ANNEX 1

MEDIUM TERM FINANCIAL PLAN
2025/26 to 2029/30
July 2024

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GLOSSARY

Introduction

This Medium-Term Financial Plan (MTFP) is a summary of the Council's key financial information, including the budget challenges faced, and our approach to addressing them.

It sets out the approach to establishing a sustainable financial base to support delivery of Council policies and priorities. It also highlights the financial risks and issues which have to be tackled, including ongoing reductions in Government funding.

The key overriding aim of the MTFP is:

'To provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council's key strategic priorities and sustainable services'.

In January 2024 the Executive approved the previous version of the MTFP which was based on the objectives of the Corporate Plan 2020-2025. It set out the latest resource projections and estimates of expenditure.

This document refreshes and updates MTFP forecasts in anticipation of service & financial planning for 2025/26.

Key changes since the February 2024 budget report include:
- Updated forecast for pay cost inflation and interest rates;
- Update forecasts for fees and charges income;
- Updated forecasts for council tax and business rates income; and
- Latest assumptions on the continuation of Government grants.

As usual, this reflects forecasts before any savings, income and growth from service & financial planning reviews are taken into account.

The draft budget report later this year will set out the detailed actions required to deliver a balanced budget that is consistent with the direction and objectives set out in this MTFP.

1. Medium Term Financial Plan Objectives

The objectives of this MTFP are to help us:

- Provide a robust financial framework to assist decision-making processes;
- Manage council finances within the context of a forward-looking service & financial planning framework;
- Prioritise resources to align spending plans with our vision and strategic objectives and resident priorities;
- Recognise the ongoing funding challenges that will need to be addressed through changes to how services are delivered, realising new sources of income and delivery of cashable budget savings, or a combination of all three;

- Maintain council tax resource levels;
- Maintain a balanced budget and continue to strengthen that position;
- Maintain the General Fund reserve at a minimum of 15% of the annual net Revenue Budget to cover significant unforeseen expenditure;
- Maintain Earmarked Revenue Reserves for specific purposes, consistent with achieving our priorities and managing risks. The use of Earmarked Revenue Reserves will be in line with the Reserves Policy at Appendix 4.1 and will be reviewed annually;
- Help confirm the affordable level of capital investment required to support our strategic and financial priorities while remaining within prudential borrowing limits;
- Ensure that fees and charges are set at an appropriate level and that they take into account comparative levels of charge and ability to pay, in line with the Policy at Appendix 5;
- Demonstrate probity, prudence and strong financial control;
- Manage financial risks and ensure that the Council's long term financial health remains sound;
- Provide an early warning if a Section 114 notice is likely to be issued in the MTFP period;
- Continually review budgets to ensure resources are targeted on key objectives;
- Continue to improve our approach to commissioning and procurement to ensure value for money for local taxpayers;
- Support new ways to ensure financial sustainability and maximise income to deliver our priorities. This includes the development of commercial projects to capture both revenue income and capital growth opportunities;
- Pursue opportunities for securing external funding; and
- Support opportunities for working in collaboration with partners where this will support our priorities and improve service value for money.

2. Medium Term Financial Plan Priorities

In considering future budget projections, it is recognised that there are unknowns which could impact upon forecasts. The MTFP is not a static document but rather a fluid one that is constantly evolving as the environment around it changes. Some of the key risks and sensitivities which need to be monitored are set out below.

- **Economic conditions**. The impact of the economic cycle will need to be considered particularly in relation to business growth, inflationary pressures and interest rate movements, there is also a current cost of living crisis with increasing homelessness pressures. The impact of changes and any impact on public finances will need to be fully evaluated in the financial model. The General Election on 11 July 2024 and any subsequent economic and political changes are likely to impact over MTFP period. The cost of temporary accommodation for the homeless is a major national concern and puts further pressure on the economy and strain on this council's MTFP.

- Government **Finance Legislation**. There are key pieces of Government legislation which will impact upon the future financial position of the Council. In particular the impact of the localisation of business rates and any additional responsibilities will need to be fully evaluated as well as the Government's planned Fair Funding Review of local government finance which has been delayed since 2017, but still expected to be introduced at some point in the future (now expected in the next parliament after 2026/27);

- Other **Government Legislation**. There are a significant number of political initiatives particularly in relation to localisation and devolution and the role of local government. These will need to be assessed for their relevance to Reigate and Banstead and the impact on future finances;

- Buoyancy of **Income Streams**. These will be sensitive to changes in consumer confidence and the cost of living crisis, the economy and any movements in inflation and therefore need to be closely monitored;

- **Strategic Investments**: The Council is looking to continue to pursue developments that produce financial returns (within the scope of regulation) while at the same time supporting the delivery of housing and regeneration priorities;

- **Commercial Opportunities**: The Council will seek to take advantage of commercial possibilities wherever possible to cover costs, and to review our fees and charges, in order to maximise income in line with corporate objectives. Commercial opportunities will be pursued in line with the guiding principles set out in the Commercial Strategy while complying with relevant legislative and regulatory controls, which since 2021 have been amended to prevent Councils borrowing in advance of need.

- To carry out an annual **Financial Review** of the historic budget outturn position and of our base budget to ensure maximum value is obtained from those resources already allocated – effectively to ensure financial discipline and good housekeeping are maintained;

- Using **Reserves** in a sustainable and prudent manner to support the Council's strategies and priorities. This will be supported by the Reserves Policy which is set at out Appendix 4.1. It is recognised that reserves can only be used on a 'one off' basis as they do not provide sustainable funding for the base budget following their initial use in the year of application. However, Reserves can play an important part in managing risks and supporting 'spend to save' initiatives or investments which can deliver future benefits; and

- To maintain the Council's financial standing it is important that its proactive approach to **Service & Financial Planning** and the **Financial Sustainability Programme** helps ensure that budget plans are deliverable and that investments are focussed on securing our financial health.

3. Medium Term Financial Plan Context

Service & financial planning takes place within the context of the national economic and public expenditure plans; this MTFP has been formulated within the context of the current UK economic position and continued pressure on local government funding.

In response to this financial challenge, local government has innovated, streamlined services and increased productivity. The Government's plans to devolve more responsibilities through the localisation of business rates has been delayed (date to be confirmed), however the detail as to whether councils will be required to take on additional responsibilities remains unclear. The devolution of business rates is intended to be fiscally neutral but how this will work in practice is currently being developed alongside the Fair Funding Review. These changes will bring both risks and opportunities.

Local Government Finance – Current Position
It is clear from a national perspective, that the scale of financial challenges facing Local Government is significant. A recent survey of 260 Councils highlighted that over 51% of Councils believe that they will have to issue a Section 114 notice in the next four years, unless there is significant local government funding reform. A Section 114 notice has to be issued by the Chief Finance Officer if it appears that the expenditure the authority will incur is likely to exceed the resources available to meet that expenditure (including sums borrowed and use of budgeted reserves). While this Council is not among the 51% of respondents expressing concern, it is nevertheless indicative of the system-wide issues that this Council may face.

On 29 January 2024, the Levelling Up, Housing and Communities Committee issued a report on Financial Distress in Councils highlighting the challenges faced by the sector:

“It is no surprise that the financial crisis that councils are encountering comes after significant reductions in councils spending power which has itself coincided with increasing inflationary pressures driving up costs. Ultimately, the levels of funding available to councils, through council tax, retained business rates and government grants have not kept pace with these pressures leading to a funding gap which is already estimated at £4bn over the next two year.”

Against this backdrop, it is clear that all councils, including RBBC, will face further financial challenges in 2025/26 and the years beyond unless urgent funding reforms are delivered by Government, The report also highlighted that the Fair Funding review is likely to be deferred until the next parliament.

Whilst this Council has been able to set a prudent and balanced budget in all previous financial years, there is no certainty how far this can continue into the future. Through pragmatic budgeting decisions, this Council has also been able to build up healthy levels of reserves, however reserves are not finite and cannot be relied upon to balance future budget needs if the need so arises. This council like many others will need to consider a cost reduction programme if new Government funding is forthcoming.

For 2023/24 and 2024/25 budget setting, a recent publication identified that 56% of Councils in England and Wales had to rely on the use of reserves to balance their General Fund budgets.

The report on financial distress in Councils issues by the Levelling Up, Housing and Communities Committee concluded by stating that;

“In the short term the Government must ensure that councils receive sufficient financial support to enable them to continue delivering the services that residents need.”

The Economy and Public Spending

There remains considerable uncertainty in financial and economic forecasts. In December 2023 the Office for National Statistics (ONS) reported:

- *UK general government gross debt was £2.720.8 billion at the end of Quarter 4 (Oct-Dec) 2023, equivalent to 101.3% of gross domestic product (GDP).*
- *UK general government deficit (or net borrowing) was £40.8 billion in Quarter 4 2023, equivalent to 6.0% of GDP.*

Source: ONS: Quarterly estimates of UK government debt and deficit.

In April 2024 the Office for Budget Responsibility (OBR) reported:

- *Public sector net debt stood at 97.9 per cent of GDP in April 2024, up 2.6 percent of GDP on a year earlier and close to profile. Borrowing in the first month of 2024-25 totalled £19.0 billion, which was £1.2 billion (6.3 per cent) higher than the March profile last year.. This was driven by each of the departmental expenditure on goods and services and spending on net social* *benefits coming in above forecast and central government receipts coming in below forecasts (by £0.8 billion in each case),*

- *Public sector net borrowing (PSNB) was £20.5 billion in April up £1.5 billion (8.1 per cent) on last year and £1.2 billion (6,3 per cent) above the March forecast profile Government borrowing over 2023/24 has been revised up by £0.8 billion and now stands at £121.4 billion, £7.3bn (6.4 per cent) above the last forecast.*
- *Central government accrued receipts (excluding PSNB-neutral transfers related to quantitative easing) were £77.43 billion in April , up £1.2 billion (1.6per cent) on last year and £0.8 billion (0.1 per cent) below profile. Year-to-date accrued receipts are £0.8 billion lower than the March profile. HMRC cash receipts are a more timely indicator of performance albeit one that can be influenced by timing effects, were £0.4 billion (0.5%) above profile in April.*
- *Central government accrued spending (excluding PSNB-neutral local authority grants and transfers related to quantitative easing) was £78.5 billion in April , was £84.6 billion, up £2.8 billion (3.4 per cent) on last year and £1.3 billion (1.5 per cent) above the March profile. Year-to-date spending for April is £1.3 billion (1.5 per cent) above profile reflecting consumption expenditure on goods and services and net social benefits spending both £0.8 billion above profile (2.4 percent and 3.0 per cent respectively). Also reflecting debt interest spending of £0.4 billion (4.4 per cent) above profile, largely due to the path of RPI relative to forecast.*
- *Public Sector net debt in April stood at 97.1 per cent of GDP. This is up 2.6 per cent of GDP on a year earlier and close to profile.*
- *Revisions – borrowing over 2023/24 was revised up by £0.8 billion meaning it is now £7.3 billion higher than our March forecast.*

Source: Office for Budget Responsibility, Commentary on Public Sector Finances, April 2024

Economic Growth

- *Wage growth has proven stronger in sectors with ability to demand higher wages, like finance and manufacturing and services. Whereas industries such as retail, that which have a high number of employees earning close to the minimum wage, experience comparatively modest wage growth.*
- *UK growth rebounded in Quarter 1 2024, after the technical recession in the second half of 2023. Survey data suggests that this recovery continued in April, but the UK economy remained relatively weak, with only 0.2% higher in Q1 compared to a year ago and consumer spending barely growing.*
- *Employment has started to decline, although vacancy levels have stabilised suggesting that demand for new labour remains relatively resilient. Anecdotal evidence suggest slower growth and we expect unemployment to rise, which will lead to some deterioration in consumer sentiment. Household and business spending will therefore remain relatively soft. Stronger demand in Quarter 1, however, raises some upside risks to this view.*

Source: Arlingclose May 2024

Interest Rates

The MPC held the Bank Rate at 5.25% but with a dovish tilt, persistent inflation in wages and services data are the main concern still. We believe that Bank Rate will reduce to under 5.00% before September with a further drop to below 4.75% by December with a rate for 4.25% forecast for March 2025.

- *The risks lie to the downside. Further reductions in CPI inflation data for June (released in July) will likely result in another 25bps reduction in Bank Rate in August.*
- *The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until services inflation and wage growth ease. The stickiness of these data suggests that rate cuts will happen later than previously expected. We see rate cuts from Q2 2024 to a low of around 3% by mid 2025.*
  Long-term gilt yields are expected to eventually fall from current levels reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, partly due to quantitative tightening, with continued elevated volatility.
  Source: Arlingclose May 2024

Inflation

- *CPI inflation rates will move lower over the next 12 months. The latest headline rate released on 19 June 2024 for April 2025 showed CPI has now hit the 2% target. There are upside risks from geopolitical issues and now strong domestic activity. With policy maker fears around the underlying inflationary pressure, particularly service inflation, we believe Bank Rates will remain unchanged until August and then reduce slowly over next quarters.*
- *The mean projection for CPI inflation, which incorporates these risks, is at or just below the 2% target in the medium term*
  Source: Arlingclose May 2024

Potential impacts of inflation for budget-setting

- Increased expectation from staff and the representatives during annual pay negotiations and impacts of inflation-linked increases in the National Living Wage;
- Existing suppliers demanding significant increases to reflect their operating costs;
- Geopolitical factors affecting the costs of supply and demand;
- Energy and fuel cost pressures;
- Cost of new building contracts higher than estimated;
- Suppliers and contractors being at risk of liquidation, potentially affecting delivery of services and increased business rate debt write-offs;
- Requirement to increase Council fees and charges that are linked to CPI;
- Higher than budgeted interest on balances but also increased cost of borrowing;
- Review of the Council tax referendum limit by Government and/or other measures introduced to mitigate the impacts of council tax for households;
- Review of the Business Rates (NNDR) Multiplier used by Government to set annual business rate increases;
- PWLB lending costs will continue to fluctuate because the lending rate is primarily based on gilt yields; and
- Revision of some of Government’s Spending Review baseline assumptions.

The MTFP forecasts do not include provision for general price inflation. Business cases for budget growth for specific contract price increases will be considered when the draft budget for 2025/26 is prepared in the autumn.

Local Government Funding
Over recent years the local government sector has been one of the areas hardest hit by the Government's deficit reduction plan. For Reigate and Banstead Government Revenue Support Grant reduced from £1.6 million in 2014/15 to nil by 2017/18.

