endorsed at this Executive meeting (with revenue funding to cover the additional costs associated with this already having been included in the draft budget. The growth proposals for these items are included in Annex 2 and 4 of this report.
 - Capturing the need to balance different competing demands upon greenspaces, such as recreation, biodiversity, health, and sustainable practices.
 - New Capital Growth items in Annex 4 which are funded by Community Infrastructure (CIL) or borrowing 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) Investment in Procurement Service 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 in the service is being developed and will be presented for consideration as part of future budget proposals.

(iv) Tenancy and Property Rental Income

- Wheatley Court: After taking account of annual rental income of up to £0.326m per annum, a property maintenance sinking fund will be established of circa 8% along with an allowance for service charges, management fees and property operating costs. Budgets for the property will be based on a housing income (from the tenant rent debit) and expenditure basis model to ensure that the residual income from tenancies is allocated to support housing service delivery.
- Income from the commercial units at Wheatley Court, when let, will continue to support the budget in general.
- The Rise: £0.720m income is forecast from confirmed lettings for 2024/25; this has been factored into the budget proposals in this report.

(v) Leisure Contract Renewal

- A two-year extension with the current provider has been agreed with effect from 1 April 2024. The extension is as per the previous contract's terms, with a management fee paid to the Council subject to an annual inflationary uplift.

38. In the Service & Financial Planning report to Executive in November 2023, total net savings and growth for Service budgets was reported at (£1.316) million and net savings and growth for Central budgets, excluding the £1.750 million growth for the pay award, was reported at (£0.376) million. A grand total of (£1.692) million of net savings and growth overall.
39. Since November further net growth for Service budgets has been identified of £0.134 million and net savings for Central budgets has been identified of (£0.055) million. A grand total of £0.079 million of net growth, which is detailed Annex 2.
40. Therefore in total, the Service and Central budget proposals for growth and savings have reduced to (£1.613) million at January which compares to the (£1.692) million reported to Executive in November 2023.

Table 3.1: SERVICE AND CENTRAL BUDGET PROPOSALS (November and January combined)		2024/25	
		FTE	£m
Budget Movements:			
November report and this report			
Annex 2 Annex 3	Services – Pay (excluding pay award provision)	5.0	0.172
	Services – Non-Pay	-	(1.785)
NET BUDGET GROWTH / (SAVINGS)		5.0	(1.613)

NOTE 1: The above proposals are detailed in Annex 3 of the November Budget report and Annex 2 of this report.

41. Growth to address Service budget issues, risks and opportunities comprises:

Table 3.2: FORECAST SERVICE BUDGET ISSUES, RISKS & OPPORTUNITIES		2024/25	
		FTE	£m
November Report Annex			
3.4	Budget Risks – Government Funding Reductions	-	0.694
3.5	Budget Opportunities – IT Strategy Implementation	-	0.304
BUDGET GROWTH FOR FORECAST ISSUES, RISKS & OPPORTUNITIES		-	0.998

Note 1 – these amounts will be financed by a call on Reserves and are dependent upon in-year demand and therefore may not be fully utilised during 2024/25.

Central Budget Proposals 2024/25

42. Central budgets are summarised in the table below. They comprise those budget items that are corporate in nature and are not associated with delivery of specific services.
43. Since the Service & Financial Planning report to Executive on 16 November, there have been two changes to Central revenue budget growth proposals identified, firstly a movement of (£0.270) million, being a reduction in the forecasts risks relating to housing benefit subsidy shortfalls compared to that originally proposed to Executive on 16 November 2023. The revised net growth is therefore £0.694 million, as set out in the table below. Secondly there has been an increase in Treasury Management savings of (£0.055) million which reflects the final interest and investment income forecasts.
44. Overall there is a net budget increase compared to 2023/24 as detailed in the table below which highlights the variations between financial years. The main reason for the increase is the Pay increase provision required of £1.750 million.

Table 4: CENTRAL BUDGETS	Approved Budget 2023/24 £m	Proposed Budget 2024/25 £m	Net Budget Increase / (Decrease) £m
Insurance	0.467	0.516	0.049
Treasury Management ³	(0.087)	(0.342)	(0.255)
Housing Benefits – net cost	(0.714)	(0.020)	0.694
Unused Historic Budget for Pay	0.243	-	(0.243)
Pay increase 2024/25 ²	-	1.750	1.750
Employer Pension Costs ¹	2.240	2.240	-
Central Vacancy Turnover Provision	(0.150)	(0.150)	-
Apprenticeship Levy	0.080	0.080	-

Table 4: CENTRAL BUDGETS	Approved Budget 2023/24 £m	Proposed Budget 2024/25 £m	Net Budget Increase / (Decrease) £m
Central Recruitment & Visa Expenses	0.045	0.045	-
Central Training Budget	0.082	0.082	-
External Audit Fees	0.150	0.159	0.009
Internal Audit Fees	0.065	0.071	0.006
Preceptor Grants – Horley Town Council Double Taxation	0.044	0.047	0.003
Funding Contribution – Banstead Commons Conservators	0.111	0.111	-
TOTAL	2.576	4.589	2.013

NOTES:

1. Annual employer deficit contribution and compensated added years payments.
2. The budget for 2023/24 pay increases has been previously allocated to service budgets.
3. The Treasury Management Budget has been re-aligned for final movements in capital financing requirements.

Central Budget Risks

45. The most significant risk for Central Budgets is the continued Housing Benefit Subsidy pressures:
- Up to £0.694 million of 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 - DWP). This is a worst case scenario estimate and has been reduced from the figure of £0.964m previously reported to Executive on 16 November 2023 due to more up to date information being available regarding potential demand;
 - There are several factors, including the loss of government funding, that can impact upon housing benefit. The most significant national concerns affecting all councils are the cost of supported housing payments and discretionary housing payments. In many of these cases councils are required to fund some of the costs from their own resources as the level of DWP subsidy does not equal the costs of benefits paid, due to the level of costs included in claims by landlords and housing providers along with the difference between benefits and Local Housing Allowance (LHA) rates; and
 - This budget forecast is included on a contingency basis; zero, part or all of it may be required in 2024/25, depending on housing need and the level of subsidy received from government.
46. Other key reasons why housing benefit subsidy 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;
 - Cost to the council of recovering housing benefit overpayments; and

- The increased cost of Discretionary Housing Payments, providing support to some residents with their rent where they also receive housing benefit or the housing element of Universal Credit. The DWP provides some funding to local authorities for this but it is not always sufficient to meet demand. Local authorities are able to make payments above DWP funding, but the additional cost has to be met from the Council's budget. This Council's funding for 2023/24 was just £0.188m and this remains a risk.

