

<b>SIGNED OFF BY</b>	Chief Finance Officer
<b>AUTHOR</b>	David Brown, Finance Manager, Management & Commercial Accounting  Lisa Nyon Chief Finance Officer
<b>TELEPHONE</b>	Tel: 01737 276073 / 276243
<b>EMAIL</b>	<a href="mailto:david.brown@reigate-banstead.gov.uk">david.brown@reigate-banstead.gov.uk</a> <a href="mailto:lisa.nyon@reigate-banstead.gov.uk">lisa.nyon@reigate-banstead.gov.uk</a>
<b>TO</b>	Executive
<b>DATE</b>	Thursday 30 January 2025
<b>EXECUTIVE MEMBER</b>	Deputy Leader and Portfolio Holder for Finance & Governance

<b>KEY DECISION REQUIRED:</b>	YES
<b>WARD (S) AFFECTED:</b>	ALL

<b>SUBJECT:</b>	<b>BUDGET 2025/26 and CAPITAL PROGRAMME 2024/25 to 2028/29</b>
<p><b>RECOMMENDATIONS:</b></p> <p><b>That Executive recommend to Council:</b></p> <ul style="list-style-type: none"> <li>(i) The latest Medium-Term Financial Plan forecast at Annex 1;</li> <li>(ii) An increase in Reigate &amp; Banstead's Band D Council Tax of £7.69 (2.99%) and a final taxbase of 64,564.30 Band D equivalents;</li> <li>(iii) A Revenue budget requirement of £22.354 million for 2025/26, as set out in this report and at Annex 1, which reflects: <ul style="list-style-type: none"> <li>a) Service budget growth proposals totalling £0.892 million, savings of (£0.869) million (reference paragraph 18 Table 2), which includes fees and charges income of (£0.182) million, plus forecast issues, risks and opportunities totalling £0.304 million;</li> <li>b) Central Revenue Budget net savings and growth proposals totalling (£0.836) million (reference paragraph 32 Table 4).</li> </ul> </li> <li>(iv) The forecast for Revenue Reserves (Annex 3) and the recommended use of £0.304 million from the IT Strategy Reserve to fund the approved IT Strategy (as detailed in the Services budget);</li> <li>(v) A final Capital Programme of £33.974 million for 2024/25 to 2028/29 as set out in this report, which includes capital growth proposals of £0.839 million and capital scheme reductions of (£11.702m).</li> <li>(vi) That the existing Local Council Tax Support scheme be retained for 2025/26 with no revisions required or changes to Council Tax premiums.</li> </ul>	

- (vii) The Chief Finance Officer's report on the robustness of the Budget estimates and adequacy of reserves**

**That Executive:**

- (viii) Authorises the Chief Finance Officer to make any necessary final technical adjustments to the Budget and Council Tax arising from final budget refinements or changes to Government funding;**
- (ix) Approves a reserve movement of £0.500m from the Corporate Plan Delivery Fund to a New Reserve to earmark funds for Local Government Reorganisation.**

#### **REASONS FOR RECOMMENDATIONS:**

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

#### **EXECUTIVE SUMMARY:**

This report sets out the recommended Revenue Budget and a £7.69 (2.99% per annum) increase in Band D Council Tax for 2025/26. It also presents the recommended Capital Programme for 2024/25 to 2029/30.

**Recommendations (i) to (vii) are subject to approval by the Council. The Executive has authority to approve recommendations (viii) to (ix).**

#### **STATUTORY POWERS**

1. The Local Government Act 1972 requires the Council to set the associated annual budget as part of proper financial management. This report is part of that process.
2. The Local Government Act 1992 requires councils to set a balanced budget and announce the Council Tax level by 11 March each year. Section 65 of the Act requires the Council to consult representatives of those subject to non-domestic rates in the Borough about its proposals for expenditure for each financial year.
3. The Chief Finance Officer has a key role to play in fulfilling the requirements of the statutory duty under the Local Government Act 2003 to keep the authority's finances under review during the year and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.
4. Council Tax Reduction Scheme: Section 13A(2) of the Local Government Finance Act 1992 (as amended) requires billing authorities to make a reduction scheme for persons in financial need or classes of persons that the authority considers – in general – to be in financial need. Section 13A(1)(c) of this Act gives billing authorities the power to reduce a liability to an extent that is seen fit.
5. Local Council Tax Support Scheme allowances and premiums will be increased on 1 April 2025 in line with other national increases contained within the Housing Benefit Regulations 2006 and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.

## FINANCIAL CONTEXT

6. The purpose of this report is to:

- Set out the recommended Revenue Budget and Council Tax for 2025/26 following scrutiny of the draft budget proposals and the Provisional Local Government Funding Settlement announcement on 18 December 2024;
- Set out the proposed Capital Programme for 2025/26 to 2029/30;
- Receive a commentary on the budget and adequacy of reserves from the Chief Finance Officer, in accordance with the statutory duty under Section 25 of the Local Government Act 2003.