This means that the framework for local government funding has been subject to a sustained period of change and uncertainty:

- April 2011 – New Homes Bonus introduced
- April 2013 - Business Rates Retention introduced
- October 2015 – 100% BRR and Funding Review announced
- April 2016 – Government and LGA working groups set up and start meeting
- Early 2017 - Call for evidence on Fair Funding and Business Rates Retention consultation
- April 2017 – New Homes Bonus scheme changes
- May 2017 election – Business Rates Retention primary legislation falls; Fair Funding Review to continue
- Summer 2017 – announcement of move to 75% Business Rates Retention; confirmation of new Business Rates Baseline and continuation of Fair Funding Review – implementation timing has not yet been confirmed
- July 2018 – new simplified Business Rates Reset first suggested
- December 2018 – no figures beyond 2021/22 were available; indications that 'Negative Revenue Support Grant' would result in significant funding reductions for councils like Reigate & Banstead
- December 2018 – new consultations on Fair Funding Review, Business Rates Retention and confirmation of a full Reset of Business Rates growth
- Spending Round19 – one-year settlement for 2020/21 only
- Spending Review20 (SR20) – delayed to autumn 2020 due to the Government's COVID-19 pandemic response - focussed on prioritising funding to support the ongoing response to the pandemic
- December 2020 - Provisional Local Government Finance Settlement 2021/22 - Covered one year only; based on Spending Review20 (SR20) funding levels.
- December 2021 - the 2022/23 Provisional Local Government Finance Settlement, was for one year only and was based on Spending Review 2021 (SR21) funding levels.
- December 2022 – the 2023/24 Provisional Local Government Finance Settlement was for one year only and once again was based on rolling-over Spending Review 2021 (SR21).

The emphasis was on providing stability by rolling forward key elements alongside extra cash 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) by at least 5%, after taking account of the increased council tax referendum limit that was announced in the November Autumn Statement.

The Minimum Funding Guarantee Grant was introduced to support this commitment. While welcome this was still below the forecast rate of CPI at 5.5% and the 9.2% funding increase for upper tier councils.

The announcement also set out some core principles for 2025/26 including a commitment to maintain funding and council tax increases at 2023/24 levels.

The expectation remained that local government funding reform will now take place after the general election, no earlier than 2025/26.

- December 2023 – the 2024/25 Provisional Local Government settlement was effectively the second year of a two year settlement that rolled forward key elements of the 2023/24 funding proposals to increase Core Spending power to district and borough councils by 7.5% (including an assumed council tax rise of 2.99%).

  The settlement also confirmed a Minimum Funding Guarantee Grant of 3%, which was increased by a further 1% (£207k for this authority) when the Final Local Government settlement was received on 5 February 2024. The additional funds (£0.209m) have been transferred to council earmarked reserves.

  It confirmed that district and borough councils could raise Council Tax by up to 2.99% without the need for a Council Tax referendum. Whilst this increase in resources was welcomed, it was still at a time when CPI Inflation was 4.0% alongside a continuing cost of living crisis and increasing homelessness demand pressures.

  A further year of New Homes Bonus allocations was awarded again, although this is not guaranteed to continue into 2025/26.

  Homelessness prevention grant of £0.695m was confirmed for a second year, with no guarantee for future years. The grant is expected to be fully ulitised in 2024/25 due to the pressure on this service which is now high.

Service & Financial Planning: Government Funding Assumptions
For the purposes of preparing this MTFP and the draft 2025/26 budget the following has been assumed:

- No known changes to total local government funding;
- The most far-reaching funding changes will continue to be delayed until after the election and perhaps not until 2026/27;

  When implemented, the funding changes are forecast to reduce this Council's Government retained share of business rates. This is as a consequence of the removal of 'Negative RSG' grant and the Business Rates reset. It is currently assumed that there will be no other transitional funding arrangements for these changes;

- Another ‘roll-over’ settlement for one year is likely for 2025/26 which means that the Settlement Funding Assessment (SFA) and grants are unlikely to change, and there will be no additional funding allocated for local government next year.
- A further allocation of New Homes Bonus (NHB) award is more likely than not, given most of the other elements of the previous years’ settlement will be rolled forward – however, this will be confirmed in the provisional settlement announcement in December 2024. The ‘deadweight’ of 0.4% will be maintained but there are no longer any legacy payments in respect of previous years’ allocations.
- The Services and Minimum Funding Guarantee grants will continue for another year – also to be confirmed in the provisional settlement due in December 2024. This Council received an additional 1% for the Minimum Funding Guarantee on top of the 3% it received in the provisional local government settlement for 2024/25, this additional 1% was part of a late award by Government of £600m of which £500m was allocated to social care. It is probable that this 1% will not be repeated in 2025/26. The Council received a reduced level of Services Grant of £0.017m in 2024/25, it is assumed that this will not change for 2025/26 at this stage, until such time as the provisional settlement is announced in December.
- Council taxbase growth of up to 1.1% per annum and council tax increases will continue to be capped at a maximum of 2.99% (with the exception of any councils who are under inspection or Section 114 notice and may be given permission to raise Council Tax levels above 2.99%) The funding for Council Tax Support introduced in 2023/24 is likely to continue; and
- The business rates baseline reset will continue to be delayed. The business rates multiplier will be frozen again for 2025/26 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) will remain at 2024/25 levels. And the Under-Indexing Multiplier Grant will be increased 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 has not had significant impacts on this Council’s funding position (or its own NNDR costs) due to the associated transitional support arrangements.

4. Corporate Plan Priorities

The Council’s Corporate Plan 2020-2025 sets out our priorities for the five year period, and explains how the Council will focus its resources and deliver services to those living, working and spending time in Reigate & Banstead.

This MTFP has been developed to align with the Plan vision and priorities.

The Corporate Plan includes objectives in relation to Housing, Vulnerable People, Communities & Community Safety, Leisure & Wellbeing, Towns & Villages, Economic Prosperity, Shaping our Places, Clean & Green Spaces, Environmental Sustainability, Financial Sustainability, Commercial Activities, Operational Assets and Skills & Great People.

To achieve our financial sustainability objective, the Corporate Plan 2025 explains that the Council will:

- Ensure that our budget setting process is transparent and well-managed to deliver a balanced budget outcome each year;
- Run an effective collection team to recover money owed to us;
- Operate in an efficient and rigorous way across all our day-to-day financial operations;
- Publish and keep up to date our Capital Investment Strategy; and
- Increase Council Tax every year to reflect increasing costs, but the Council will review this position annually.

Work has now commenced on preparing a new corporate plan for the period 2025-2030, which will undergo public consultation later this year and then be adopted by March 2025.

Commercial Strategy

Part 1 of the Commercial Strategy approved by the Executive in November 2020 and Part 2 in December 2021.

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 our 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 our commercial approach will be:

- A project pipeline to establish new income streams from asset activity while also delivering broader corporate objectives.

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

The Commercial Strategy includes a Commercial Activity Action Plan, progress on which is reported annually. The Action Plan supports delivery of new income generation opportunities for inclusion in future MTFP forecasts.

Work also continues under the Commercial Strategy to review the Council's property assets in order to identify potential development opportunities that can be formulated into a project pipeline. These opportunities must, however, be within the scope of revised regulations contained in the Prudential Code 2021 that restricted councils from "borrowing money in advance of need".

As part of this work, the Partner, Shareholder and Trustee Executive Sub Committee receives quarterly reports about the performance of the Council's property portfolio.

The Partner, Shareholder and Trustee Executive Sub Committee is also overseeing work that is underway to exit commercial interests that are no longer required.

5. Budget-Setting Priorities 2025/26

The Priorities that will be taken into account when preparing the draft Budget for 2025/26 are set out below:

- To ensure resources are aligned with the emerging **Corporate Plan priorities;**

- To maintain a **balanced budget** such that expenditure matches income from council tax, fees and charges, and government and other grants and to maintain that position;

- To assess risks involved in budget-setting that could impact on this council in the medium term and possibly lead to circumstances where a Section 114 notice would have to be considered;

- 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 reviewing and setting fees and charges, where we have the discretion and need to do so, at a level to ensure at least full cost recovery, promptly collecting 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** (both Treasury and Commercial) and that appropriate risk analyses are used when considering new investments in light of the Prudential Code that has been revised to tighten regulations around the ability of councils to borrow in advance of need;

- To consider and take advantage of **commercial opportunities** as they arise to deliver new income streams (where compliant with the Code); and

- To maintain an adequate and prudent level of General Fund balance and earmarked **reserves** and regularly review their planned use and allocation to support delivery of our priorities.

Value for Money
The Council will assess and challenge the value for money (economy, efficiency and effectiveness) provided by each service through the service & financial planning process.

Information about this Council's performance compared to other councils across a range of published measures is published on the LGA website at https://lginform.local.gov.uk/

6. The Revenue Budget

The Revenue Budget comprises five 'building blocks' as follows:

- **Net Cost of Services**: These are the direct costs incurred in delivering services through the three Directorates, net of specific income generated by them;

- **Central Budgets**: These are costs incurred and income received that are not service-specific, eg. treasury management costs (for borrowing and investments) and income and audit fees;

- **Sources of Funding**: These income budgets are general, non-service specific income sources. They include other grant funding from Central Government and this Council's share of Non-Domestic Rate income which includes the continued impact (benefit) of the one-off elimination of 'Negative Revenue

Support Grant' that was announced by the Government in September 2019 and has continued in subsequent years pending the outcome of local government funding reforms;

- **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' which must not exceed the maximum level set by Government without the need for a Council Tax referendum ; 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.

Revenue Budget Outturn

The 2023/24 Original Revenue Budget approved by Council in February 2023 was £23.194 million.

At 31 March 2024 the full year provisional outturn for Services and Central Budgets was £22.148 million against a management budget of £23.195 million, resulting in an overall net underspend of £1.046 million (equivalent to 4.5% of the original budget).

Table 1: REVENUE BUDGET MONITORING AT 31.3.24	Original Budget £m	In-Year Adjustments £m	Management Budget £m	Year-end Outturn £m	Year End Variance £m
Service Budgets	20.611	(0.441)	20.171	20.887	0.716
Central Budgets	2.583.	0.441	3.024	1.261	(1.763)
Sub-Total	**23.195**	**0**	**23.195**	**22.148**	**(1.046)**

The service & financial planning process for 2025/26 will include an assessment of whether any budgets require realignment to reflect historic outturn trends.

<u>Service Budgets</u>

The 2023/24 Original Budget for Services approved by Council in February 2023 was £20.611 million. At 31 March 2024 the full year outturn was £20.887 million against a management budget of £20.171 million resulting in an overspend of £0.716 million (3.5%).

The key variances leading to the overspend of £0.716 million are summarised as follows:

<u>Organisation</u>

- Property & Facilities - £0.449m overspend unbudgeted council tax expenses at The Rise and higher than forecast maintenance costs at properties including Regent House and Redhill Distribution Centre;

- Property & Facilities energy costs - £0.597m underspend due to energy savings costs at the Harlequin following closure, plus other larger savings from re-negotiated energy contracts at lower prices in-year.
- Organisational Development & Human Resources - £0.318m overspend due to additional costs incurred to support the 2023/24 restructure of the service;
- ICT – £0.123m overspend due to higher than budgeted contract renewals;
- Property & Facilities Energy Costs - £0.597m underspend due to the closure of The Harlequin and savings due to renewal of contracts.

Place

- Refuse & Recycling - £0.351m overspend due to lower recyclate prices, partially offset by a higher number of garden waste subscribers and savings in pay costs due to vacancies;
- Planning Policy & Development Services - £0.344m overspend due to lower income from planning applications partially offset by savings in pay costs due to vacancies;
- Fleet - £0.186m overspend due to higher maintenance, repair costs, user damage and fuel costs;
- Car Parking - £0.169m underspend due to residual budget (note this budget has been deleted for 2024/25) following termination of Surrey County Council on-street parking contract;
- Environmental Licensing– £0.239m underspend due to higher levels of private hire income achieved.

People

- Harlequin - £0.314m overspend due to ongoing expenditure and reduced income following the closure of the facility in September, plus the additional costs of operating Panto 2023;
- Revenues, Benefits & Fraud - £0.202m overspend due to higher temporary staff costs and software acquisition.

Management Team

- £0.239m underspend is due to vacancies that will be recruited to during 2024/25.

Central Budgets

The 2023/24 Original Budget for Central Budgets approved by Council in February 2022 was £2.583 million. At 31 March the outturn was £1.261 million against a management budget of £3.024 million resulting in an underspend of £(1.763) million (58.3%).

- The Central Budgets underspend is mainly as a result of lower Treasury Management costs, improved rates of returns on balances with higher interest rates and a lower Minimum Revenue Provision requirement.

Revenue Budget 2024/25

The Revenue Budget for 2024/25 was approved in February 2024.

Table 2: BUDGET SUMMARY	Budget 2024/25 £m
1. Net Cost of Services	18.578
2. Central Budgets	4.589
NET EXPENDITURE	
3. Council Tax	16.675
4. Business Rates (NNDR)	3.344
5. Other Un-ringfenced Grants	
• Services Grant	0.017
• New Homes Bonus Grant	0.806
• Minimum Funding Guarantee Grant	1.536
6. Grants Transferred to Reserves:	
• Homelessness Prevention	0.695
• Transfer to Reserves	(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	0.694
• IT Strategy Reserve	0.304
Use of funds from the General Fund Balance to support the Revenue Budget[1]	
NET SOURCES OF INCOME	**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 the Government Funding Risks Reserve will depend on the extent of additional demand for supported housing and housing benefit subsidy shortfall.

Service Budgets

Service budgets are summarised in the table below:

Table 3: SERVICE BUDGETS	Budget 2024/25 £m
ORGANISATION	
Communications / Customer Service	1.171
Finance	1.260
ICT	2.183
ICT – Reserve funded growth for Strategy implementation	0.304
Legal & Governance	2.223
Organisational Development & HR	0.733
Corporate Policy, Projects & Performance (including Environmental Sustainability)	0.515
Property & Commercial	(0.581)
PLACE	
Economic Prosperity	0.276
Neighbourhood Operations	4.542
Place Delivery	0.334
Planning	0.455
PEOPLE	
Community Partnerships	1.271
Housing	0.848
Revenues, Benefits & Fraud	1.621
Leisure & Culture	0.393
SENIOR MANAGEMENT TEAM	1.030
TOTAL	**18.578**

Central Budgets

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.