47. Other proposed changes in Central Budgets in 2024/25 were set out in the November Service & Financial Planning report; the final updates are detailed below:

Table 5: CENTRAL BUDGETS	Outcome of Review
Insurance	The final budget forecast is expected to be confirmed in mid-February 2023; an inflationary increase has been assumed based on current CPI levels.
Treasury Management	<p>This Budget has been reviewed in detail to ensure that it reflects:</p> <ul style="list-style-type: none"> • Forecast interest on balances. Interest rates have risen to over 5.25% following the recent Bank of England decision to increase the base rate however the range of institutions that are available to place investments remains limited (in line with the Treasury Management Strategy) to ensure security of funds. The forecast also reflects the continued use of cash balances wherever possible for short-term funding of the capital programme instead of taking out external loans. • Forecast borrowing costs (interest and Minimum Revenue Provision for loan repayment) in line with the proposed Capital Programme (including capital growth any re-profiling of existing capital schemes) and Treasury Management Investment Strategy. The forecast reflects planned spend profiles and the continued use of cash balances for short-term funding of the capital programme instead of taking out external loans. It also reflects application of the MRP Policy in the Treasury Management Strategy. The impacts of the Government's proposed changes to MRP regulations (announced in December 2021) are still subject to final consultation that was issued in December 2023; the outcome will not be known until later in 2024. • Forecast interest receipts relating to loans to the Council's companies. These sums are subject to a credit risk assessment when preparing the Council's annual accounts and provision is made for impairment (where appropriate) to reflect the outcome. • Current capital expenditure plans at January 2024; the budget implications of any new schemes or reductions in planned capital spends will be considered when considering overall capital financing levels. • Investment in any new capital projects to support, for example, delivery of the Commercial Strategy and Housing Delivery Strategy will be assessed when individual business cases are submitted for approval. • As a result of the factors explained above, a reduction in forecast treasury management costs of (£0.342) million is forecast for 2024/25.

Table 5: CENTRAL BUDGETS	Outcome of Review
Housing Benefits	These sums and resulting budget pressures of £0.694m have been explained in detail above.
Budget for Pay Increases	Capacity of £1.75 million has been included in the budget for forecast contractual pay increases and the annual cost of living of living for 2024/25. This budget is held centrally and, now that the pay award has been confirmed with union representatives, will be allocated to services ready for the start of the new financial year.
Pensions	<p>The budget includes funding for the employer secondary contribution of £2.240 million that is due in April 2024 following the last triennial Pension Fund revaluation in 2023. The secondary contribution covers historic deficit payments and compensated added years costs.</p> <p>This Council's element of the Pension Fund was 94% funded at the last revaluation and has sufficient assets to meet fund accrued benefits over the medium term.</p>
Central Vacancy Turnover Provision	Retention of a central vacancy turnover provision in recognition that (based on previous experience) there is likely to be a number of vacant posts during the year due to staff turnover generates a reduction in budget of – (£0.150) for 2024/25.
Apprenticeship Levy, Central Recruitment and Visa Costs, Central Training Costs	No changes are proposed.
External and Internal Audit Fees	Forecast inflationary increases are factored in for both, the recent change in Public Sector Audit Appointments (PSAA) fees have also been adjusted for. The latest PSAA fees increase levels following consultation are within the budget above.
Horley Town Council Double Taxation	Central budgets include £0.047 million funding for a preceptor grant to Horley Town Council. This is to fund a 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.

Table 5: CENTRAL BUDGETS	Outcome of Review
Banstead Commons Conservators	This funding will continue to assist the Conservators in delivery of current operations and the funding will be annual for the three year period from 2024/25 through to 2026/27.

Revenue Budget Funding 2024/25

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

Table 6: REVENUE BUDGET FUNDING¹	Approved Budget 2023/24 £m	Proposed Budget 2024/25 £m	Net Budget Increase / (Decrease) £m
Council Tax	16.293	16.675	0.382
National Non-Domestic Rates	3.994	3.344	(0.650)
Other Un-ringfenced Grants:			
• Services Grant	0.096	0.017	(0.079)
• New Homes Bonus Grant	1.034	0.806	(0.228)
• Minimum Funding Guarantee Grant	0.803	1.536	0.733
Transfers to Reserves – Following the Final Settlement:			
• Community Partnerships Reserve	-	(0.104)	(0.104)
• Environmental Sustainability Reserve	-	(0.105)	(0.105)
Call on Earmarked Reserves:			
• Government Funding Risks Reserve	0.484	0.694	0.210
• IT Strategy Reserve	0.493	0.304	(0.189)
Use of funds from the General Fund Balance to support the Revenue Budget	-	-	-
TOTAL	23.194	23.167	(0.027)

NOTE: Table updated to include additional Reserve transfers following the Final Local Government Settlement in February 2024.

49. Work is now complete to update the Funding forecasts that have been taken into account when arriving at the final budget proposals for 2024/25. Factors taken into account include:

Council Tax

- The 2024/25 increase is based on a 2.99% Band D equivalent increase and the forecast tax base (as detailed below). This is in line with the referendum limit announced that was by the Government in December 2023. This also includes the council's share of the historic Collection Fund surplus for the Council Tax element.

- | | |
|----------------------------------|---|
| Business Rates (NNDR) | <ul style="list-style-type: none"> • Includes continued funding for the tariff payment (with no reduction for negative RSG) as confirmed in the December Provisional Settlement. Also includes the Council's share of the historic Collection Fund surplus for the business rates element. |
| New Homes Bonus Grant | <ul style="list-style-type: none"> • Includes updated allocations for New Homes Bonus based on the December 2023 Provisional Local Government Settlement announcement. |
| Other Grants | <ul style="list-style-type: none"> • The December Provisional Settlement included a number of grant changes that have been reflected in the updated budget proposals. <ul style="list-style-type: none"> ○ Reduction of the Services Grant ○ A continued Minimum Funding Guarantee Grant to ensure that all lower tier councils see a 3% increase in their Core Spending Power before Council Tax increases. |
| Contributions (To)/From Reserves | <ul style="list-style-type: none"> • There is no requirement for a contribution from the General Fund Balance as there is no forecast Revenue Budget gap in 2024/25. • As reported to Executive in February 2024 – the Council faces budget pressures and risk of which some may have required funding from reserves. The December Provisional Settlement announcement has however provided confirmation a balanced budget can be set without calling on Reserves. • There remains a call on: <ul style="list-style-type: none"> ○ the IT Strategy Reserve (£0.304m) to fund delivery of the approved Strategy; and ○ the Government Funding Risks Reserve (£0.694m) as a maximum where necessary, to fund the forecast reduction in Housing Benefit subsidy. |