### Government Funding and Reforms

- The 2025/26 Provisional Local Government Finance Settlement was published on Thursday 18 December 2024. As usual, the Settlement followed the issue of a Local Government Policy Statement on 28 November 2024. The 2025/26 settlement is again, effectively a one-year roll-over settlement with funding principles already announced in the Autumn Budget Statement which was delivered by the Chancellor of the Exchequer on 30 October 2024.
- The Local Government Finance Policy Statement 2025/26 published on 28 November outlined the intention of the government to progress with funding reforms across local government with a phased implementation beginning with the first year of the multi-year Settlement in 2026/27. In advance of this the government have indicated they will be carrying out a full consultation with Councils and further details of this were released within the Provisional Local Government Settlement. There has also been consultation issued on overall Local Government structural reform as issued at the same time as the Provisional Local Government settlement by the Ministry of Housing, Communities and Local Government (MHCLG).
- The emphasis of the Provisional Local Government Settlement again this year, is to provide stability by rolling forward key elements of 2024/25 funding alongside extra funding for priority areas, such as social care, and a commitment to increase district and borough authorities' Core Spending Power (the Government's measure of the resources available to local authorities to fund service delivery).
- The Provisional Settlement 2025/26 settlement confirmed the ability for district and borough councils to increase their Council Tax by up to 2.99% without the need for a council tax referendum. In addition to the other elements received in the Settlement (summarised below) the Ministry of Housing, Communities and Local Government (MHCLG) advise that this effectively, increases core spending power for Councils by at least 3.2% in real terms.
- The key principles of one-year settlement are listed below. It should also be noted that the current expectation again, is that local government funding reforms will not take place until 2026/27.

The main points from the settlement are set out below:

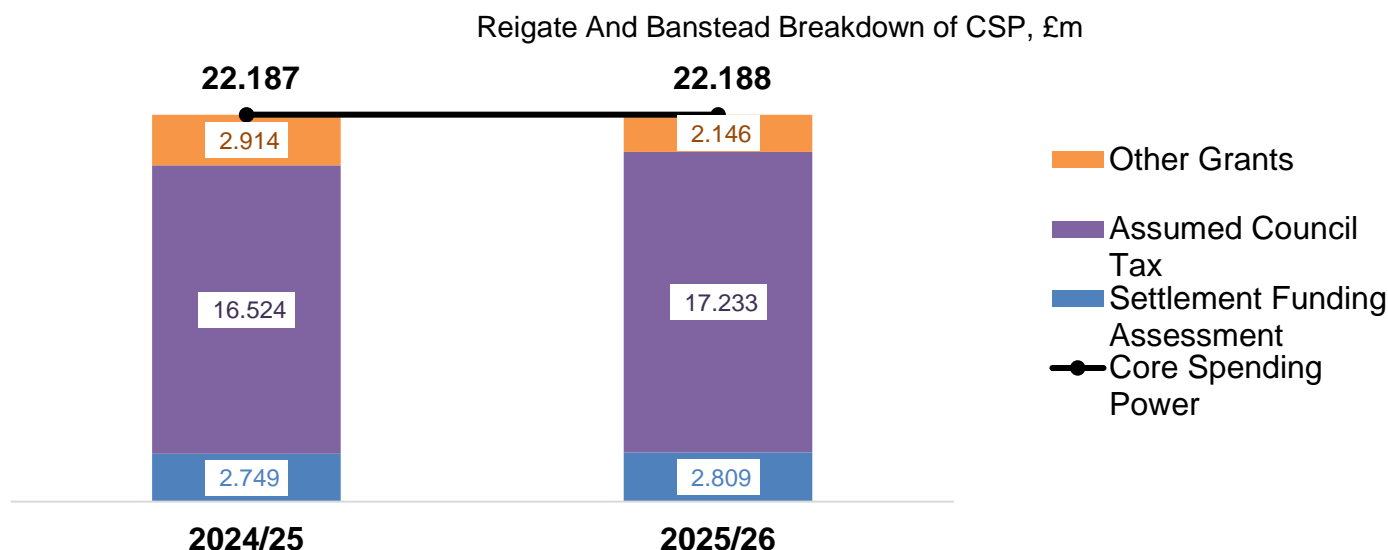
- **Council Tax** – the council tax referendum limit will again be 2.99% for lower tier authorities. There will be a continuation of the adult social care precept (to benefit the County Council) allowing a further 2% on Band D council tax.
- **Business Rates (NNDR) Retention** – the business rates multiplier has once again been frozen instead of increasing in line with inflation. Therefore, the three elements of the NNDR Retention system (Baseline Need, NNDR Baseline and

Tariff/Top Up amounts) remain at 2024/25 levels. However, the Under-Indexing Multiplier Grant has been increased to £0.513m to ensure that this Council's share of NNDR income is not impacted.