Table 4: CENTRAL BUDGETS	Budget 2024/25 £m
Insurance	0.516
Treasury Management	(0.342)
Housing Benefits – net cost	(0.020)
Pay Increase	1.750
Employer Pension Costs	2.240

Table 4: CENTRAL BUDGETS	Budget 2024/25 £m
Central Vacancy Turnover Provision	(0.150)
Apprenticeship Levy	0.080
Central Recruitment & Visa Expenses	0.045
Central Training Budget	0.082
External Audit Fees	0.159
Internal Audit Fees	0.071
Preceptor Grants – Horley Town Council Double Taxation	0.047
Funding Contribution – Banstead Commons Conservators	0.111
TOTAL	**4.589**

7. Revenue Budget Funding

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

Table 5: REVENUE BUDGET FUNDING	Budget 2024/25 £m
Council Tax	16.675
National Non-Domestic Rates	3.344
Other Un-ringfenced Grants:	
• Services Grant	0.017
• New Homes Bonus Grant	0.806
• Minimum Funding Guarantee Grant	1.536
Transfers to Reserves – Following the Final Settlement	
• Community Partnerships Reserve	(0.104)
• Environmental Sustainability Reserve	(0.105)
Call on Earmarked Reserves[1]:	
• Government Funding Risks Reserve	0.694
• IT Strategy Reserve	0.304

Table 5: REVENUE BUDGET FUNDING	Budget 2024/25 £m
TOTAL	**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. The call on the Government Funding Risks Reserve is upon the extent of extra demand for supported housing and housing benefit subsidy shortfalls.

Key factors taken into account include:

Retained Business Rates Income and Negative RSG Grant	• Includes continued funding for 'negative RSG', until NNDR reform date is confirmed
Council Tax	• The 2024/25 increase is based on a 2.99% Band D equivalent increase and the forecast tax base increase
New Homes Bonus	• Includes updated forecasts for New Homes Bonus based on the December 2023 Provisional Settlement announcement, comprising a £0.806 million allocation for 2024/25 and no legacy payments.
Contributions (To)/From Reserves	• Calls on earmarked Reserves for specific purposes as detailed in the table.
Minimum Funding Guarantee Grant	• A further payment was received (equivalent to 4% overall) as part of the provisional and final local government settlements for 2024/25.

8. Council Tax

Decisions around the annual council tax increase and taxbase growth are two key variables in the MTFP.

Although this is a significant funding source, 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' and the limit for increases is set each year.

The forecast amount of council tax to be collected takes into account local decisions on discounts, exemptions and reliefs and the local council tax support scheme.

Council Tax 2024/25
The referendum cap was confirmed with the Provisional Local Government Funding Settlement Announcement in December 2023, being the 2.99% for district councils. This was the recommended increase approved by Council in February 2024.

The Band D charge increased from £249.71 to £257.18, an increase of £7.47 per annum (14 pence per week).

Total income from council tax for this council therefore increased from £15.855 million to £16.524 million.

The impacts of the forecast changes in the taxbase and collection performance was an increase from 63,495.32 to 64,252.30 properties representing a taxbase increase of 756.98 compared to 2023/24.

Council Tax Policy

There were a number of key changes to Council Tax Policy for 2024/25, many to support residents in the Borough as approved by Council in February 2024. In summary these changes were;

- Removal of the maximum award of 90% Council Tax liability for 1,800 households and increasing the award up to 100%;
- Removal of the minimum requirement for a household to qualify for £5 per week before support is required;
- Expansion of support awards to cover full Council Tax liability for residents in Bands F to H.
- Removal of the empty homes discount of 28-days where a property becomes empty and unfurnished;
- 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.

The changes above were consulted upon with relevant stakeholders including Raven Housing Association.

These changes were possible following the receipt of Royal Ascent for the Levelling-up and Regeneration bill on 26 October 2023.

The cost of changes to the Local Council Tax support to low income households and those most affected by the cost of living crisis (first three bullet points above) are offset by the income received from increasing premiums above (final three bullet points above).

Local Council Tax Support Scheme allowances and premiums were 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 2023

Council Tax Precepts 2024/25

Table 6.1: ANALYSIS OF COUNCIL TAX BY PRECEPTOR		
Authority	DEMAND	% share
	£	%
Surrey County Council	112,994,095	74.85
Surrey Police & Crime Commissioner	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**

Table 6.2: ANALYSIS OF COUNCIL TAX CHANGES BY PRECEPTOR				
Authority			Increase	
	2023/24	2024/25	£	%
Surrey County Council	1,675.08	1758.60	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	**2425.45**	**112.61**	**4.64**

No Policy changes are currently anticipated for 2025/26.

Local Council Tax Support Scheme

The Council funds around 10% of council tax for eligible claimants. This reduction in council tax income is taken into account when the taxbase is calculated as part of budget-setting. No Government funding support is provided for the Local scheme; the cost reduces the amount of council tax retained by the preceptors.

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 7: LOCAL COUNCIL TAX SUPPORT SCHEME (at June 2024) Category	Number of Claims		Annual Cost £m	
	2023	2024	2023	2024
Vulnerable	1,940	2,045	3.061	3.552
Working Age – employed	480	458	0.493	0.474
Working Age – not employed	1,041	891	1.369	1.242
Annual Cost to Preceptors			**4.987**	**5.268**

The Vulnerable group mainly comprises households in receipt of a disability benefit. From April 2024 the two Working Age groups are eligible to receive up to 100% of their Council Tax covered by Local Council Tax Support, whereas prior to this they would only receive up to 90%.

The previous financial years settlement (2023.24) announcement included funding for additional Council Tax Support from 2023/24, representing up to an extra £25 in support for working age and pensioner households for cost-of-living pressures. This additional support is still available for new applicants, subject to the remaining funding available. The Scheme was reviewed for 2024/25 as detailed above and changes were approved by Council that increased the level of support available for working age households.

Council Tax Collection Performance 2023/24

This Council's collection performance for council tax in 2023/24 was 98.57% (98.60% in 2022/23). This is one of the highest rates in the Surrey County.

Council Tax Options 2025/26

Each 1% increase in Council Tax generates £0.179 million additional income for this borough. A 2.99% increase in 2025/26 would yield £0.660 million additional income.

Council Tax Forecasts

For MTFP modelling purposes, the Council Tax income forecast and assumptions at July 2024 are set out below:

Assumptions:

- 1% growth in tax base year on year;
- Consistent Local Council Tax Support Scheme (5.1%) and non-collection allowance (0.28%); and
- Band D increase of 2.99%

Table 8: COUNCIL TAX FORECAST	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Forecast Resources	15.855	16.524	17.185	17.875	18.594	19.342
Annual Increase in Income		0.669	0.660	0.691	0.719	0.747
Cumulative Increase in Income		1.425	2.085	2.776	3.495	4.242
Band D	£249.71	£257.18	£264.87	£272.79	£280.95	£289.35
Band D Increase	-	£7.47	£7.69	£7.92	£8.16	£8.40
Taxbase Increase	1.96%	1.19%	0.98%	1.00%	1.00%	1.00%
Annual Band D % Increase		2.99%	2.99%	2.99%	2.99%	2.99%

9. Business Rates (National Non-Domestic Rates)

In 2013, the Government introduced a scheme through which local authorities retain a proportion of any business rates growth above a set 'baseline'. The purpose was to give authorities a financial incentive to encourage and foster economic growth within their area and to work collaboratively with other authorities and business organisations to achieve that growth.

While this scheme was broadly welcomed by the sector, there remain concerns over the potential volatility of this income stream due to the level of appeals; even a small variation in the overall revenue generated can result in a significant financial impact.

Over recent years the Government has been undertaking a review of how business rates will operate going forward and has stated its intentions to achieve 75% localisation of business rates. However, the full impact of this cannot be assessed until the details of these changes are release by the Government.

Appeals
Business rate forecasts include an assessment of the likelihood of successful appeals following consideration by the Government's Valuation Office Agency.

Business Rates Collection Performance 2023/24
Collection performance for business rates in 2023/24 was 99.99% (99.95% in 2022/23).

Business Rates Forecast at July 2024

Table 9 : NNDR FORECAST	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Forecast NNDR Resources	3.344	2.627	2.664	2.700	2.740	2.779
Annual Increase / (Reduction)	-	(0.717)	0.037	0.036	0.039	0.039
Cumulative Increase / (Reduction)	-	(0.717)	(0.680)	(0.644)	(0.605)	(0.566)

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

10. New Homes Bonus

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

New Homes Bonus was revised for the 2017/18 financial year with the length of time it is paid reducing from four years (for the 2017/18 award) and to one year from 2020/21 onwards. A 'baseline' of +0.4% ('deadweight') growth was also introduced before any Bonus is paid. The retained funds were used by the Government to support authorities with adult social care responsibilities. Legacy payments for previous years have now ceased.

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

For the last three financial years the Council has received a one year allocation of New Homes Bonus and it is assumed that this will continue as part of the one year roll-over settlement likely for 2025/26.

11. Revenue Reserves

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.

Reserves can be held for four reasons:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A contingency to cushion the impact of unexpected events or emergencies;
- A means of building up funds to meet known or predicted liabilities; and
- A means of setting aside sums for future identified uses and / or investments.

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.

The Reserves Policy is set out at Appendix 4.1 with details of forecast balances at Appendix 4.2.

The level of Reserves will be reviewed during service & financial planning over the summer with the aim of presenting the recommended use of reserves in 2025/26 onwards as part of the November budget report. This will include an assessment of the adequacy and allocation of current reserves and the associated risks and opportunities.

General Fund Balance

The General Fund Balance Reserve is held to manage the impact of any unexpected events/emergencies. The Chief Finance Officer (Section 151 Officer) is required to review the level of the General Fund Balance annually in relation to the overall financial position of the Council. CIPFA guidance on Local Authority Reserves and Balances (2003) and the Local Government Act of 2003 do not recommend a specific value or budget %.

The Chief Finance Officer advised in the January 2024 budget report that a working balance of £3.5 million is considered the minimum level required. This represents just over 15% of the net budget for 2024/25. This minimum level will be reviewed again as part of 2025/26 service & financial planning.

Earmarked Revenue Reserves

Earmarked Revenue Reserves may be used as part of a planned process to balance the budget in order to avoid short term actions which may not be in the best interests of the Council. They also allow funds to be set aside for specific purposes, often spanning more than one financial year.

The most significant call on Reserves during the year is expected to be the requirement to make prudent provision for credit losses on investments. This has been taken into account in the forecasts at Appendix 4.2.

Useable Revenue Reserves

Revenue Reserves have remained buoyant over recent years. Further details are set out at Appendix 4.2.for useable revenue reserves.

Opportunity Cost of Holding Reserves

The opportunity cost of holding reserves has to be considered. Unused balances are used to either reduce temporary borrowing or are invested to generate income. In measuring the opportunity cost of holding reserves, consideration needs to be taken of the interest earned. The opportunity cost of holding reserves is therefore a judgment whether the 'worth' of expenditure foregone is more than the income generated. Given the current economic climate it is a balanced judgement as to whether to invest / spend reserves or to retain them.

Assessing the Adequacy of Reserves

The Chartered Institute of Public Finance and Accountancy (CIPFA) state that the Institute '...*does not accept a case for introducing a statutory minimum level of reserves, even in exceptional circumstances…'*. It does however confirm that authorities should make their own judgment on such matters, taking into account all relevant local circumstances on the advice of their Chief Finance Officer.

The Local Government Act 2003 requires the Chief Finance Officer to formally report on the adequacy of the proposed financial reserves. To arrive at assessing the adequacy of reserves a number of issues need to be addressed:

- What are the strategic, operational and financial risks facing the Council?
- Does the Council comply with the requirements to ensure that there is an adequate system of internal control?
- Are the key financial assumptions in formulating the Council's budget robust and reasonable?

- Does the Council have adequate financial management and cash flow arrangements?

In addition there are a number of questions an authority can ask to demonstrate that it is managing its affairs satisfactorily:

- What is the track record of the Council in its budgetary and financial management?
- What is the Council's record regarding council tax collection?
- What is the Council's capacity to manage in-year budgetary pressures?
- What is the strength of the Council's financial reporting?
- What are the procedures to deal with under and over-spends during and at the year end?
- In the case of Earmarked Revenue Reserves, will there be expected calls on the reserves that prompted the setting up of the reserves in the first place?

Finally, there is a need to look at the assumptions made in setting the budget, not just for the coming year but also under the MTFP. The budgetary assumptions cover:

- Inflation and interest rate projections;
- Estimate and timings of capital receipts;
- Treatment of planned efficiency savings; and
- Financial risks involved in major funding arrangements.

It is likely that the current allocation of funds to Reserves will have to be reviewed as part of the Financial Sustainability Programme.

12. Medium Term Financial Plan Forecast

An early review of Medium-Term Financial Plan budget forecasts has identified a number of new budget factors that will need to be addressed in 2025/26 onwards.

They include:

- Making budget provision for future pay and pensions increases at a time of reducing levels of CPI inflation;
- Budgeting for the costs of approved borrowing to fund planned Capital Programme commitments;
- The impacts on available resources of Government funding reductions in future years, including the loss of Negative RSG Grant, the still anticipated Fair Funding Review and Business Rates Reset;
- Revenue and capital budget growth to deliver priorities in the new Corporate Plan – details to be confirmed during service & financial planning; and

- Any new budget challenges or opportunities that may arise as a result of the General Election in July 2024.

The service & financial planning process over the summer will focus on quantifying the impacts of these potential pressures as the details are confirmed; also identifying the new sources of income that are to be delivered to help address them. The outcome of service & financial planning will be reported later in 2024.

Financial Sustainability Programme
Reliance on one-off measures such as the use of reserves to balance the budget is not without risks and will not be sustainable over the long-term. Going forward, solutions that reduce costs or increase income on a permanent basis will have to be identified for 2025/26 onwards.

In agreeing the budget for 2024/25, the Executive also agreed to continue a programme of work to ensure the future financial sustainability of the authority. The outcomes of work on the Financial Sustainability programme will be reflected as part of the 2025/26 budget setting process, with the programme continuing into future years to inform ongoing financial planning.

The Programme focuses on four key areas:

Income Generation	• Pursuing opportunities to generate new income streams. • Optimising fees and charges. • Implementation of the Commercial Strategy (within the scope of the Prudential Code 2021)
Use of Assets	• Making effective use of existing assets, including the repurposing and sale of surplus properties.
Prioritisation of Resources	• Reviewing in-year budget monitoring forecasts to identify new opportunities for savings and efficiencies. • Reviewing the level of service provided and focussing resources on priority services. • Managing pay costs and making effective use of staff resources.
Achieving Value for Money	• Actively pursuing options to share with other councils to realise efficiency savings. • Identification of invest to save opportunities – including investment in technology and assets to reduce operational costs.

Further details are provided in the separate update at Annex 2.