COUNCIL TAX 2024/25 AND LOCAL COUNCIL TAX SUPPORT SCHEME 2024/25

50. In setting the Council Tax Requirement for 2024/25 the Council must give consideration to the three elements that make up the overall requirement:
- the precept amount;
 - the Taxbase; and
 - the outcome of the previous year's cash collection.
51. The Government sets a cap each year which has the effect of limiting the annual increase to the tax base before a referendum is required. This was confirmed with the Provisional Local Government Settlement as being the higher of 2.99% or £5.00 for District and Shire Councils.
52. The Council is also required to agree a Local Tax Support Scheme annually and a revised scheme for 2024/25 is outlined in the section of the report. This follows its presentation and recommendation approval at Executive Committee on 16 November 2023.
- Council Tax – Taxbase
53. When considering the taxbase the Council has no authority over the banding of new builds, that is decided by the Valuation Office Agency, but as the planning authority it

is responsible for ensuring an adequate supply of housing to meet the needs of the local population and is therefore in a position to approve and promote applications to build new homes.

54. The Taxbase increase was agreed by Council on 30 November 2023 is unchanged and the recommendation is to adopt an increase in the council tax base from 63,495 to 64,252 properties representing a taxbase increase of 757 (1.19%) compared to 2023/24.

Council Precept

55. The recommendation is to set an annual precept increase for Reigate & Banstead Borough Council for 2024/25 of 2.99% taking the Council precept to £257.18 for a Band D property. This represents an increase of £7.47 compared to 2023/24.
56. This increase will yield an additional £0.669 million in income, comprising an increase of £0.195 million from the increase in the tax base and £0.474 million from the 2.99% Band D increase.

Collection Fund Outturn

57. Another factor that has to be taken into account when forecasting council tax income for 2024/25 is the cash surplus or deficit that is brought forward on the Collection Fund from previous years. This is the difference between the actual amount of cash collected compared to the target collection rate that was forecast for that year during budget setting.
58. It is anticipated that at the end of 2023/24 the collection fund (for Council Tax and not Business Rates) will have a net surplus of £1.307 million. This will be shared by the preceptors in line with their share of the precept, which means that Reigate and Banstead will have a surplus of an estimated £0.151 million.
59. Historically, the authority has had a very strong performance record, consistently recovering 99.7% (0.3% shortfall) of income due. Recovery performance was impacted during the original COVID-19 pandemic years, however the forecast since 2023/24 has been restored to pre-pandemic levels to reflect the forecast recovery position and this has given rise to a Collection Fund surplus for 2024/25 which has been taken into account when setting the budget for 2024/25 as the table below identifies.

Council Tax Requirement 2024/25

60. Based on the above recommendations the Council Tax Requirement for 2024/25, (compared with 2023/24) is set out below.

Table 7: COUNCIL TAX REQUIREMENT	2023/24	2024/25	Movement	Impact On Yield
Taxbase Band D Equivalents Forecast at October	67,019.80	67,590.90	571.10	Positive : Increase
Forecast Growth in New Homes	205.67	287.90	82.23	Positive - Increase
	0.31%	0.43%	0.12%	
Allowance for Non-Collection in 2023/24	(188.23)	(180.40)	7.83	Positive : Increase
	(0.28%)	(0.27%)	0.01%	
	(3,541.92)	(3,446.10)	95.82	Positive : Decrease

Table 7: COUNCIL TAX REQUIREMENT	2023/24	2024/25	Movement	Impact On Yield
Reduction in Band D equivalents due to increased demand for the Local Concessionary Support Scheme	(5.28%)	(5.10%)	0.18%	
Forecast Average Band D Taxbase	63,495.32	64,252.30	756.98	Positive : Increase
Council Tax Band D	£249.71	£257.18	£7.47	
Council Tax Requirement	£15,855,416	£16,524,407	£668,991	
Forecast share of Collection Surplus/ (deficit) brought forward	£437,838	£150,695	(287,143)	
Net Council Tax Income for this Council	£16,293,254	£16,675,102	£381,848	

Precepting Authorities

61. Details of the proposed council tax precepts for Surrey are set out in a separate report on this agenda. In summary the proposals are as follows:

Table 8.1: ANALYSIS OF DRAFT COUNCIL TAX BY PRECEPTOR ³		
	DEMAND	% share
	£	%
Surrey County Council ¹	112,994,095	74.85%
Surrey Police & Crime Commissioner ¹	20,790,117	13.77%
Reigate & Banstead Borough Council	16,524,407	10.95%
Horley Town Council	604,096	0.40%
Salfords & Sidlow Parish Council	46,664	0.03%
	150,959,379	100.00%

Table 8.2: ANALYSIS OF DRAFT COUNCIL TAX CHANGES BY PRECEPTOR				
Authority	2023/24	2024/25	Increase	
			£	%
Surrey County Council	1,675.08	1,758.60	83.52	4.99
Surrey Police & Crime Commissioner	310.57	323.57	13.00	4.19
Reigate & Banstead Borough Council	249.71	257.18	7.47	2.99
Horley Town Council	47.76	54.00	6.24	13.07
Salfords & Sidlow Parish Council	29.72	32.10	2.38	8.01
	2,312.84	2,425.45	112.61	4.64%

NOTES

1. Subject to confirmation by Surrey County Council on 6 February and the PCC on 2 February 2024

2. Table updated following confirmation of the Surrey County Council precept on 6 February 2024 (previously forecast to be 3.99%).

62. Based on the Council Tax base of 64,252.30 (set out above), each 1% increase in Council Tax generates £0.160 million additional income for this borough. A 2.99% increase in 2024/25 will yield additional income as highlighted in the table below.
63. For MTFP modelling purposes, based on a 2.99% increase in the taxbase, the Council Tax income forecast at January 2024 is set out below:

Table 9: COUNCIL TAX FORECAST	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m	£m
Forecast Resources	15.855	16.524	17.228	17.921	18.641	19.390
Annual Increase in Income (including base growth)	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
Band D (increased at 2.99%)	£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%

64. 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.

65. 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.

Council Tax Policy and Local Council Tax Support Scheme

66. 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.

67. 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.

68. 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.

69. 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.

70. 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 10: LOCAL COUNCIL TAX SUPPORT SCHEME (January 2024) Category	Number of Claims		Annual Cost £m	
	2022	2023	2022	2023
Vulnerable	1,875	1,951	2.923	3.201
Working Age – employed	601	374	0.552	0.349]
Working Age – not employed	1,178	949	1.512	1.196
Annual Cost to Preceptors			4.987	4.746

71. 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.
72. Historically, 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.
73. 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.
74. 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.
75. 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.
76. 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.
77. 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.
78. 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.
79. The implementation of these changes would increase the level of LCTS by approximately £0.250 million.
80. The costs of this increase will be offset by removing the 28-day discount to homes that are empty and unfurnished.
81. A full breakdown with further explanation is provided at Annex 8.

Council Tax Policy

82. 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.
83. 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.
84. No new changes to council tax policy were introduced in 2023/24 but 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.

85. It is proposed that these changes will be introduced for 2024/25 as it is now lawful.
86. The changes will offset the costs of increasing Local Council Tax Support to low-income households.
87. 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 2022; the Scheme is also scheduled for review during 2023/24.

RETAINED BUSINESS RATES (NNDR)

88. The Council collects Business Rates ('National Non-Domestic Rates' or 'NNDR') on an agency basis for Government. Of the total NNDR collectable, this Council retains 40% of the benefits with 10% paid to the County and 50% to the Government.
89. For 2024/25 the Council's NNDR Baseline income (before adjustments) will be £2.590 million out of a total estimated income of £56.884 million.
90. The key factors that determine this income stream are outside this Council's control:
 - The NNDR 'multiplier' (pence in the pound of rateable value) which is set by Government; and
 - The rateable value of a property which is set by the Valuation Office Agency.
91. Therefore the only decision to be taken by this Council each year is in terms of determining a forecast for income during the year, being:
 - The estimate of projected growth / decline in the NNDR Baseline as a result of business failure, property conversions or new builds.
92. The local government funding regime then requires a number of adjustments to arrive at the actual sum to be retained. The Provisional Settlement in December confirmed that this Council's Tariff (the additional sum retained by Government) means that of the £22.754 million Baseline sum this Council must return an additional £21.884 million to the Government and retain just £0.870 million.
93. There are then three further adjustments for Section 31 grants, multiplier gap adjustments and levy payments which collectively add a further £1.473 million to the NNDR contribution to the Council funds in the year 2024/25. The section 31 grants help offset the loss of income due to the continuation of reliefs announced by Government.
94. The next adjustment relates to 'Negative Revenue Support Grant (RSG)' whereby the Government has previously announced its intention to recoup a notional 'over-funding' of authorities like Reigate & Banstead. In the December 2022 Settlement Announcement the Government indicated once more that Negative RSG has 'been addressed' through its inclusion in the overall local government funding baseline. If correct this authority will avoid the previously predicted reduction in NNDR in future years. For now the MTFP assumption is that Negative RSG may yet have an impact but not until at least 2025/26.

95. The final adjustment relates to this Council's share of historic Collection Fund surpluses or deficits; representing £0.754 million additional funding for 2024/25

Summary Forecast

96. In summary this means that the total contribution from NNDR to this Council in 2024/25 will be £3.344 million

Table 11: NNDR ANALYSIS	2023/24	2024/25
	£m	£m
Gross NNDR Income	52.162	54.175
<u>Plus</u> Forecast Growth	2.013	2.709
Gross NNDR Income	54.175	56.884
<u>Less</u> Government share (50%)	(27.088)	(28.442)
<u>Less</u> Surrey County Council share (10%)	(5.418)	(5.688)
Forecast Gross NNDR Income - Reigate & Banstead share (40%)	21.669	22.754
<u>Less</u> Tariff due to Government	(20.255)	(21.884)
Forecast Net NNDR Income - Reigate & Banstead after Tariff	1.414	0.870
<u>Plus</u> Section 31 Grant for Reliefs	1.000	1.473
<u>Plus</u> Multiplier gap/Inflation adjustment	-	0.575
<u>Plus</u> Levy Payment/Receipts from Government	0.064	(0.328)
Forecast NNDR Income - Reigate & Banstead	2.478	2.590
Forecast Net Share of previous years' Surplus / (Deficit)	(1.516)	0.754
Forecast NNDR Income - Reigate & Banstead	3.994	3.344

97. The 2024/25 budget is therefore based on a total of £3.344 million income from NNDR, a reduction of £0.650 million as compared to 2023/24. These forecasts will be subject to in-year monitoring as more up to date information is received.

USE OF RESERVES

98. As set out above, there is no requirement to draw on the General Fund Balance to support Revenue Budget in 2024/25.
99. Forecast balances on Revenue Reserves at 1 April 2024 are summarised below and detailed at Annex 3.

Table 12: RESERVES SUMMARY	Forecast Balance ¹ at 1 April 2024 £m
General Fund Balance	3.500
Other Earmarked Reserves ²	27.122
TOTAL²	30.622

NOTES

1. Forecast balances after decisions made during year end for 2023/24 and budget setting 2024/25 – excludes balances on historic COVID-19 Reserves and addition of the 2024/25 Homelessness Prevention Grant of £0.695 million.
2. Table updated following the Final Local Government Settlement Announcement on 5 February 2024 to include additional transfers to reserves of £0.105m to the Environmental Sustainability Reserve and £0.104m to the new Community Partnerships Reserve.

100. The Policy on the use of Reserves was approved by Executive on 16 November 2023.

101. The Council holds Reserves to provide protection against financial risks. The 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.

102. 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.
- A means of setting aside sums for future identified uses and / or investments.

103. 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.

104. 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.

105. The Council has set a minimum level of unallocated General Fund reserves of 15% of the net revenue budget (£23.264 million for 2024/25), which equates, when rounded, to £3.500 million The forecast unallocated balance on the General Fund at 31 March 2024 is consistent with this limit.

106. The 2024/25 revenue Budget was balanced before receipt of £0.209 million additional grant funding in the Final Settlement. It is therefore recommended that the additional funding is transferred to earmarked Revenue Reserves:

- £0.105m to the Environmental Sustainability Reserve; and
- £0.104m to a new Community Partnerships Reserve. The purpose of this new Reserve is to fund partnership-based activities that support resident and community wellbeing.

FORECAST BUDGET GAP AT JANUARY 2024

107. The forecast budget gap over the next five years is set out below. Further details are provided at Annex 1 (Appendix 2).

Table 13: MEDIUM TERM REVENUE BUDGET FORECAST	Forecast 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	Balanced	2.253	3.849	5.357	5.586
Annual Increase in Gap	-	Balanced	2.253	1.596	1.508	0.229

Table 13: MEDIUM TERM REVENUE BUDGET FORECAST	Forecast 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
Gap as % of 2024/25 budget requirement	-	n/a	10.07%	16.47%	22.93%	23.91%

108. Medium term forecasts are based on a cautious estimate of future costs and income streams. They will be updated and reported to Executive in July 2024 in preparation for 2025/26 service & financial planning.