Revenue Budget-Setting Assumptions 2025/26
The following assumptions will be used during service & financial planning over coming months when preparing the draft Budget estimates for 2025/26:

Council Tax	• To increase by the referendum limit – assumed to be 2.99% for this report on the basis that the Local Government settlement for 2025/26 is likely to be a roll forward of the previous year's settlement. • Plus an increase of 1% to reflect forecast growth in the taxbase • The impact of local discounts, exemptions and the local council tax support scheme will be taken into account when preparing income forecasts
Government Funding	• Fair Funding Review and loss of Negative RSG Grant will continue to be delayed until 2026/27 at the earliest.
Retained Business Rates Income	• Reset of Business Rates will continue to be delayed until 2026/27 at the earliest.
Fees & Charges	• The Council's Fees & Charges Policy is attached at Appendix 5. For budgeting purposes it is assumed that fees and charges will increase in line with the Policy and that all fees and charged will be reviewed to ensure they comply. It is anticipated that with falling levels of inflation the rate of increase for some fees and charges will be between 2% and 2.5%.
Investment Income and Borrowing	• Investments and borrowing will be forecast in line with forecast balances (reserves) and capital spending plans
Horley Town Council Double Taxation Grant	• A new ten year grant was approved in February 2024.
Pay Inflation	• An allowance for a pay award will be included in the draft Budget, in addition to forecast contractual pay increases. • This provides the option for pay rises but the specific rate of increase will be subject to established consultation processes.
Employer Pension Costs	• The latest published actuarial valuation of the Surrey Pension Fund confirmed that the Fund's total assets, which at March 2022 were valued at £5.36bn, were sufficient to meet 102% of liabilities (ie. the present value of promised retirement benefits) accrued up to that date. The resulting total Fund surplus at the 2022 valuation was £101m. However it should be noted that this is still dependent upon future investment returns at 4.3% and contributions from employers as detailed below. • Each employer has a contribution requirement set at the valuation, with the aim of achieving full funding within an agreed time horizon and probability measure, as set out in the Fund's Funding Strategy Statement. Individual employers' contributions for April 2023 to March 2026 have been set in accordance with this requirement. • For Reigate & Banstead this is based on a 15% payroll oncost charge plus a £1.919m lump sum annual deficit contribution payment. Most other Surrey Districts and Boroughs pay a similar charge. • There also a requirement to fund a £350k per annum contribution for historic 'compensated added years' that were granted to retirees prior to 2015

Price Inflation	• The general principle remains that services should first seek to cover price inflation from their existing budgets, unless tied contractually to significant cost increases that warrant additional funding. • Significant increases would be subject to approval of budget growth through the service & financial planning process. • CPI inflation has now returned to the 2% level and the previous escalating rate of inflation has reduced significantly. Therefore it is anticipated that bids for inflationary budget growth will not be significant for 2025/26.

Forecast Budget Gap

The forecast budget gap over the next five years is set out below. As usual, this is the forecast before any savings, income and growth from service & financial planning reviews are taken into account. An updated forecast will be reported in the November draft budget report. Further details are provided at Appendix 2.

Table 10: MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2024/25 £m	Forecast Budget 2025/26 £m	Forecast Budget 2026/27 £m	Forecast Budget 2027/28 £m	Forecast Budget 2028/29 £m	Forecast Budget 2029/30 £m
FORECAST GAP (cumulative)	Balanced	1.678	2.017	3.249	4.549	5.402
Annual Increase in Gap	-	1.678	0.339	1.232	1.300	0.853
Gap as % of current budget requirement	-	7.2%	8.7%	14.0%	19.6%	23.3%

The key factors that will influence the forecast gap include:

Service Expenditure / Income /Fees and charges / savings and growth	• While some significant service budget pressures have been identified to date, such as the cost of temporary accommodation, there is continued work planned on quantifying the forecast spend in this and other areas for 2025/26. This will be subject to further review as part of the service & financial planning process. The outcome will be presented in the November draft budget proposals. • Proposals for service department savings and growth will also be considered as part of the service & financial planning process. • Fees and charges increases were included and agreed in the 2024/25 budget of £0.540m based on a number of factors including CPI inflation at 7% at the time and volume increases. CPI is projected to be between 2% and 2.5% for the financial year 2025/26 and an equivalent fees and charge increase is built into the MTFP projections. This will yield significantly less than £0.540m in 2024/25. • While an estimate for the 2025/26 pay award has been included in the MTFP forecast this is subject to consultation and has to be considered in the context of the significant financial challenges faced over the medium term. Employee costs comprise 41.4% of gross direct expenditure in the 2024/25 budget.
Central Budgets	• Over the next three years net borrowing costs are forecast to reduce as bank base rates are cut and the forecast is for a fairly constant rate of 3% from mid-2025 through to March 2027. Central budget costs are not expected to change significantly in net terms as any reduction in borrowing

	costs would be offset by a reduction in interest on balances as rates reduce.
Council Tax	• Council tax setting assumptions are based on a 2.99% increase and forecast movements in the taxbase of 1% per annum.
NNDR	• Removal of Negative RSG Grant and the Business Rates reset continue to be delayed; when implemented they are likely to have the effect of negating the benefit of forecast business rates growth over the MTFP period.
Use of Reserves & Grants	• While the 2024/25 budget is based on nil use of funds from the General Fund Balance Reserve, it does require a one-off call of £0.694mm from the Government Funding Risks Reserve (for Housing Benefit subsidy reduction) and £0.304m from the IT Strategy Reserve. The ongoing requirement for this funding will be assessed as part of service & financial planning over coming months for inclusion in the final 2025/26 budget forecast and before receipt of the Provisional Local Government settlement in December this year. • Government grant funding that is being used to help fund the net budget requirement in 2024/25 included: Services Grant (£0.017m); New Homes Bonus (£0.806m) and Minimum Funding Guarantee Grant at 3%. These are expected to continue on the assumption that there will be a further roll-over of the previous year's local government settlement.

In summary, as for the majority of councils, this authority continues to face a very challenging financial future based upon cost pressures, a cost of living crisis and no immediate plans for additional government support funding. Over recent years budget efficiencies have been achieved to address the forecast gap, specifically through deletion of central budgets that were not required and also reliance on treasury management income streams; these options are either no longer available or cannot be guaranteed every year due to the changing economic environment. While Reserves remain at a reasonably healthy level, there is an underlying budget gap that must be addressed through the services & financial planning process; through a programme of reducing costs or generation of new sustainable sources of income.

Nevertheless, this Council remains in a relatively strong position compared to the small number of councils that are now in serious financial difficulty (including several in the Surrey area); in particular those that are having to issue Section 114 notices due to inability to set a legal balanced budget.

Factors that underpin this Council's strength include:

- Healthy Revenue Reserve balances to help mitigate budget risks;
- A relatively low borrowing requirement and no long term external debt at present due to the use of a prudent internal borrowing strategy; and
- Effective corporate governance to ensure compliance with local government financial regulations and maintain effective control of spending.

13. Capital Investment Strategy

The latest Capital Investment Strategy is being reported to Executive in July 2024 and sets out a framework for funding and investment decisions in respect of capital assets, in the context of our vision and priorities and available financial resources.

It builds on the Capital Strategy that was approved as part of the Treasury Management Strategy 2025/26 in March 2024.

The Capital Investment Strategy demonstrates that the Council makes capital expenditure and investment decisions in line with service objectives and takes account of stewardship, value for money, prudence, sustainability and affordability.

It sets out the long-term context in which capital expenditure and investment decisions are made and takes into account to both risk and reward and impact on the achievement of priority outcomes.

When setting its capital programme, each authority must have regard to:

- **Service objectives** – the capital spending plans should be consistent with the Corporate Plan;
- **Stewardship** of assets – as demonstrated by our asset management planning approach;
- The **value for money** offered by investment plans – as demonstrated by the appraisal of the options;
- The **prudence and sustainability** of investment plans – their implications for external borrowing;
- The **affordability** of capital investment plans – the implications for the council tax; and
- The **practicality** of capital expenditure plans – whether the forward plan is achievable.

Decisions on the Capital Programme have an impact on the Revenue Budget, in relation to:

- The revenue costs of financing capital, including prudential borrowing; and
- The ongoing running costs and/or income generated by new capital assets such as buildings.

Capital investment decisions therefore have implications for the Revenue Budget. The revenue costs over the lifetime of each proposed capital project are considered when the project is being developed to ensure that the impact can be incorporated within our financial plans and to demonstrate that the capital investment is affordable.

Revenue and capital budgets are integrated with the financial impact of the proposed Capital Programme, being reflected in the Revenue Budget estimates.

The Council will only invest where capital spending plans are affordable, prudent and sustainable. The key constraint on capital investment is the scope to afford the financial implications in terms of acceptable council tax levels.

As supported by the Capital Investment Strategy, the Council's capital investment plans over the next 5 years are set out in the Capital Programme. The efficient and effective use of capital resources, including sound asset management, is fundamental to achieving our long- and medium-term aims and objectives. It is also critical to achieving the delivery of the required savings and income across the Council to secure a balanced budget.

Capital Programme

While Revenue Budget expenditure is concerned with the day-to-day running of services the Capital Programme is concerned with investment in the assets required to deliver services or delivery new income streams. The Capital Programme sets out how capital resources will be used to achieve our vision and corporate priorities.

The Council must have an affordable Capital Programme; affordability is assessed against business cases taking into account the level of future resources required to support project delivery and ongoing asset maintenance.

The strategic objectives of the Capital Programme can be summarised as follows:

- To maintain a five-year rolling Capital Programme which remains within the approved affordable, sustainable and prudential limits;
- To ensure capital resources are aligned with our strategic vision and corporate priorities by ensuring all schemes are prioritised according to the Council's prioritisation methodology;
- To identify opportunities for investment in new schemes that result in capital growth and/or new revenue income streams;
- To maximise available resources by actively seeking external funding to support Council priorities and disposing of surplus assets; and
- To use internal resources alongside external resources where appropriate to support the Capital Programme and minimise any borrowing costs.

Capital Programme 2024/25 to 2028/29

The Council forecasts its Capital Programme over a 5-year period and the latest position is set out below as reported to Executive in February 2024 plus unspent balances brought forward from 2023/24. The planned use of resources is in line with the Medium-Term Financial Plan.

Additional detail is set out in the Capital Investment Strategy reported to Executive in July 2024.

Capital Programme

The current Capital Programme is summarised below (details at Appendix 3.1)

Table 11: CAPITAL PROGRAMME by SERVICE	2023/24 BFWD £m	2024/25 Projected £m	2025/26 Projected £m	2026/27 Projected £m	2027/28 Projected £m	2028/29 Projected £m	Total £m
ORGANISATION SERVICES:							
Strategic Property	6.178	1.831	0.930	2.123	0.206	-	**11.268**
Corporate Resources	0.160	0.250	0.200	0.200	0.500	-	**1.310**
Environmental Strategy	0.228	0.100	-	-	-	-	**0.328**
Organisational Development	0.250	0.250	-	-	-	-	**0.500**
PEOPLE SERVICES:							
Housing	3.926	1.520	1.431	1.431	1.431	-	**9.739**
Leisure & Culture	0.158	0.100	0.100	0.100	0.100	-	**0.558**
Community Partnerships	0.014	-	-	-	-	-	**0.014**
PLACE SERVICES:							
Neighbourhood Operations	2.194	1.892	1.277	1.002	3.953	-	**10.318**
Place Delivery	3.861	4.298	-	-	-	-	**8.159**
TOTAL APPROVED CAPITAL PROGRAMME	**16.969**	**10.241**	**3.938**	**4.856**	**6.190**	**-**	**42.194**

Future Capital Investment Plans

In addition, the Council has previously committed to invest up to £30.0 million in Housing projects. Proposals will be subject to approval of reports by Executive or the Partner, Shareholder & Trustee Executive Sub Committee when individual business cases and funding are confirmed.

Capital Programme Funding

Sources of funding for the Capital Programme are summarised below:

Table 12: CAPITAL PROGRAMME FUNDING	2023/24 BFWD £m	2024/25 Projected £m	2025/26 Projected £m	2026/27 Projected £m	2027/28 Projected £m	2028/29 Projected £m	Total £m
TOTAL CAPITAL EXPENDITURE	**18.199**	**10.241**	**3.938**	**4.856**	**6.190**	**-**	**43.424**
FUNDED BY:	-	-	-	-	-	-	-
Capital Reserves	-	-	-	-	-	-	-
Capital Receipts	2.552	0.089	-	-	-	-	**2.641**
Capital Grants & Contributions	4.792	2.085	1.531	1.531	1.531	-	**11.470**

Table 12: CAPITAL PROGRAMME FUNDING	2023/24 BFWD £m	2024/25 Projected £m	2025/26 Projected £m	2026/27 Projected £m	2027/28 Projected £m	2028/29 Projected £m	Total £m
Earmarked Reserves – Housing Delivery Strategy	0.360	-	-	-	-	-	**0.360**
Prudential Borrowing	9.265	8.067	2.407	3.325	4.659	-	**27.723**
TOTAL CAPITAL FUNDING	**16.969**	**10.241**	**3.938**	**4.856**	**6.190**	**-**	**42.194**

Key sources of capital funding:

Table 13: CAPITAL PROGRAMME FUNDING	
Capital Receipts	• 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 –in December 2023 the Government extended the use of flexible capital receipts until 2030. This allows councils to fund certain types of revenue expenditure (such as transformation programmes) from capital receipts; however, it must be recognised that the use of capital receipts cannot be used to fund long term on-going revenue expenditure and as such, can only be spent once. There are no current plans for use of this funding option
Capital Grants & Contributions	• 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 has previously been allocated to support implementation of the Housing Delivery Strategy. • Since 2021 NHB allocations have been included as funding for the Revenue Budget.
Prudential Borrowing	• 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

Table 13: CAPITAL PROGRAMME FUNDING	
	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 as regulated by the Prudential Code 2021.
Revenue Budget Contributions	• There is no expectation that significant capital expenditure will be funded from the revenue budget in 2024/25.

Table 13.1: CAPITAL RESERVES (at 31 March 2024)	£m
Capital Receipts - General	0.148
Capital Receipts - Housing	7.908
Disabled Facility Grant	2.264
Section 106 Capital Reserve	23.458
Community Infrastructure Levy Capital Reserve	5.927
Total	**39.706**

(Draft: subject to audit)

Revenue Budget Impact of Capital Spending

With the exception of earmarked Section 106 and CIL funds and some earmarked Housing capital receipts, the Council no longer has significant Capital Reserves, therefore, while a small number of schemes will be continued to be funded from capital grants and other contributions, the majority of the approved Capital Programme must be funded through prudential borrowing. The costs of repaying this borrowing fall on the revenue budget as treasury management costs in Central budgets. Minimum Revenue Provision payments (set aside to repay debt) are required for both internal and external borrowing that the council incurs and this MRP is chargeable to the Revenue Budget annually as a Central Budget expense.

Treasury management budgets will be updated to reflect the costs of borrowing for the approved Capital Programme net of interest on forecast balances. Details were confirmed in the Treasury Management Strategy that is reported to Audit Committee, Executive and Full Council for approval each year.