CAPITAL PROGRAMME

Capital Investment Strategy and Capital Programme

109. 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.

2024/25 to 2028/29 Approved Capital Programme

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

Table 14: CAPITAL PROGRAMME 2022/23 to 2027/28 by SERVICE	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	TOTAL £m
	BFWD £m	Budget £m	Projected £m	Projected £m	Projected £m	Projected £m	
ORGANISATION SERVICES:							
Property Services	6.383	1.420	1.307	0.909	1.597	0.089	11.705
IT Services	-	0.260	0.250	0.200	0.200	0.500	1.410
Organisational Development	-	0.250	0.250	-	-	-	0.500
Environmental Strategy	0.236	-	-	-	-	-	0.236
PEOPLE SERVICES:							
Housing	7.444	1.412	1.419	1.419	1.419	1.419	14.532
Leisure & Culture	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	-	-	-	-	-	8.222
Economic Prosperity	-	-	-	-	-	-	-
TOTAL APPROVED CAPITAL PROGRAMME	24.116	4.339	4.322	3.805	4.218	5.961	46.761

Capital Programme Growth 2024/25 onwards

111. Capital Programme growth proposals totalling £3.175 million for 2024/25 to 2028/29 were set out in the Service & Financial Planning report to Executive on 16 November 2023.

Table 15: CAPITAL PROGRAMME GROWTH 2024/25 to 2028/29	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL £m
	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	
Organisation	0.829	0.162	0.876	0.117	-	1.984
People	0.101	0.012	0.012	0.012	-	0.137
Place	0.804	0.250	-	-	-	1.054
TOTAL	1.734	0.424	0.888	0.129	-	3.175

112. The reasons for this growth were detailed in the Service & Financial Planning report.

Additional Capital Programme Growth 2024/25 onwards

113. Following the November report, additional Capital Programme growth proposals totalling £4.540 million have been identified for 2024/25 to 2028/29; these are included in the table below.

Table 16: CAPITAL PROGRAMME GROWTH 2024/25 to 2028/29	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL £m
	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	
Organisation	(0.205)	(0.141)	(0.350)	-	-	(0.696)
People	-	-	-	-	-	-
Place	4.390	(0.150)	0.100	0.100	-	4.440
TOTAL	4.185	(0.291)	(0.250)	0.100		3.744

114. This additional growth represents £4.298 million investment approved by Executive on 14 December 2023 for completion of the Marketfield Way development and £0.242 million for purchase of an electric refuse vehicle. Further details are provided at Annex 4.

115. The table above also includes £0.796 million relating to previously-approved capital schemes where minor historic balances that are no longer required have been deleted or where funds have been re-profiled between years to reflect future spending plans. Further details are provided at Annex 4.

Capital Programme 2024/25 onwards

116. The Capital Programme for 2024/25 onwards, including approved budget growth, is therefore:

Table 17: CAPITAL PROGRAMME 2022/23 to 2028/29 by SERVICE	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL £m
	BFWD £m	Budget £m	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	
ORGANISATION SERVICES:								
Property Services	6.383	1.420	1.831	0.930	2.123	0.206	-	12.893
IT Services	-	0.260	0.250	0.200	0.200	0.500	-	1.410
Organisational Development	-	0.250	0.250	-	-	-	-	0.500
Environmental Strategy	0.236	-	0.100	-	-	-	-	0.336
PEOPLE SERVICES:								
Housing	7.444	1.412	1.520	1.431	1.431	1.431	-	14.669

Table 17: CAPITAL PROGRAMME 2022/23 to 2028/29 by SERVICE	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL £m
	BFWD £m	Budget £m	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	
Leisure & Culture	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	1.892	1.277	1.002	3.953	-	10.680
Place Delivery	8.222	-	4.298	-	-	-	-	12.520
Economic Prosperity	-	-	-	-	-	-	-	-
TOTAL APPROVED CAPITAL PROGRAMME	24.116	4.339	10,241	3,938	4,856	6,190	-	53.680

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

- £64.0 million in Commercial income-generating assets; and
- £30.0 million in Housing projects

Proposals for use of these funds will be subject to approval of reports by Executive or the Commercial Ventures Executive Sub Committee when business cases are developed.

Capital Programme Funding

118. Sources of funding for the 2023/24 Capital Programme are summarised below:

Table 18: CAPITAL PROGRAMME FUNDING 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
TOTAL CAPITAL EXPENDITURE 2022/23 to 2028/29	24.116	4.339	10.241	3.938	4.856	6.190	-	53.680
FUNDED BY:								
Capital Reserves	0.989	-	-	-	-	-	-	0.989
Capital Receipts	5.157	-	-	-	-	-	-	5.157
Capital Grants & Contributions	9.370	1.613	2.600	1.520	1.700	1.637	-	18.440
Prudential Borrowing	8.600	2.726	7.641	2.418	3.156	4.553	-	29.094
TOTAL CAPITAL FUNDING 2022/23 to 2028/29	24.116	4.339	10.241	3.938	4.856	6.190	-	53.680

Note 1. Prudential Borrowing represents forecast internal borrowing (from the Council's cash-backed resources) and plus external borrowing from the Public Works Loan Board or other sources that the Council utilises, in accordance with the approved Treasury Management Strategy.

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

Table 19: 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. The remaining balance remains as nil.
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 (NHB) grant allocation up to 2020/21 was allocated to support implementation of the Housing Delivery Strategy. New NHB allocations are included as funding for the 2024/25 Budget as reported within this report.
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. 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 2024/25.

Capital Programme – Revenue Budget Implications

120. 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 (from either internal borrowing or external borrowing sources). The costs of repaying this borrowing fall on the revenue budget as treasury management costs in Central budgets.
121. Treasury management budgets have been updated to reflect the costs of borrowing for the approved Capital Programme for 2024/25 onwards net of interest on forecast

balances. There is an additional reduction in Treasury Management costs for 2024/25 due to the re-profiling of the capital programme and the resulting funding requirement which can be met from internal borrowing to minimise borrowing costs where possible. Final details will be confirmed in the Treasury Management Strategy for 2024/25 will be reported to Overview & Scrutiny Committee, Executive and Full Council for approval in March.

122. 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.

123. 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.

STATEMENT OF THE CHIEF FINANCE OFFICER (CFO)

124. The Local Government Act 2003 (Section 25) places a duty on the Chief Finance Officer to advise the Council on the robustness of the proposed budget and the adequacy of balances and reserves supporting its budget. The Council is required to have regard to this advice when making the annual budget decisions.