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.

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

14. Treasury Management & The Prudential Code

CIPFA defines treasury management as:
"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management function is to ensure that this cash flow is adequately planned, with cash being available when needed. Surplus monies are invested with low risk counterparties in line with our risk appetite, ensuring adequate security and liquidity before considering investment return.

The second main function of treasury management is funding the Capital Programme. Capital investment plans provide a guide to borrowing need, essentially for longer-term cash flow planning purposes, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. To date there has been no requirement to take on long-term borrowing because reserve balances remain healthy and are being used to cover short-term financing requirements.

The contribution that the treasury management function makes is important, as the balance of debt and investment operations ensure liquidity and/or ability to meet budget commitments as they fall due, both on day-to-day revenue-funded activity and for larger capital projects. The treasury function balances interest costs of debt and investment income arising from cash deposits which in turn affect available resources. Cash balances generally result from reserves and balances, therefore it is important to ensure adequate security of the sums invested, as a loss of principal will in effect result in a call on the General Fund Balance.

The Council's company investments are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities. They are reviewed to assess the expected credit loss (impairment) each year when preparing the annual statement of accounts.

The Prudential Code
CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the 'Prudential Code') provides the framework for councils' capital investments. The key feature of the prudential system is that councils should determine the level of their capital investment – and how much they borrow to finance that investment – based on their own assessment of what they can afford, not just for the current year but also for future years.

The statutory basis for the prudential system is set out in the Local Government Act 2003, which:

- Confirms councils' power to borrow – which in the medium term must only be for capital purposes, while short-term borrowing can be for cash flow purposes;
- Makes it clear that, as previously, councils may not mortgage assets;
- Places a duty on councils not to exceed their prudential borrowing limits, or any national limits imposed by central government;
- Places a duty on councils to determine – and review – their own borrowing limits in accordance with the Prudential Code;
- Gives the Government a reserve power to impose borrowing limits that would override councils' own borrowing limits for national economic reasons;
- Makes it clear that credit arrangements should be treated as borrowing under the prudential system; and
- Confirms that councils may invest both for the prudential management of their financial affairs and for purposes relevant to their functions.

Following two consultations intended to take into account the changing landscape for local government following the sustained period of reduced public spending and the developing localism agenda, the Prudential Code was updated in 2017. One of the main changes was to introduce the requirement to publish a Capital Investment Strategy.

A strengthened Prudential Code was then published at the end of 2021. This revised Code includes clarification and examples of what is and is not classified as prudent borrowing activity.

Other key changes that have been implemented in 2024/25 onwards include:

- The inclusion of proportionality as an objective, so that an authority incorporates an assessment of risk against levels of resources;
- Clarifications to better define commercial activity and investment;
- Quarterly performance reporting; and
- The introduction of the Liability Benchmark as a new Treasury Management indicator.

At the same time CIPFA also revised the Treasury Management Code to integrate Environmental, Social and Governance risks into the policy framework and to update the guidance on development, retention of knowledge, skills, and training.

15. Medium Term Financial Plan Risks & Sensitivities

The Council's Strategic Risk Register includes the following risk:

SR2: Financial Sustainability

The current macroeconomic conditions, the cost of living crises and homelessness pressure, coupled with d the wider local government funding context, have created conditions of unprecedented financial uncertainty and challenge for the Council. The Council is therefore increasingly reliant on generating additional income and identifying savings and efficiencies from existing budgets. If not mitigated, these financial challenges risk an adverse impact on the Council's ability to deliver its Corporate Plan objectives.

A summary of the mitigating actions is set out at Appendix 6.

Operational Risk Register – Budget-Setting

The principles and assumptions contained within this MPFP are aimed at ensuring that the Council is financially sustainable and continues to deliver high quality services.

Individual revenue and capital budget proposals will be subject to risk assessment as part of the service & financial planning process.

The Council, in common with most local authorities, continues to be at risk from a range of financial risks. They include:

Table 14: BUDGET RISKS **Perceived Risk**	**Impact**	**Likelihood**	**Forecast Minimum Impact[1] £M**	**Forecast Worst Case Impact[1] £M**	**Preventative Action**
Failure to remain up to date with changes in relevant legislation, regulations and guidance	High	Low	0.250	1.500	Ensure that all relevant information is taken into account when producing MTFP and budget forecasts.
Changes in legislation affecting the scope of services and the cost of carrying them out	Medium	Medium	0.010	4.800	Maintain regular contact with Heads of Service regarding developments that have potential financial implications.
Local Government Financial Settlement worse than forecast	High	Medium	0.020	3.600	Model a range of MTFP and budget scenarios and strategies.
Outdated MTFP assumptions Significant variations due to economic factors	High	Low	0.010	2.750	Regularly review and update assumptions.
Inaccurate budget assumptions eg. inflation risks	High	Medium	0.100	1.870	Regularly review and update assumptions.

Table 14: BUDGET RISKS Perceived Risk	Impact	Likelihood	Forecast Minimum Impact[1] £M	Forecast Worst Case Impact[1] £M	Preventative Action
Unexpected financial events eg. another pandemic	High	Medium	0.010	5.000	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Deliverability of new income streams against ,forecast timescales	High	Medium	0.100	1.900	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Demographic and demand-led pressures e.g. homelessness	Medium	Medium	0.020	2.000	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Reduction in existing fees & charges income	Medium	Low	0.010	0.050	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Contract risks e.g. contractor viability, non-delivery (where insurance or other reparations are unachievable	Medium	Low	0.200	2.500	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.

Table 14: BUDGET RISKS Perceived Risk	Impact	Likelihood	Forecast Minimum Impact[1] £M	Forecast Worst Case Impact[1] £M	Preventative Action
					Maintain regular contact with Heads of Service regarding developments that have potential financial implications.
COVID-19 risks	Low	Low	0.010	0.300	Legacy impacts of the pandemic were addressed during budget-setting for 2022/23 onwards.
Commercial Risks	High	High	0.250	2.200	Treasury management budget forecasts include assumptions regarding the accrued interest on loans to the council's companies. If the companies cannot repay their loans the sums outstanding and accrued interest will have to be written off (if not covered by sale of company assets). These risks are already reflected in the annual statement of accounts where the expected credit loss is calculated and balances are impaired.

Note 1: Best estimates based on available information at the time of preparing the report and by using information and analysis from the Local Government Association.

Sensitivity Analysis

A small change in key underlying assumptions can produce a significant change in the budget.

Table 15: SENSITIVITY	Change	Estimated Annual Impact on Budget Requirement Increase / (Decrease) £000
Council Tax/Taxbase		(172)
Business Rates Income	+1%	(39)

Table 15: SENSITIVITY	Change	Estimated Annual Impact on Budget Requirement Increase / (Decrease) £000
Staff Costs		289
Non-Pay Costs		138
Fees & Charges		(181)

Budget Uncertainties & Risks

While the approved budget for 2024/25 is robust, there remain, a number of uncertainties and risks to be addressed over the medium-term which are set out below.

The Economy:

- Economic slowdown nationally or globally could result in lower income (through - for example - reduced discretionary spending or lower than anticipated recyclate prices) and increases in demand (benefits and statutory duties such as homelessness);
- A reduction in the number of businesses in the Borough will have an impact on retained Business Rates income; and
- The escalating rate of inflation remains a concern.

Future Government / Partner Funding:

- The outcome of the Fair Funding Review and Business Rates reset along with the end of Negative RSG Grant;
- The planned end of New Homes Bonus over coming years;
- The Homelessness Reduction Act which requires Councils to provide more support to homeless people and people at risk of becoming homeless. The Government has committed ring-fenced funding towards this duty but there remains a question mark over the longer term; and
- Surrey County Council are currently reviewing their Family Support service delivery contracts with districts and boroughs - the financial implications for this authority will have to be confirmed as part of service & financial planning for 2025/26.

Revenue Budget Savings and Income Generation:

- Following the significant budget reductions in recent years, it has become increasingly difficult to generate additional ongoing savings. If the Council is to deliver financial sustainability, then we will need to continue efforts to become a more commercial organisation and fully explore income generating opportunities involving, for example, property investment, partnership working and providing services for other organisations. However Government and CIPFA guidance on ‘borrowing in advance of need’ limits some of the options that may otherwise have been considered to deliver new commercial income streams; and
- Excellent progress has been made 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 is likely to always be periods of time when some units are vacant.

Corporate Plan 2025:

- The Corporate Plan sets out the Council's vision and objectives over the medium term and will enable it to target its resources in the most efficient and effective way.

  The main challenge, as ever, will be balancing our ambitions as a high performing council with our ability to resource those ambitions. The prioritisation of services like Housing Delivery and Environmental Sustainability will place new demands on existing resources. A combination of careful stewardship and an innovative approach to service delivery will be required to ensure that we achieve our goals.

Service Budget Risks:

- Despite significant improvements in recent years and a positive 2022 actuarial valuation, the **Pension Fund** remains a risk over the longer term as future economic downturns may impact on the value of Fund investments and liabilities leading to increases in the cost of the employer contribution;
- Proposals set out in the Government's **Resources & Waste Strategy**, are to be introduced via secondary legislation following enactment of the Environment Bill under the Environment Protection Act 1990 and this was confirmed by the Department for the Environment, Food and Rural Affairs in January 2024. Councils will be required to implement the Simpler Recycling Strategy from 1 April 2026 will by minimising food waste, promoting resource efficiency, and moving towards a circular economy.

  Three key measures from the Strategy are proposed:

  - Invoke the 'polluter pays' principle and extend 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 ensuring consistency in household and business recycling.

  These measures will have a considerable impact on local authorities, particularly consistency in recycling, which will affect how kerbside recycling services are delivered in the near future.

  Recycling budgets are also currently experiencing significant volatility due to rapid pricing changes. There are times when the Council generates an income from recyclates while at others it has to pay to dispose of the same waste. This makes future budget planning challenging;
- **Housing Benefit** subsidy and funding remain a concern: £0.694 million budget growth was required in 2024/25 to fund the reduction in housing benefit subsidy and grants from Government (DWP). There are several reasons why this funding is forecast to reduce including the continued

transition of claims to Universal Credit, increased costs of supported housing claims for exempt accommodation and increased cost of discretionary housing payments;

- **Homelessness Prevention** remains a very volatile area of activity that is challenging to forecast and budget. The Council spent £1.367m on bed and breakfast accommodation in 2023/24 and whilst this was offset by Government grant and use of reserves, there is no guarantee this funding will continue into the future financial years.

- **Grant Funded Posts** - another 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

The 2024/25 Homelessness Prevention grant allocation of £0.695 million was confirmed in December 2023. 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 2024/25 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

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

- **Planning Initiatives** - as reported to Executive in 2023, 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 in progress and is expected to be completed by the end of 2024/25. During 2025/26 consideration will also have to be given to funding this authority's responsibilities as a planning authority and landowner under the Government's Biodiversity Net Gain strategy;

- The 2024/25 budget does not include any specific funding implications arising from implementation of other **strategies** that are currently in development. The financial implications will be considered as part of service & financial planning for 2025/26.

Financial Sustainability Programme Delivery:

The Council has ambitious plans to take action to address the forecast budget gap through delivery of a wide range of projects and initiatives that are intended to will reduce expenditure, avoid new costs and increase income receipts. It is therefore important that this Programme is seen to be a key corporate priority and measures are put in place to ensure its delivery. Further details are provided at Annex 2.

MTFP and Budget Monitoring and Review
An updated MTFP forecast will be reported as part of the draft Budget report in November and the final Budget proposals in January.

The processes and procedures relating to the monitoring of the Revenue Budget and Capital Programme are set out in the Council's Financial Procedure Rules and supporting guidance.

Initiation of the Financial Sustainability Programme included establishing appropriate programme governance and reporting arrangements.

16. Budget Equalities Impact Assessments

The annual service & financial planning reports include information about the equality implications of budget proposals. Where new service changes, projects or policies are proposed, equalities impact assessments will be carried out by the responsible officers. Changes that affect Council staff will be discussed directly with individuals affected and with their representatives.

17. Budget Scrutiny

Savings and growth proposals will be considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee in November 2024. The conclusions and recommendations of the Panel and the Committee are reported to the Executive.

18. Consultation

As part of the budget setting process, public consultation will be undertaken and budget proposals will also be circulated to the business community via the monthly Business e-bulletin.

Comments received will be reported to the Executive and taken into account in agreeing the final budget.

19. Service & Financial Planning Process and Timetable 2025/26

As explained above, this MTFP represents an overarching view of our finances and looks to anticipate future demands and pressures so that we can take timely decisions to secure financial sustainability.

The MTFP is supported by a number of key documents which contribute to management of the overall financial position. These are:

Revenue Budget Report	Produced on an annual basis – draft in November and final in the following January. It sets out the plan for setting and managing a balanced budget for the following financial year. It is here that the detailed decisions on revenue and capital expenditure are presented, including proposed budget savings and growth. The recommended Budget is supported by operational budget detail that forms the basis for in-year budget monitoring and management.
Capital Programme	Sets out capital expenditure spending plans and funding over the medium term. This is aligned with the Revenue Budget where it results in borrowing and operating costs and/or income streams.
Capital Investment Strategy	Updated on an annual basis and sets out the framework for investing in capital assets over the medium term. Objectives: • Ensure capital expenditure contributes to the achievement of the Council's organisational strategy. • Set a Capital Programme which is affordable and sustainable. • Maximise the use of assets. • Provide a clear framework for decision making and prioritisation relating to capital expenditure and funding. • Establish a corporate approach to the review of asset utilisation
Treasury Management Investment Strategy.	Sets out the approach to managing the cash available to the Council and how to maximise its value. Also sets out the Council's investment and borrowing arrangements and controls.
Reserves Policy	Sets out the reasons for holding reserves and how they will be used, including financial limits where appropriate. The Policy is attached at Appendix 4.1.
Fees & Charges Policy.	Sets out a corporate view of the fees and charges levied by the Council for consideration each year. The Policy is attached at Appendix 5.

Council Tax Taxbase	Approved by Full Council in December each year
Annual Council Tax Report	Approved by Full Council in February each year

Service & Financial Planning Objectives
The objectives for service & financial planning each year are to:

- Help Members determine budget priorities and their timing;
- Forecast the changes in demand for services and match demand with likely resources;
- Assess the likely implications of changes in legislation on resources;
- Model the future costs of alternative policies; and
- Provide a framework for programming activities by individual services.

Service & Financial Planning Timetable
The timetable for Service & Financial Planning 2025/26 is set out at Appendix 7.

20. CIPFA Financial Management (FM) Code

Local government finance in the UK is governed by primary legislation, regulation and professional standards as supported by statutory provision. The general financial management of a local authority, however, has not until now been supported by a professional code.