125. The information set out in this Budget report and the supporting Medium-Term Financial Plan Summary and other Annexes sets out how this Council plans to:

- assess and manage financial risks, including the risks relating to delivery of new income streams and commercial activities;
- manage increased demand for services;
- manage delivery of major capital schemes;
- track proposed changes and volatility of Government funding;
- deliver a balanced budget beyond 2024/25;
- continue to deliver value for money to local taxpayers;
- continue to receive an unqualified audit report on the annual statement of accounts; and
- ensure that effective scrutiny of the Budget process is carried out and responded to.

CIPFA Resilience Index

126. The Council's position against a range of financial measures compared to similar councils is available online through the CIPFA Financial Resilience Index at <https://www.cipfa.org/services/financial-resilience-index-2022>.

Table 20: CIPFA RESILIENCE INDEX INDICATORS at March 2021 and March 2022¹	This Council's Relative Risk Compared to Similar Councils	This Council's Prospects over the Medium Term
Reserves Sustainability – increase in reserves over recent years	Low	Planned use of previously un-allocated reserves (for example for investment in Housing)
Level of Reserves – compared to the annual revenue budget	Low	

Table 20: CIPFA RESILIENCE INDEX INDICATORS at March 2021 and March 2022¹	This Council's Relative Risk Compared to Similar Councils	This Council's Prospects over the Medium Term
Changes in reserves over recent years	Low	means that this position will be harder to maintain
Interest payable compared to recent budget	Low	Planned growth in the Capital Programme and associated borrowing means that this position will not be maintained.
Gross external debt	Low	
Fees & Charges - as % of service budgets	Higher than Average	Implementation of the Fees & Charges proposals in the 2023/24 budget should improve the Council's position against this indicator as it results in new and/or increased sources of income.
Ratio of Council tax contribution to revenue budget	Low	Risk not expected to increase following the increase in the council tax referendum limit for 2023/24 and 2024/25.
Funding growth - compared to Government baseline	Increasing	This risk is expected to increase if Government funding reduces.

Note

1. Latest published results

CIPFA Financial Management Code

127. The Chartered Institute of Public Finance (CIPFA) Financial Management Code ('the FM Code') was introduced in April 2021. It is intended to support good financial management and stability and applies to all local authorities, including police, fire and other bodies.
128. The detailed requirements were set out in the MTFP that was approved in July 2023. In summary the FM Code is based on a series of principles and standards to provide the foundation for authorities to manage their short, medium and long-term finances, maintain resilience to meet demands and manage unexpected financial shocks. It does this by aiming to:
- Support self-regulation in the local authority sector, by setting out non-prescriptive framework within which Councils can operate;
 - To promote a move away from short-termism to longer term strategic financial planning;
 - To reinforce the role of the whole leadership team in ensuring financial sustainability and good governance.
129. Authorities have been required to adopt the requirements of the FM Code with effect from April 2021.
130. Compliance with the FM Code will help provide further assurances on the supporting information that is relied on to produce annual budget estimates, MTFP forecasts and in-year monitoring reports.
131. The latest assessment of this Council's compliance with the requirements of the Code

and any areas for further development areas were outlined in the Medium Term Financial Plan report to Executive in July 2023.

Robustness of Reserves

132. As highlighted in the Service & Financial Planning report to Executive on 16 November 2023 and in this Budget report both general and earmarked reserves remain relatively healthy. The planned use of reserves in 2024/25 year is appropriate as the Council addresses areas of financial risks and moves to a position where its finances rely less on Government grants and as it invests in delivery of its Strategies. The forecast remaining level of reserves will continue to provide sufficient cover to meet commitments and provide a strong 'safety net' for unplanned events. This report includes the outcome of the latest review of Reserves to ensure that they remain aligned with the most significant areas of risk in the budget and delivery of corporate priorities.

Budget Proposals – Issues, Uncertainties & Risks

133. As explained in this report, the budget proposals for 2024/25 are robust. There remain a number of uncertainties and risks which are summarised in the following paragraphs.

134. Geopolitical and the national economy:

- Geopolitical and economic pressures exist nationally and globally – they could result in lower income (through - for example - reduced discretionary spending or lower than anticipated recycle prices) and increases in demand (benefits and statutory duties such as homelessness).
- A reduction in the number of employers in the Borough could also have an impact on retained NNDR income.
- Inflationary pressures persist despite recent drops in CPI and are a significant risk, in particular with regard to fuel, energy and building costs. UK interest rates remain high at over 5% which affects the cost of borrowing and puts further pressure on residents and local businesses.

135. Future Government Funding:

- The future of local government funding and business rates remains uncertain and an area of concern. All Councils still await news of the Fair Funding Review and Business Rates Reforms and these may not be available until 2025/26 at the earliest. The date for a General Election is also drawing nearer and will fall into the coming financial year 2024/25 with policy changes likely to follow.
- Other Government strategies such as the Resources and Waste Strategy may also pressurise domestic council budgets and are likely to require consideration and have budgetary implication from 2025/26 when implementation plans are confirmed.
- The end of New Homes Bonus payments over the coming years will have an impact on available resources if this ceases after 2024/25.
- There is a temporary accommodation crisis nationally and the Homelessness Reduction Act requires councils to provide more support to homeless people and people at risk of becoming homeless. The Government has continued to commit ring-fenced funding towards this duty but there remains a question mark over the longer term.

- There is further pressure due to the shortfalls expected in Housing Benefit Subsidy grant from Government due to the increased cost of supported housing claims and discretionary housing payments – many of these additional costs have to be borne by the Council's Revenue Budget and Government risk reserve.

136. Revenue Budget Savings:

- Following budget reductions in past years, it has become increasingly difficult to generate additional ongoing savings at the margins whilst protecting and preserving both services to residents and essential council resources.
- The continued development of the Financial Sustainability Programme remains a priority over the next couple of years to address the forecast MTFP gap and to establish a framework of initiatives to protect the financial future of the council.
- If the Council is to deliver financial sustainability then it will need to continue efforts to become a more commercial organisation and fully explore income generating opportunities involving, for example, asset investment, partnership working and providing services for other organisations. However the increasing controls on 'borrowing in advance of need' and the limitations imposed on councils from the 2021 introduction of the new CIPFA Prudential Code has limited many of the options that might otherwise have been considered to deliver new commercial income streams.
- The ongoing review of Fees & Charges is helping identify new income generation opportunities. The Fees & Charges Policy was approved in November 2023.

137. Corporate Plan:

- The Council is currently reviewing its Corporate Plan, and starting to develop its next plan for 2025-2030.
- This review process will take account of developing context and a range of local engagement and consultation.
- Where any new or revised priorities are identified, these elements and necessary resourcing will be considered within the Service & Financial Planning process.

138. Budget Risks:

- The latest risk assessment is detailed in the MTFP and current Strategic Financial Risks to the Council's financial sustainability are reported at Annex 1 (Appendix 3).
- Despite significant improvements in recent years the Pension Fund remains a risk over the longer term as future economic downturns and recent case law may impact on the value of the fund investments and liabilities. However, current employer contributions remain affordable within existing resources.
- Given the uncertainty over future geopolitical and national economic conditions and the business rates regime, it is prudent to maintain the Council's capacity through its reserves to protect services from unforeseen financial pressures. Once used however, it may prove difficult to replenish reserves.

- It should be noted that the Council retains a General Fund working balance in-line with the approved Reserves Policy and has been able to set a prudent 'balanced' budget for 2024/25 as detailed on this budget report to Council. As a result of this prudent budget as detailed in this report.
- The Council is therefore not at risk, based on current medium term forecasts (unlike some councils), of having to consider the issue of a S114 notice.

139. Overall, the Council has made prudent budgetary provision for its commitments for the 2024/25 financial year and can set a balanced budget, within the legislative framework that governs its operations and within other constraints, such as the Council's policy framework.

OPTIONS

140. The following options are available to the Executive:

OPTION 1 - Approve the proposed budget and financial planning changes set out within the report.

This option is recommended for approval, to ensure that the Revenue Budget, Council Tax and Capital Programme 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.

This option is not recommended, as it would undermine service plan delivery and would present a risk to setting the budget and council tax for 2024/25.

OPTION 3 - Reject the proposed budget 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 leave the Council at risk of failing to adopt a budget and council tax for 2024/25.

LEGAL IMPLICATIONS

141. 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
142. The Local Council Tax Support Scheme changes have been subject to consultation to ensure that any changes agreed are compliant with the relevant regulations.

FINANCIAL IMPLICATIONS

143. These are addressed throughout the report.

EQUALITIES IMPLICATIONS

144. The Council has a statutory duty to consider equality implications as part of the decision making process and demonstrate this. The Council's Corporate Equality Policy – setting out the Council's legal duties and responsibilities – is available at https://www.reigate-banstead.gov.uk/download/downloads/id/6490/corporate_equality_policy_2020.pdf
145. An initial assessment was undertaken on each of the budget changes proposed in the November Executive report to determine whether it would impact on service delivery or service users in any way. This assessment identified that a number of the proposals

may potentially have an impact on residents with protected characteristics. Those proposals were:

- Proposals to increase the Borough Council's element of Council Tax by the referendum limit;
- Proposals to increase fees for the issuing of summons and obtaining liability orders for Council Tax and Business Rates non-payment;
- Proposals to increase car park charges; and
- Proposals to increase some community centre room hire charges.

146. Draft equality impact assessments for these proposals were published to accompany the budget consultation (see below for more detail about the consultation). In all instances, consideration has been given to impact avoidance and mitigation measures and proposals for ongoing monitoring and review to ensure that if any negative impact is identified this can be responded to.

147. Since the draft budget proposals were published, consultation has been undertaken, and the equality impact assessments have been finalised. The final assessments are attached at Annex 7 to inform Members' decision making.

148. In summary:

- Proposed Council Tax increase: Any potential negative impact on residents facing financial hardship (including those in protected characteristic groups) will be avoided by continuing to operate the Local Council Tax Support Scheme and the provision of discretionary support as appropriate.
- Proposals to increase fees for the issuing of summons and obtaining liability orders for Council Tax and Business Rates non-payment: Any negative impact on those with protected characteristics will be avoided via the recovery process which provides residents with the opportunity to engage with the Council, bring their payments up to date and assist any residents who are financially vulnerable.
- Proposals to increase car park charges: The increases proposed are consistent with levels of inflation since charges were last reviewed, and car parks remain free to blue badge holders. The parking team will continue to monitor levels of car parking usage / ticket sales to understand the overall impact of the proposals. Consideration will be given to whether a survey of car park users would be beneficial to allow a better understanding of the demographics and protected characteristics of those who use our car parks.
- Proposals to increase some community centre room hire charges: Charges have been reviewed to ensure that they are applied more equitably overall (improving fairness for all hirers). Any potential negative impact on those with protected characteristics can be avoided by the hirer using an alternative venue or amending their own charging. However, monitoring will also be undertaken to assess the impact of the changes on room hirers and usage patterns, and charges will be reviewed regularly, with the option remaining to consider discretionary reductions in the event that a disproportionate negative impact is identified.

149. A small number of service budget changes have been included in the final proposals that were not included at draft budget stage. These have been considered and no

associated equality impacts have been identified associated with them.

Local Council Tax Support

150. An equality impact assessment has also been undertaken on proposed changes to Local Council Tax Support. This is included as part of Annex 6. This has concluded no negative impact, and the potential for positive impact on residents with protected characteristics who either already access support or may newly become eligible.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

151. Proposals within this 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).
152. 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, and other sustainability objectives;
 - 0.5FTE Ecology Officer (£0.020m), to assist the Council in implementing biodiversity improvements; and
 - £0.121m 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. In addition to this, growth of £0.016m has been allowed to cover projected electricity charging costs for one new electric refuse collection vehicle.
153. Revenue savings are identified of £0.025 million 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.
154. Capital growth is being sought for the following:
- £0.100m 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 includes the approx. £0.800m of strategic CIL secured for the delivery of solar panels, energy management and energy efficiency measures across 9 Council buildings. In addition, capital 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 £0.090m 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.

- £0.250m of capital growth to fund the cost uplift associated with purchase of one electric garden waste collection vehicle. The purchase of this vehicle will be part funded by the existing fleet replacement capital programme allocation; however additional funding is required due to the cost premium associated with an electric vehicle. This growth was considered and agreed for inclusion in the budget at the Executive meeting in December 2023.

155. The environmental sustainability implications of other 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:

- Potential positive impact from the proposed increase in parking fees, encouraging car users to consider alternative modes of transport.
- Potential positive impact from leasing new street sweepers which are HVO compatible.

156. It is not considered likely that there will be any sustainability implications from the proposed fee increases in relation to allotments, garden waste and bulky waste – the fee increases implemented last year did not have a notable negative impact on service usage and indeed garden waste registrations increased.

157. 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 reserve 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

158. The Council continues to offer value for money for Council residents – in 2024/24, the average household will pay just £4.95 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.

159. Central to Council's communications and engagement strategy is not only to promote

the good work that the Council does and the services it provides, but also to ensure residents and businesses are aware of and have the opportunity to input to our annual Service & Financial Planning process. Development of the Corporate Plan was supported by extensive consultation with residents and other partners to inform priorities which remain relevant for the duration of the Plan.