The CIPFA FM Code was introduced April 2021 and work was undertaken as part of 2024/25 budget-setting to review compliance with the Principles and Standards in the Code and to identify any actions required to address any gaps identified.

CIPFA explain that reasons for introducing the Code include: '… *the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. There is much good practice across the sector, but the failures of a small number threatens stakeholders' confidence in local government as a whole. Most importantly, the financial failure of just one local authority is one too many because it brings with it a risk to the services on which local people rely*….'.

The Code has several components, comprising:

- An introduction explaining how the FM Code applies, a principles-based approach and how it relates to other statutory and good practice guidance on the subject;
- The CIPFA Statement of Principles of Good Financial Management, the benchmarks against which financial management should be judged. CIPFA's

view is that all financial management practices should comply with these principles; and

- The FM Code then translates these principles into financial management standards which will have different practical applications according to the circumstances of each authority and their use should therefore reflect this. The principle of proportionality is embedded within the code, reflecting the non-prescriptive approach adopted by CIPFA.

The Principles focus determining whether, in applying standards of financial management, a local authority is financially sustainable. They cover:

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture;
- Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs;
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making;
- Adherence to professional standards is promoted by the leadership team and is evidenced;
- Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection; and
- The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The supporting financial management Standards are summarised in the table below:

Table 16: CIPFA FINANCIAL MANAGEMENT STANDARDS	
FM Standard Reference	
Section 1: The responsibilities of the chief finance officer and leadership team	
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.
B	The authority complies with the CIPFA *Statement on the Role of the Chief Finance Officer in Local Government.* <u>Areas for Development:</u> • Finance team development now that all permanent vacancies are filled
Section 2: Governance and financial management style	
C	The leadership team demonstrates in its actions and behaviours responsibility for good governance and internal control.

Table 16: CIPFA FINANCIAL MANAGEMENT STANDARDS	
FM Standard Reference	
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).
E	The financial management style of the authority supports financial sustainability.
Section 3: Long to medium-term financial management	
F	The authority has carried out a credible and transparent financial resilience assessment. <u>Areas for Development:</u> • Annual MTFP review and reporting, including financial risks assessment • Implementation of the Financial Sustainability Programme • Response to observations arising from internal audit reviews of Financial Resilience
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members. <u>Areas for Development:</u> • Annual MTFP review and reporting, including financial risks assessment • Implementation of the Financial Sustainability Programme
H	The authority complies with the CIPFA Prudential Code 2021 for Capital Finance in Local Authorities.
Section 4: The annual budget	
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans. <u>Areas for Development:</u> • Annual MTFP review and reporting, including financial risks assessment • Implementation and monitoring of the Financial Sustainability Programme • Response to observations arising from internal audit reviews of Financial Resilience
J	The authority complies with its statutory obligations in respect of the budget setting process.
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.
Section 5: Stakeholder engagement and business plans	

Table 16: CIPFA FINANCIAL MANAGEMENT STANDARDS	
FM Standard Reference	
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions. Areas for Development: • Continued development of the Council's business case model and toolkit to ensure it reflects good practice relating to preparation of the financial case
Section 6: Monitoring financial performance	
N	The leadership team collectively takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability. Areas for Development: • Implementation of internal audit recommendations relating to contract management and procurement
O	The leadership team collectively monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.
Section 7: External financial reporting	
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom. Areas for Development: • Continued development of the closedown plan and supporting processes to improve the quality and timeliness of the annual accounts
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

The main areas for further development during 2024/25 are set out above.

21. CIPFA Resilience Index

As part of the service & financial planning process officers undertake a financial resilience assessment by that considers principally whether the authority has in place a credible plan and planning process that gives confidence that it can deliver a sustainable budget over the medium term. The scope of this assessment includes:

- the authority's current financial position;
- an assessment of its future financial prospects;
- the extent to which the authority has embraced the financial resilience factors set out below;
- the key financial risks facing the authority, drawing on potential future scenarios including 'best' and 'worst' case scenarios – for the environment in which the authority operates and for the services that it provides;
- the use of independent, objective measures wherever possible to assess the risks to the authority's financial resilience and sustainability;
- the authority's understanding of the risks associated with all resources used for service delivery, including its workforce, its physical assets, its strategic business partners (including 'group' entities such as its companies), its information technology infrastructure, etc;
- the robustness of the plans that the authority has put in place to address these risks; and
- the capacity and capability of the authority, its leadership team and its officers to manage the authority's finances in a sustainable manner.

The assessment makes reference to the following:

- Medium-Term Financial Plan;
- Capital Investment Strategy;
- Treasury Management Strategy;
- Planned medium-term use of Reserves;
- the most recent Budget Report;
- approach to the service & financial planning process;
- Budget monitoring reports and out-turn reports and Statement of Accounts;
- Asset Management Plan; and
- Key governance documents, eg Annual Governance Statement, Risk Register, etc

The Council's position on 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/resilience-index.

The most recent snapshot, based on data published at March 2023, is set out below:

Table 17: CIPFA RESILIENCE INDEX INDICATORS	**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	*Medium risk compared to the average*	Planned use of previously un-allocated reserves (for example for investment in Housing) means

Table 17: CIPFA RESILIENCE INDEX INDICATORS	This Council's Relative Risk Compared to Similar Councils	This Council's Prospects over the Medium Term
Level of Reserves – compared to the annual revenue budget	*Medium risk compared to the average*	that this position has to remain under review
Changes in reserves over recent years	*Lower risk than the average*	
Interest payable compared to recent budget	*Lower risk than the average*	Planned growth in the Capital Programme and associated borrowing means that this position may not be maintained.
Gross external debt	*Lower risk than the average*	
Fees & Charges - as % of service budgets	*Higher risk than the average*	Implementation of the Fees & Charges Policy and ongoing annual review is improving 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	*Higher risk than the average*	Risk may increase if the budget increases without the ability to levy a proportionate increase in council tax.
Funding growth - compared to Government baseline	*Lower risk than the average*	This risk has decreased as Government funding reduces following the decreasing impacts of the COVID 19 pandemic.

22. Conclusion

This MTFP presents a summary of the key financial processes and policies that help us forecast the likely financial position that Council will be facing over coming years.

It is the Council's primary financial planning tool and will form the basis for ongoing discussions throughout service & financial planning for 2025/26.

APPENDICES

1. Revenue Budget
2. Medium Term Revenue Budget Forecast

3.1 Capital Programme

4.1 Reserves Policy

4.2 Revenue Reserve Balances

4.3 Useable Revenue Reserves

5. Fees & Charges Policy
6. Strategic Financial Risks
7. Service & Financial Planning Timetable

GLOSSARY

APPENDIX 1

REVENUE BUDGET 2024/25

REVENUE BUDGET	Budget 2024/25 £m
ORGANISATION	
Communications & Customer Service	1.171
Finance	1.260
IT	2.183
Legal & Governance	2.223
Organisational Development & HR	0.733
Corporate Policy, Projects & Performance (incl. Environmental Sustainability)	0.515
Property & Commercial	(0.581)
PLACE	
Economic Prosperity	0.276
Neighbourhood Services	4.542
Place Delivery	
Planning	0.334
PEOPLE	
Community Partnerships	1.271
Housing	0.848
Revenues, Benefits & Fraud	1.621
Leisure & Culture	0.393
SENIOR MANAGEMENT TEAM	1.030
SERVICE BUDGETS TOTAL	**18.578**
CENTRAL BUDGETS	4.589
NET EXPENDITURE	**23.167**
Council Tax	16.675
National Non-Domestic Rates	3.344
Other Un-ringfenced Grants	1.941
Grants transferred to Reserves	0.209
Call on Earmarked Reserves	0.998
NET SOURCES OF INCOME	**23.167**
BUDGET GAP	**NIL**

APPENDIX 2

MEDIUM TERM REVENUE BUDGET FORECAST 2025/26 to 2029/30

MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2024/25 £m	Cumulative Impact 2025/26 £m	Cumulative Impact 2026/27 £m	Cumulative Impact 2027/28 £m	Cumulative Impact 2028/29 £m	Cumulative Impact 2029/30 £m
Current Year Budget Requirement	**23.167**					
Service Budgets – Pay Increase		1.716	3.500	5.450	7.500	9.100
Service Budgets – net additional income from fees and charges (est.)		(0.095)	(0.095)	(0.095)	(0.095)	(0.095)
Service & Central Budgets Other growth, savings and income proposals		TBC during service & financial planning				
Council Tax 2.99% increase plus forecast taxbase increase		(0.660)	(1.351)	(2.070)	(2.817)	(3.564)
Business Rates (NNDR) Latest Forecast		0.717	(0.037)	(0.036)	(0.039)	(0.039)
Grants and Reserves Net change in call on Grants and Reserves		-	-	-	-	-
Forecast Gap Compared to Current Budget	**nil**	**1.678**	**2.017**	**3.249**	**4.549**	**5.402**
Annual Increase in Gap		1.678	0.339	1.232	1.300	0.853
Gap as % of current budget requirement		7.2%	8.7%	14.0%	19.6%	23.3%

APPENDIX 3

CAPITAL PROGRAMME 2024/25 to 2028/29

CAPITAL PROGRAMME - DETAILS							
	2023/24 BFWD £m	2024/25 Projected £m	2025/26 Projected £m	2026/27 Projected £m	2027/28 Projected £m	2028/29 Projected £m	Total £m
ORGANISATION SERVICES							
STRATEGIC PROPERTY							
Temporary Accommodation – Cyclical Repairs & Improvement	0.018	0.040	0.040	0.040	0.040	-	**0.178**
Temporary Accommodation - New Pond Flat Works	0.034	-	-	-	-	-	**0.034**
Massetts Road	0.030	0.021	0.021	0.021	0.021	-	**0.114**
Operational Buildings	0.465	0.080	0.069	0.492	0.096	-	**1.202**
Community Centre Programme	0.144	0.632	0.032	0.125	-	-	**0.933**
Existing Pavilions Programme	0.025	0.050	0.050	0.150	0.021	-	**0.296**
Tenanted Properties	0.267	0.100	0.100	0.100	-	-	**0.567**
Units 1-5 Redhill Distribution Centre Salfords	0.132	0.017	0.017	0.025	-	-	**0.191**
Linden House, 51B High Street Reigate	0.012	0.012	0.012	0.015	-	-	**0.051**
Unit 61E Albert Road North	0.028	0.012	0.012	0.075	-	-	**0.127**
Forum House, Brighton Road Redhill	0.420	0.150	0.100	0.100	-	-	**0.770**
Beech House, London Road Reigate	3.000	-	-	-	-	-	**3.000**
Regent House, 1-3 Queensway Redhill	0.265	0.090	0.075	0.090	-	-	**0.520**
Tenanted Property Assets	0.211	0.076	0.050	0.076	-	-	**0.413**
Infra-structure (walls)	0.023	0.060	0.010	0.020	-	-	**0.113**
Car Parks Capital Works Programme	0.758	0.332	0.242	0.075	-	-	**1.407**
Earlswood Depot/Park Farm Depot	0.081	0.020	0.020	0.417	-	-	**0.538**

CAPITAL PROGRAMME - DETAILS							
	2023/24 BFWD £m	2024/25 Projected £m	2025/26 Projected £m	2026/27 Projected £m	2027/28 Projected £m	2028/29 Projected £m	Total £m
Public Conveniences	0.027	0.020	0.010	0.158	-	-	**0.215**
Cemeteries & Chapel	0.100	0.040	0.020	0.054	-	-	**0.214**
Allotments	0.054	0.022	0.012	0.012	-	-	**0.100**
Building Maintenance - Capitalised Staff Costs	0.042	0.028	0.028	0.028	0.028	-	**0.154**
Pavilion Replacement - Woodmansterne	0.020	-	-	-	-	-	**0.020**
Priory Park	0.024	0.030	0.010	0.050	-	-	**0.114**
Total	**6.178**	**1.831**	**0.930**	**2.123**	**0.206**	**-**	**11.269**
CORPORATE RESOURCES							
ICT Replacement Programme	0.100	0.250	0.200	0.200	0.200	-	**0.950**
ICT Data Refresh	-	-	-	-	0.250	-	**0.250**
Replacement Printers and Photocopiers	0.060	-	-	-	0.050	-	**0.110**
Total	**0.160**	**0.250**	**0.200**	**0.200**	**0.500**	**-**	**1.310**
ENVIRONMENTAL STRATEGY							
Environmental Strategy Delivery	0.228	0.100	-	-	-	-	**0.328**
ORGANISATIONAL DEVELOPMENT							
Great Workplace Programme - Phase 2	0.250	0.250	-	-	-	-	**0.500**
PEOPLE SERVICES							
HOUSING							
Home Improvement Agency & Handy Person Scheme	-	0.144	0.144	0.144	0.144	-	**0.576**
Disabled Facilities Grant	-	1.287	1.287	1.287	1.287	-	**5.148**
Purchase of Temporary & Emergency Accommodation	2.551	0.089	-	-	-	-	**2.640**

CAPITAL PROGRAMME - DETAILS							
	2023/24 BFWD £m	2024/25 Projected £m	2025/26 Projected £m	2026/27 Projected £m	2027/28 Projected £m	2028/29 Projected £m	Total £m
Purchase of Temporary Accommodation - Local Authority Housing Fund (Round 1)	1.154	-	-	-	-	-	**1.154**
Purchase of Temporary Accommodation - Local Authority Housing Fund (Round 2)	0.118	-	-	-	-	-	**0.118**
Octavia Court (Lee Street Bungalows)	0.020	-	-	-	-	-	**0.020**
Wheatley Court (Cromwell Road Development)	0.082	-	-	-	-	-	**0.082**
Total	**3.925**	**1.520**	**1.431**	**1.431**	**1.431**	**-**	**9.738**
LEISURE & CULTURE							
Harlequin - Service Development	0.158	0.100	0.100	0.100	0.100	-	**0.558**
COMMUNITY PARTNERSHIPS							
CCTV	0.011	-	-	-	-	-	**0.011**
UKSPF - Digital Connectivity for Local Community Facilities	0.003	-	-	-	-	-	**0.003**
Total	**0.014**	**-**	**-**	**-**	**-**	**-**	**0.014**
PLACE SERVICES							
NEIGHBOURHOOD OPERATIONS							
Vehicles & Plant Programme	1.564	0.923	0.837	0.562	3.668	-	**7.554**
Fleet Vehicle Wash-Bay Replacement	0.350	-	-	-	-	-	**0.350**
Workshop Refurbishment	0.153	-	-	-	-	-	**0.153**
Memorial Park works	-	0.134	-	-	-	-	**0.134**
Ponds De-Silting	-	0.100	0.100	0.100	0.100	-	**0.400**
Solar Compacting Bins	-	0.420	-	-	-	-	**0.420**
Play Area Improvement Programme	-	0.230	0.230	0.230	0.100	-	**0.790**
Parks & Countryside - Infrastructure & Fencing	-	0.045	0.045	0.045	0.045	-	**0.180**

CAPITAL PROGRAMME - DETAILS							
	2023/24 BFWD £m	2024/25 Projected £m	2025/26 Projected £m	2026/27 Projected £m	2027/28 Projected £m	2028/29 Projected £m	Total £m
Air Quality Monitoring Equipment	-	0.040	0.065	0.065	0.040	-	**0.210**
Contribution to Surrey Transit Site	0.127	-	-	-	-	-	**0.127**
Total	**2.194**	**1.892**	**1.277**	**1.002**	**3.953**	**-**	**10.318**
PLACE DELIVERY							
Pay-on-Exit Car Parking at Central Car Park and Victoria Road Car Park, Horley	0.306	-	-	-	-	-	**0.306**
Horley Public Realm Improvements - Phase 4	0.930	-	-	-	-	-	**0.930**
Subway Refurbishment, Horley	0.791	-	-	-	-	-	**0.791**
Marketfield Way Redevelopment	-	4.298	-	-	-	-	**4.298**
Redhill Public Realm Improvements	0.030	-	-	-	-	-	**0.030**
Merstham Recreation Ground	1.417	-	-	-	-	-	**1.417**
Preston - Parking Improvements	0.388	-	-	-	-	-	**0.388**
Total	**3.861**	**4.298**	**-**	**-**	**-**	**-**	**8.159**
TOTAL APPROVED CAPITAL PROGRAMME	**16.969**	**10.241**	**3.938**	**4.856**	**6.190**	**-**	**42.194**

APPENDIX 4.1

RESERVES POLICY

Introduction

The establishment, monitoring and review of the levels of reserves and balances are an important element of the Council's financial management systems and financial standing.