RISK MANAGEMENT CONSIDERATIONS

160. Service and financial plans are aimed at minimising risks and ensuring that the Council continues to deliver great services whilst managing budgets and other resources well. The Medium-Term Financial Plan and Capital Investment Strategy include analyses of forecast budget risks and the mitigating action that is planned.
161. 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.
162. The risks relating to the long-term financial sustainability of the Council remain on the strategic risk register, and as such controls and mitigating actions are regularly reviewed. They are set out in the MTFP at Annex 1. Commercial investment (where permitted), which is a key aspect of securing our long-term financial sustainability and can be affected by wider macro-economic circumstances, is also identified as a strategic financial risk for which controls are in place and mitigating actions being implemented.
163. The Local Council Tax Support scheme has now been reviewed and changes recommended and this de-risks the potential for not having a scheme which is up to date and reflective of current needs. Changes have been subject to wide consultation to avoid the risks of legal challenge, which again are borne entirely by this authority. This has also not prevented the Council from managing and controlling other areas of the Council Tax base, such as discounts and exemptions.

HUMAN RESOURCE IMPLICATIONS

164. The Council will need to maintain workforce capacity and skills to enable the organisation to diversify and deliver again Corporate Plan ambitions.
165. The service & financial planning proposals for 2024/25 result in an overall change in FTE numbers as set out in the table below.

Table 21: 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 2024/25 Service & Financial Planning Savings and Growth proposals:		
Annex		
2	Corporate Policy	1.0
2	ICT	3.0
2	Legal Services	(1.0)
2	Environmental Health & Licencing	1.5
2	Planning & Development	0.5

Table 21: STAFF ESTABLISHMENT – FORECAST FTE MOVEMENTS 2023/24 TO 2024/25	
STAFF ESTABLISHMENT 2023/24 (including fixed term posts)	530.0
FORECAST STAFF ESTABLISHMENT 2024/25	535.0
NET INCREASE / (DECREASE)	5.0

166. The final budget proposals and Medium Term Financial Plan forecasts include provision for an annual pay award for staff. This award has been subject to negotiations with staff union representatives and takes into account 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).

Pay Award

167. An increase of £1,800 for 2024/25 for all staff was offered and can be accommodated within the budget; consultation with the recognised trade unions has now concluded with formal acceptance of this offer.

CONSULTATION

Public Consultation

168. Consultation has been carried out in line with the Constitution. The 8 week public consultation ran from 20 November 2023 until 15 January 2024. An online survey was provided, with multiple choice options along with ‘free text’ questions, to allow respondents to give their views in their own words. Interested parties were also able comment by email to a dedicated Council email address or via a ‘Freepost’ option.

169. The consultation was promoted through a press release, social media, Council e-newsletters to residents and businesses and by email to a list of approximately 520 stakeholders. Recognising that some residents may not be able to take part on-line, hard copy paper surveys in an accessible format were made available on request from the Customer Contact Team.

170. The Council received 73 surveys (17 of which were only partially completed), and a further 1 representation by other means.

171. The results of the consultation on the draft budget proposals have been taken into account in finalising the proposals within this paper, and the accompanying equality impact assessments (see above). A summary of the consultation findings, including written comment provided as part of the survey, is included at Annex 6. Headline messages include:

- The proposal to increase Council Tax by the referendum limit was supported by a majority of respondents, receiving 60% of responses in agreement;
- There was a mixed response in relation to proposals for changes to fees and charges. While some were supported by a majority of respondents (for example locally set environmental health and licencing charges and planning charges both received 69% support or over), levels of support for other proposed changes were considerably lower (for example, increased charges for garden waste (31%) and bulky waste collection (31%), for allotments (44%) and cemeteries (33%), and at Council car parks (33%);
- Proposals to reduce the Council’s direct costs, and to generate more income were strongly supported (ranging from 72% to 93% support);

- However there were mixed views for proposals to increase direct costs. Some proposals – such as using more environmentally fuels – received a good level of support (78%); others had less support – for example, increased budget to cover external ICT support and maintenance costs, and funding to make council buildings more energy efficient both received less than 50% support.

172. Comments raised via the survey suggest value for money continues to be important for residents, along with the provision of high quality services. Some respondents expressed that further savings should be made before costs are increased. While views are mixed as to where the Council should prioritise its focus, a number of responses highlighted the need to consider the ‘knock on’ impacts of any choices. This included concerns about a potential increase in fly-tipping as a result of increased optional waste collection charges, a reduction in physical activity levels and mental health benefits from increases to sports pitch charges and allotment fees, and an increase in anti-social parking as a result of paid car park fee increases.
173. One response not using the survey format was received, from Salfords & Sidlow Parish Council, specifically requesting inclusion of budget dedicated to the provision of community transport for more vulnerable residents. The relevant service area has confirmed that no change to the budget for 2024/25 is proposed, but that the Council will continue to work with SCC and local partners to explore potential local transport initiatives while also continuing with the existing taxi voucher arrangements.

Consultation with the Overview & Scrutiny Committee

174. The Overview & Scrutiny Committee established a Budget Scrutiny Panel to support this work. The Panel met on 29 November 2023 and their report was considered by the Overview & Scrutiny Committee on 7 December 2023 and presented to the Executive on 14 December. The Committee is also due to consider the final Budget proposals on 25 January 2024.

Consultation With Business Representatives:

175. 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. This was done as part of the public consultation exercise described above, including promotion of the consultation at business networking events and using the Council’s business e-newsletter.

POLICY FRAMEWORK

176. Service & financial planning: 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 the Corporate Plan and services to residents and businesses.

Background Papers:

Medium Term Financial Plan 2024/25 to 2028/29, report to Executive on 13 July 2023

Capital Investment Strategy 2024/25, report to Executive on 22 June 2023

Service & Financial Planning 2024/25 to 2027/28, report to Executive on 16 November 2023

Budget Scrutiny Panel Report, Service & Financial Planning 2024/25, report to Executive on 16 December 2023

Equality Impact Assessment: Service & Financial Planning 2024/25, January 2024

ANNEXES (Note as included only in report to Executive 1 February 2024):

1. Medium Term Financial Plan Summary
2. Additional Revenue Budget Growth & Savings Proposals
3. Forecast Revenue Budget Reserves
4. Additional Capital Programme Growth Proposals
5. Capital Programme 2024/25 to 2028/29 – All Schemes
6. Draft Budget 2024/25 – Consultation Report
7. Equality Impact of 2024/25 Budget Proposals
8. Local Council Tax Support Scheme – New Scheme Details

REVISED