The Chief Finance Officer (Section 151 Officer) is required by law to formally report to the Council their opinion on the adequacy of the Council's reserves. Irrespective of this, a well-managed authority is clear about the reserves it needs now and, in the future, to support its service aspirations, while at the same time delivering value for money within a climate of significant resource pressure and economic/social risk.

This Policy does not cover non-distributable reserves required to support financial accounting transactions e.g. the Revaluation Reserve, Capital Adjustment Account and Pension Reserve. (Non-distributable reserves are those that cannot be used for revenue or capital purposes.)

Reserves can be held for four reasons:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A contingency to cushion the impact of unexpected events or emergencies;
- A means of building up funds to meet known or predicted liabilities; and
- A means of setting aside sums for future identified uses and / or investments.

Such reserves are generally referred to as Earmarked Revenue Reserves.

What are Reserves?

There is no clear definition of reserves even though reference is made to reserves in legislation. The Chartered Institute of Public Finance and Accountancy (CIPFA) states 'amounts set aside for purposes falling outside the definition of provisions should be considered as reserves. Reserves are set aside at the discretion of the Council.' Provisions are required for any specific liabilities of uncertain timing or amount that have been incurred.

Generally there are two types of reserves, those that are available to meet revenue or in some cases capital expenditure (Useable) and those that are not available to finance revenue or capital expenditure (Unuseable). Useable reserves result from events that have allowed monies to be set aside, surpluses or decisions causing anticipated expenditure to have been postponed or cancelled. They can be spent or earmarked at the discretion of the Council.

The Council must manage its reserves in accordance with its strategic longer-term planning process.

Policy principles:

- The General Fund Balance will be maintained at a minimum of 15% of the net Revenue Budget to cover any major unforeseen expenditure;
- Earmarked revenue reserves will be maintained for specific purposes that are consistent with achieving Corporate Plan priorities and/or where they are required to account separately for Government funding streams;
- Reserves must only be used to fund one-off expenditure;
- Recurring expenses may only be funded from reserves if plans are in place to fund the ongoing costs and replenish the reserve within 12 months;
- Unplanned revenue income receipts will be held in a reserve pending future decisions as to their use; and
- We aim to balance the Revenue Budget over the period of the MTFP without reliance on the use of reserves.

July 2024

APPENDIX 4.2

REVENUE RESERVE BALANCES
At 1 April 2024

	Balance £m	Purpose
General Fund Balance	**£3.500**	Acts as a buffer against unpredicted budget pressures. The minimum level required is £3.5 million

Earmarked Revenue Reserves	Balance £m	Purpose
Housing Delivery Strategy Reserve	18.280	Established to support delivery of the Council's Housing Delivery Strategy. Funded from the equivalent of the balance on historic New Homes Bonus grant allocations.
Corporate Plan Delivery Fund (CPDF) Reserve	1.589	Provides time-limited funding to deliver key priorities, Corporate Plan objectives and invest–to–save initiatives, including investment in new technology.
Feasibility Studies (Capital Schemes) Reserve	1.520	Established to ensure that funding is available to prepare business cases and obtain external professional advice for new initiatives designed to deliver new sustainable commercial income streams.
Revenue Grants Reserve	1.371	Established to fund unused and unspent grants from the previous financial year.
Commercial Risks & Volatility Reserve	1.356	Earmarked for the purpose of mitigating the impacts of risks to current investments and delays in delivery of new sustainable commercial income streams.
Homelessness Prevention Reserve	1.075	Established to account separately for the funding set aside for homelessness prevention.
IT Strategy Reserve	1.000	Established to support implementation of the new IT Strategy.
Economic Development Initiatives Reserve	0.585	Established to fund initiatives to raise awareness amongst local people of quality local employment opportunities.
Government Funding Reduction Risks Reserve	0.491	Earmarked for the purpose of mitigating the planned reduction in Government funding pending delivery of new sustainable income streams.
Wheatley Court (Sinking Fund) Reserve	0.260	Established to provide funding for repairs and essential works to Wheatley Court – funded from the surplus that was generated in year from income,
Insurance Reserve	0.250	Provides cover against uninsured losses.

Earmarked Revenue Reserves	Balance £m	Purpose
Feasibility Studies (Infrastructure Initiatives) Reserve	0.250	Established to fund the Council's contribution to councils in Surrey collectively funding the development of infrastructure feasibility studies so that bids can be made for full project funding when bidding rounds become available.
Family Support Programme Reserve	0.239	Established to carry-forward unused funding for use in future years.
COVID-19 – Council Tax Hardship Funding Reserve	0.224	Unused funding brought-forward for use in future years.
Economic Pressures Reserve	0.150	Established to help fund discretionary support to residents
Environmental Sustainability Reserve	0.146	Established to fund investment in delivery of the Environmental Sustainability Strategy.
Revenues, Benefits & Fraud Prosecution Reserve	0.117	Established to hold funds recovered following successful prosecutions
Revenues, Benefits & Fraud Reserve	0.111	Unused funding bought forward from previous years to fund future costs.
Contaminated Land Investigation Works Reserve	0.100	Established to fund costs that were previously capitalised where capitalisation is no longer an option
Revenue Budget Carryforward Reserve	0.092	Established to carry forward unused balances for specific projects
Flood Prevention Works Reserve	0.050	Established to fund costs that were previously capitalised where capitalisation is no longer an option
Business Engagement Funding Reserve	0.036	Established to carry-forward unused funding for use in future years.
Housing Repossession Prevention Reserve	0.030	Established to fund costs that could previously be capitalised and are now revenue based.
Total Earmarked Revenue Reserves:	**£29.322**	

Total Reserves	**£32.822**

APPENDIX 4.3

USEABLE REVENUE RESERVES

USEABLE REVENUE RESERVES	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
General Fund Balance	6.717	8.737	5.912	12.547	12.547	8.949	3.000	3.000	3.500	3.500
Earmarked Reserves	10.963	13.485	19.075	21.703	25.042	32.646	38.738	42.596	27.005	29.322
Total Reserves	**17.680**	**22.222**	**24.987**	**34.250**	**37.589**	**41.595**	**41.738**	**45.596**	**32.346**	**32.822**
Reserves as a % of the Net Revenue Budget	135.01%	169.70%	190.81%	261.55%	287.05%	255.26%	240.00%	230.28%	139.46%	141.67%
Reserves as a % of Core Spending Power[1]	93.5%	117.5%	131.5%	187.1%	205.4%	223.6%	226.8%	232.6%	155.5%	145.3%

NOTE 1: Core Spending Power is the Government's measure of the resources that the Council has available, based on the Local Government Finance Settlement. It therefore includes total council tax that can be raised and retained business rates, plus any other revenue grants announced in the Settlement.

APPENDIX 5

FEES & CHARGES POLICY

Our Medium Term Financial Plan (MTFP) sets out our financial objectives to support delivery of the Corporate Plan. These plans remain challenging in the context of reduced and uncertain funding from government, cost pressures on residents and businesses, and high levels of demand for Council support.

We need to continue to move towards being financially self-sufficient. Maximising the potential for increased income will be integral to supporting delivery of the MTFP.

Seeking opportunities for income generation is a priority for the Council, alongside broader proposals for the trading and commercialisation of some services, and continuing to delivery high quality and essential services to residents.

This Fees & Charges Policy outlines the key principles to be considered in charging for Council services in a transparent and consistent manner.

Scope

This Policy applies to the setting and reviewing of all fees and charges for Council services, where the Council has discretion to apply a charge and discretion over the level of charge applied.

The Policy excludes:

- Charges that are determined by Central Government and external regulatory bodies
- Council Tax
- Business Rates
- Property rents
- Any charges where there are legal or contractual reasons for exclusion
- Any charges levied by Trading Companies or other third parties delivering services on behalf of the Council.

Application

Services should refer to this Policy when reviewing current charges or proposing new charges as part of the service & financial planning process for the forthcoming financial year, and for any other in-year consideration of service charging.

Understanding the relationship between cost and charges is vital when determining charges for services and support and advice should be sought from the Finance team when applying this Policy.

Aims and Objectives

The overarching aim of the Policy is to embed a financially sustainable approach to setting fees and charges. One of the requirements of financial sustainability is to ensure the Council thinks consistently in a business-like manner and clearly articulates the costs and benefits associated with the activities it carries out.

The objectives of the Fees & Charges Policy are:

- To promote efficiency and support the financial sustainability of our business in order to support the MTFP and deliver the Corporate Plan and its supporting strategies and programmes;
- To minimise the draw on local taxpayers of discretionary services and promote fairness by fostering a culture where discretionary services are supported largely by users rather than the council tax payer;
- To set a clear, flexible and equitable framework of standards and procedures for applying charges and fees to relevant Council services for both individuals and organisations. The level of charge will reflect the cost plus a return where this is permissible/appropriate;
- To meet the aim of being 'business like' through service areas understanding and reviewing the costs and charges for their service areas; and
- To wherever possible, minimise the effects on charges to residents in recognition of the current cost of living crisis.

Charging and Trading Legislation

The legislation and case law that governs Councils' ability to charge and generate income is complex. Specific powers to charge for services are contained in a variety of local government statutes.

These include:

- Local Authorities (Goods and Services) Act 1970 – introduced powers for councils to enter into agreement with other Local Authorities and public bodies for the supply of goods and services. Any agreement may contain such terms as to payment or otherwise as the parties consider appropriate.
- Local Government Act 2003 – added further opportunities to the above. This act enables council's to trade in activities related to their functions on a commercial basis and make a profit, which may be reinvested in services, through a trading company.
- Localism Act 2011 – the General Power of Competence (GPC) introduced a power to allow councils to do anything that an individual may do. However, for the purposes of charging, this should not exceed the cost of provision of the service in question, as operating for a commercial purpose (i.e. to make a profit) must be done through a trading company.

Standard Charging Principles

Standard principles will be applied to all fees and charges (within the scope of this Policy) set by the Council. Where a service plan deviates from these principles, the basis and reason for variation will be clearly documented and approved in accordance with the Council's Constitution/scheme of delegation.

Services that have discretion over charging are encouraged to operate more commercially in order to maximise efficiency and reduce dependence on corporate funding support. The ability of services to operate in this way is dependent on services being able to set and amend their charges with a level of flexibility, including consideration of current market rates and demand for the service. The Policy will also make decision making simpler and more timely.

This Policy enables us to apply differential charging, discounting and alternative pricing structures in order to maximise commercial benefit and target service take- up. Individual service areas can vary charge rates on a case by case basis, taking into account relevant market rates and the need to maximise income and operate efficiently.

All fees and charges will:

- Demonstrate how they contribute to the achievement of corporate and service objectives;
- Maximise potential income, to support financial sustainability, unless there is an explicit policy decision to subsidise a service;
- Take account of the user base and the potential impact on users and service demand of changes to the service;
- Be subject to equality impact assessment screening and consultation where appropriate;
- Minimise the costs of collection;
- Utilise an appropriate and justified charging model;
- As a minimum be reviewed for increase annually from 1 April each year in line with Consumer Price Index (CPI) inflation increases (rate published for the preceding July each year);
- Be updated either annually where appropriate following review, or cumulatively at least every 3 years where more frequent change would be disruptive to customers; and
- Be subject to a full review at least every 3-5 years.

Charging Models

When introducing or reviewing a charge the Council will follow one of three models:

Charge	Definition	Application
Full Cost recovery	Full Cost Recovery is defined in this Policy as the Chartered Institute of Public Finance and Accounts' (CIPFA's) 'total cost' model. When charging 'total cost' the Council is aiming to charge the user the full cost to the Council of providing that service. The 'total cost' to the Council is calculated following CIPFA methodology. The cost of the charge will include, in addition to the direct cost of providing the service, costs such as fair and appropriate proportion of the cost of premises, central services and other overheads	This is the Council's 'default' charging principle.
Direct Cost Plus	As a minimum the Council would recover the direct cost of providing the service plus wherever possible, a contribution to overheads. The level of overhead contribution is an operational decision, and will be dependent upon the particular circumstances and objectives.	This allows flexible pricing decisions to take account of external market conditions. For instance, there are circumstances where setting changes at a level more than full cost recovery may be appropriate (e.g. when trading with other local authorities or public bodies the Council is not limited in the amounts it can charge). This charging model also allows charges to be set below full cost recovery to achieve a particular objective – for example entering into a new market or attracting new business. However, in line with the Standard Charging Principles, the aim will always be to recover the full cost of a service over time.
Subsidised	A subsidised charge requires the Council to contribute to the direct cost of the service. Where the Council is not covering the direct costs of the service, it will require a contribution from the Council. All subsidies will be subject to the approval of the Executive.	This model provides the Council with the option to provide a service with full or partial subsidy. The level of subsidy will be determined by reference to the nature of the service and the rationale for any subsidy for example: • providing a public good • encouraging service take up • the user group's ability to pay. The financial impact of subsidy decisions on the budget will be identified both individually and collectively, and actively managed and reviewed.

Authority to Set and Vary Charges

The decision on charging levels will be based on the relevant charging method: full cost recovery, direct cost plus or subsidised.

All charging decisions must be made in accordance with the Council's Constitution (Budget and Policy Framework, Scheme of Delegation and Financial Procedure Rules) and be able to demonstrate consistency with our strategic priorities, policies and statutory obligations.

The decision to vary charges for existing chargeable services which are not subsidised is an operational decision, which will be taken by the appropriate Director or Head of Service in consultation with the Chief Finance Officer.

Publication of Fees and Charges

The schedule of established Council fees and charges will be published on an annual basis, accompanying the Council's annual budget report. This information will also be made available on the Council's website.

Where it is necessary to change fees or charges during the year, these changes may not be reflected in the published annual schedule, but will be clear to service users at the point of use.

Policy Review

This Policy will be reviewed periodically, taking into account developing Council policies and priorities and any changes in legislation.

July 2024

APPENDIX 6

EXTRACT: STRATEGIC RISK REGISTER
STRATEGIC FINANCIAL RISKS

SR1	**Financial Sustainability**		**RED**
Description	The current adverse macroeconomic conditions, cost of living crises, geopolitical factors and the wider local government funding context, have created conditions of unprecedented financial uncertainty and challenge for the Council. The Council is therefore increasingly reliant on generating additional income and identifying savings and efficiencies from existing budgets. If not mitigated, these financial challenges risk an adverse impact on the Council's ability to deliver its Corporate Plan objectives.		
Owner	Portfolioholder	Finance, Governance & Organisation Cllr Lewanski	
	Officers	Chief Finance Officer Pat Main	
Controls	The Council will continue to ensure that strong financial management arrangements are in place and will continue investment in skills and expertise to support the delivery of the Council's financial and commercial objectives while managing risks. The Medium-Term Financial Plan (MTFP) sets out the forecast budget challenges over the coming five years and forms the basis for service & financial planning, while the Capital Investment Strategy provides an overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of Council services and how associated risk is managed. The budget pressures identified by the MTFP will be addressed by the Council's Financial Sustainability Programme. The Commercial Strategy sets out the commercial activity the Council will consider, provide a framework on option evaluation, and provide the basis on which commercial decision making will be made. The Annual Revenue Budget sets out funding allocations for the current year and confirms officer accountability for ensuring that expenditure and income are managed within limits approved by Members. In year budget monitoring reports confirm compliance with these limits and report any action required to manage budget variances. The Treasury Management Strategy helps ensure that investments achieve target returns within approved security and liquidity limits and that borrowing to fund the Capital Programme is affordable. Internal audit will be utilised to review the approach taken to secure financial sustainability.		
Mitigating actions/progress	In addressing its significant financial challenges, the Council has established a Financial Sustainability Programme. The programme will take the form of a series of ambitious initiatives that reduce costs and/or increase income, enabling the Council to set a balanced budget without drawing on reserves. Key to this will be looking at delivering services differently to realise savings, as well as embedding lasting cultural change across the organisation. Accordingly, the programme is premised on the following: 1. **Projects** – new ideas and opportunities for generating income and/or making savings.		

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2. **Service & financial planning** (2025/26 onwards) – for all budget areas, reviewing the services delivered and the associated budgetary requirements. Ensuring that there is a clear justification for all services delivered and that budgets are set accordingly. Opportunities for delivering services in a different way to unlock savings will also be explored. SR2 Financial sustainability RED

3. **Fees and charges** – carrying out a fundamental review to ensure the full application of the fees and charges policy across the Council.

Updates to the programme will be reported to the Overview and Scrutiny Committee and Executive.

An updated MTFP forecast was reported to the Overview and Scrutiny Committee and Executive along with the Revenue Budget 2024/254 and Capital Programme 2024/25-2028/29. This update confirmed that the risk of increasing costs, driven by inflationary pressures in the wider economy and disruption of the global supply chain, presents an increasing challenge to the Council's financial sustainability. This is especially notable for the goods and services that the Council relies on to maintain service delivery. The Council continues to ensure the most financially advantageous/sustainable option is selected when procuring goods and services and, wherever possible, the Council will ensure that increased costs are reflected in the fees and charges levied or compensating budget savings will be sought.

Energy costs have also escalated following the most recent contract renewals and the extent of Government financial support to offset the impacts remains uncertain.

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<tr><td rowspan="2">Score</td><td>Likelihood</td><td>More than likely</td><td rowspan="2">Direction of Travel</td><td rowspan="2">-</td></tr>
<tr><td>Impact</td><td>Significant</td></tr>
<tr><td colspan="2">Status</td><td colspan="3">Treat</td></tr>
<tr><td colspan="2">Last Update</td><td colspan="3">June 2024</td></tr>
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APPENDIX 7

SERVICE & FINANCIAL PLANNING TIMETABLE 2025/26

Date	Event	Purpose
July 2024	Management Team away day	Consider service position and initial forecasts
	Executive away day	Discuss budget setting priorities and 'direction of travel'
11 July 2024	Overview & Scrutiny	Medium Term Financial Plan Update Capital Strategy Update
18 July 2024	Executive	
September 2024	Management Team away day	Consider draft Budget proposals
	Executive away day	Review draft Budget proposals
14 November 2024	Executive	Agree draft Budget
November 2024 to January 2025	Consultation on draft budget	Consultation in line with constitution to gather feedback
27 November 2024 5 December 2024	Budget Scrutiny Panel Overview and Scrutiny	Review of draft Budget
12 December 2024	Executive	Receive Scrutiny Panel Feedback
23 January 2025	Overview and Scrutiny	Review Final Budget Changes
30 January 2025	Executive	Final Budget and Council Tax proposals
13 February 2025	Full Council	Approve Budget and Council Tax

GLOSSARY OF TERMS

Actuarial Valuation
An independent report of the financial position of the Surrey Local Government Pension Fund carried out by an actuary every three years. The actuary reviews the pension fund assets and liabilities as at the date of the valuation and makes recommendations such as, employer's contribution rates and deficit recovery period, to the Council.

Baseline Funding Level
The amount of a local authority's start-up funding allocation which is provided through the local share of the estimated business rates aggregate at the outset of the scheme as forecast by the Government. It forms the baseline against which tariffs and top- ups are calculated.

Billing Authority
Reigate & Banstead Council is the Billing Authority with responsibility for calculating the amount to be raised through the council tax in this borough after taking into account the precepts levied by the major precepting authorities.

Budget Requirement
The Council's Revenue Budget after deducting funding streams such as fees and charges and any funding from reserves (excludes council tax and business rates income).

Capital Expenditure
Spend on assets that have a lasting value, for example, commercial investments including land and buildings and large items of equipment such as vehicles. This can also include indirect expenditure in the form of grants or loans to other persons or bodies.

Capital Programme
The Council's plan for future spending on capital projects such as buying land, buildings, vehicles and equipment.

Capital Receipts / Flexible Capital Receipts
Proceeds from the disposal of land or other assets and can be used to finance new capital expenditure; but cannot be used to finance revenue expenditure. A Flexible Capital Receipts scheme has been extended until 2030 by the Government which allows councils to spend receipts on certain types of expenditure, such as transformation programmes, but this would have to be considered as 'one-off' spend and unsustainable as an ongoing revenue budget commitment in subsequent financial years.

Capping
This is the power under which the Government may limit the maximum level of local authority spending or increases in the level of spending year on year, which it considers excessive. It is a tool used by the Government to restrain increases in council tax.

CIPFA
The Chartered Institute of Public Finance and Accountancy is one of the UK accountancy institutes. Uniquely, CIPFA specialises in the public sector. Consequently, CIPFA holds the responsibility for setting accounting standards for local government.

Collection Fund
A statutory account maintained by the Council recording the amounts collected from council tax and business rates and from which it pays precepts to Surrey County Council, the Police & Crime Commissioner, Towns, Parishes and the Ministry for Housing, Communities and Local Government for business rates.

Collection Fund Surplus (or Deficit)
If the Council collects more or less than it expected at the start of the financial year, the surplus or deficit is shared with the major precepting authorities, Surrey County Council and the Police & Crime

Commissioner, in proportion to the respective council taxes. These surpluses or deficits have to be returned to the council taxpayer in the following year through lower or higher council taxes. If, for example, the number of properties or the allowance for discounts, exemptions or appeals vary from those used in the council tax base, a surplus or deficit will arise. From 2013/14 onwards the collection fund has included business rates income. The business rates surplus or deficit is shared with the Ministry for Housing, Communities and Local Government.

Core Spending Power
This is the Government's measure of the resources available to local authorities to fund service delivery. It sets out the funds that have been made available to local authorities through the Local Government Finance Settlement.

Council Tax Base
The council tax base for a Council is used in the calculation of council tax and is equal to the number of Band D equivalent properties. To calculate this, we count the number of properties in each band and work out an equivalent number of Band D equivalent properties. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992. They are: A 6/9, B 7/9, C 8/9, D 9/9, E 11/9, F 13/9, G 15/9 and H 18/9, so that Band A is six ninths of the 'standard' Band D, and so on.

The Council Tax Calculation
The formal calculation of council tax as presented in the Council Tax Resolution to Full Council in February each year.

CPI and RPI
The main inflation rate used in the UK is the CPI (Consumer Price Index); the Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is currently set at 2%. The CPI differs from the RPI (Retail Price Index) in that CPI excludes housing costs. Also used is RPIX, which is a variation on RPI, which excludes mortgage interest payments.

Earmarked Revenue Reserves
These balances are not a general resource but earmarked by the Council for specific purposes.

Financial Procedure Rules
These are a written code of procedures in the Council's Constitution, which provide a framework for the proper financial management of the authority. They cover rules for accounting and audit procedures, and set out administrative controls over the authorisation of payments, etc.

Financial Year
The local authority financial year commences on 1 April and finishes on the following 31 March.

General Fund
This is the main revenue fund of the local authority; day-to-day revenue budget spending on services is met from this fund.

General Fund Balance
This is the main unallocated reserve that is held to meet any unforeseen budget pressures.

Gross Domestic Product (GDP)
GDP is defined as the value of all goods and services produced within the UK economy.

Gross Expenditure
The total cost of providing Council services, before deducting income from Government or fees and charges for services.

Housing Benefit Subsidy
Local authorities determine and pay applications for housing benefit in accordance with the national scheme and receive a Subsidy grant from Government to fund the costs. The Government is moving to a national scheme of universal credit which includes an element of housing benefit.

Individual Authority Business Rates Baseline
This is derived by apportioning the billing authority business rates baseline between billing and major precepting authorities on the basis of major precepting authority shares.

Local Share
From April 2013, local councils have been allowed to keep a proportion of the business rates they collect from businesses in their area. In most areas, half of business rates will have to be paid over to central government (the 50% scheme), with some piloting 100% business rates retention. Billing authorities continue to collect all of the business rates in their area on behalf of the major precepting authorities and central government. Reigate & Banstead's share of the 50% retained is 40%.

Management Budget
The revenue budget that forms the basis for budget monitoring during the year, comprising the Original Budget plus any approves in-year adjustments.

Minimum Funding Guarantee Grant
Introduced by the local government finance settlement 2023/24 to help fund the commitment to increase district and borough authorities' Core Spending Power, the grant was paid at a 3% level in 2023/24 and rose to 4% in 2024/25. This grant is not guaranteed every year.

Net Expenditure
This is gross expenditure less service income, but before deduction of government grant.

National Non-Domestic Rates (NNDR)
Also known as 'Business Rates', National Non-Domestic Rates are collected by billing authorities including Reigate & Banstead and, up until 31 March 2013 were all paid into a central national pool, then redistributed to authorities according to resident population. From 2013/14 local authorities have retained a 'Local Share', see above, the aim of which is to provide an incentive for councils to help local businesses set up and grow.

New Homes Bonus
Under this scheme councils receive a New Homes Bonus per each new property built in the borough for the first four years following completion. Payments are based on match-funding the council tax raised on each property with an additional amount for affordable homes. It is paid in the form of an un-ring-fenced grant. Since 2017/18 the scheme excludes the first 0.4% of growth ('the deadweight') is excluded to 'sharpen the incentive'.

Original Budget
The Revenue Budget that is approved by Council in February.

Prudential Borrowing
Set of rules governing local authority borrowing for funding capital projects under a professional code of practice developed by CIPFA to ensure that capital investment plans are affordable, prudent and sustainable. Local authorities generally borrow from the National Loans Fund via the Public Works Loan Board (PWLB), a statutory body operating within the UK Debt Management Office, an executive agency of the Treasury.

Reserves
We set aside resources to provide protection against difficult economic times. The level of reserves helps ensure a relatively secure financial base. It is important to carry out regular reviews to ensure an appropriate balance between securing the future financial position of the Council and investing in current delivery of services.

Revenue Expenditure
The day-to-day running cost of services provided by Council.

Safety Net
In order to prevent local authorities having to drastically cut services as a result of a significant fall in business rate income and to provide some protection against major economic shocks, the government introduced a safety net mechanism to ensure that no local authority will experience a fall

in business rate income of more than 7.5% in any one year under the 50% scheme. This safety net is paid for by a Levy on what the government deems to be ‘excessive growth’.

Section 151 Officer
Legally councils must appoint under section 151 of the Local Government Act 1972 a named Chief Finance Officer to provide professional financial advice. In Reigate & Banstead this is the post of Chief Finance Officer.

Service & Financial Planning
The annual process for reviewing service priorities and preparing budget forecasts.

Services Grant
Introduced as part of the local government finance settlement in 2022/23 to provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government.

Settlement Funding Assessment (SFA)
A local authority’s share of the local government spending control total (business rates and Revenue Support grant) which comprises its baseline funding level (in 2013/14 this was called the ‘start-up funding allocation’).

Specific Grants
As the name suggests, funding through a specific grant is provided for a specific purpose and cannot be spent on anything else e.g. Homelessness Prevention.

Spending Review
The Spending Review is an internal Government process through which the Treasury negotiates budgets for each Government department. The 2015 Spending Review set Government spending for the four financial years. Subsequent spending reviews have been for one or two years only.

Tariffs and Top-Ups
Because the amount of business rates an individual authority is able to collect will vary enormously depending upon location and the characteristics of the authority, the government introduced a system of top-ups and tariffs to redistribute business rates around the country. Local councils with a relatively high level of business rates pay a tariff into a national pot which is used to pay top-ups to those local authorities with relatively low levels of business rates. Reigate & Banstead is a ‘tariff’ authority.

Treasury Management
The process of managing cash flows, borrowing and cash investments to support our finances. Details are set out in the Treasury Management Strategy which is approved by Executive and Full Council each year.