- **Top Up/Tariff Adjustments ('Negative RSG')** – as in previous years, MHCLG has eliminated the negative RSG impact for another year.
- **Services Grant** – this has been deleted for 2025/26 for all Councils. Last year this grant for this Borough was £0.017m.
- **Minimum Funding Guarantee Grant** – this has been deleted for 2025/26 and has been replaced by a new **Funding Floor Grant**. The allocation for this Council in 2025/26 is £1.162m, however the Minimum Funding Guarantee grant for the previous year 2024/25 had been £1.536m. This represents an overall net reduction of £0.374m for this Council for 2025/26.
- **New Homes Bonus** – for 2025/26 one-year allocations have been announced. The 'deadweight' of 0.4% has been maintained but there are no longer any 'legacy' payments in respect of previous years' allocations. The allocation for this council for 2025/26 is £0.433m – which is a reduction compared to the 2024/25 allocation of £0.806m. Analysis from the settlement shows that the bonus payments were based on 370 new additions (compared to 773 new additions for previous year 2024/25) and 46 new affordable homes (compared to 136 affordable homes in 2024/25).
- **Revenue Support Grant (RSG)** an amount of £0.158m has been allocated to this Council to fund continuation of the Local Council Tax Administration Grant and the Family Annex Allowance which is a council tax discount that is applied. Some other new grants have also been rolled into RSG including a Electoral Integrity Grant of £0.017m,
- **Homelessness Prevention Grant** – there was a strong focus on homelessness support in the policy statement and the Settlement and a £1.384 million Homelessness Prevention Grant for 2025/26 was announced alongside a Rough Sleeping Prevention and Recovery Grant of £0.139m. As in previous years the main Homelessness Prevention Grant will be transferred to reserves and drawn down upon as required.
- **Funding for additional Employers National Insurance contributions -** Funding of £515m for all Councils will be made available to local government but individual council allocations will not "confirmed" until the Final Local Government Settlement which is due in early February 2025. The £515m has been determined based on local government's share of the "directly employed staff across the public sector". Government will use each authority's share of Net Current Expenditure (NCE) for 2024 to determine allocations. Based on analysis it is possible that this Council's share could be between £0.200m to £0.400m.
- Local authorities have already been notified of their **Extended Producer Responsibility (EPR)** allocations. These allocations are not taken into account in the previous year Core Spending Power allocations.

7. In summary and in overall terms, the Council's Settlement allocation for 2025/26 (assuming a Council Tax increase of 2.99%) is effectively a "stand-still" position compared to 2024/25. The Council's core spending assessment is at £22.188m for 2025/25 and was £22.187m for 2024/25. It should be noted that this excludes any additional allocation for Employers National Insurance contributions as outlined above.

## 8. Graphical Analysis Comparison in Core Spending Power (source LG Futures)



## MEDIUM TERM FINANCIAL PLANNING

9. The Council has been planning for the continued loss of Government funding, with the objective to become financially self-sufficient going forward. In order to achieve self-sufficiency the Council needs to continue to find budget efficiencies whilst also generating new sustainable sources of additional income.
10. An updated Medium Term Financial Plan (MTFP) was approved on 18 July 2024 and forecasts were refreshed in November 2024 with latest information as reported to Executive Committee. The MTFP sets out the financial direction of the Council over the medium term to ensure that the Council plans and manages its resources effectively. It also sets out the priorities that have been taken into account when preparing the budget for 2025/26:
  - To ensure resources are aligned with the Corporate Plan **priorities**;
  - To maintain a **balanced budget** such that expenditure matches income from council tax, fees & charges, and government and other grants and to maintain that position;
  - To set a rate for **council tax** which maximises income necessary to deliver our strategic objectives while ensuring that Government referendum limits are not exceeded. The percentage increase will be reviewed annually and be approved by Full Council;
  - To maximise other income by setting **fees & charges**, where the Council has the discretion and need to do so, at a level to ensure at least full cost recovery, promptly raising all monies due and minimising the levels of arrears and debt write offs;
  - To ensure a long-term sustainable view is taken of our **investments** and that appropriate risk analyses are used when considering new investments;
  - To consider and take advantage of **commercial opportunities** as they arise to deliver new income streams; and
  - To maintain an adequate and prudent level of **reserves** and regularly review their planned use and allocation to support delivery of our priorities.

11. The latest MTFP forecasts are set out at Annex 1 and indicates a forecast budget gap of £1.876 million for the Council in 2026/27, increasing to £5.283 million by 2029/30. Further work will commence to update MTFP forecasts to support service & financial planning for 2026/27 onwards. The outcome will be reported to Executive in summer 2026.

#### Financial Sustainability Programme

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

Income Generation	<ul style="list-style-type: none"><li>• Pursuing opportunities to generate new income streams;</li><li>• Optimising Fees &amp; Charges; and</li><li>• Implementation of the Commercial Strategy.</li></ul>
Use of Assets	<ul style="list-style-type: none"><li>• Making effective use of existing assets, including the repurposing and sale of surplus properties.</li></ul>
Prioritisation of Resources	<ul style="list-style-type: none"><li>• Reviewing in-year budget monitoring forecasts to identify new opportunities for savings and efficiencies;</li><li>• Reviewing the level of service provided and focussing resources on priority services; and</li><li>• Managing pay costs and making effective use of staff resources.</li></ul>
Achieving Value for Money	<ul style="list-style-type: none"><li>• Actively pursuing options to share with other councils to realise efficiency savings; and</li><li>• Identification of invest to save opportunities – including investment in technology and assets to reduce operational costs.</li></ul>

14. The Corporate Governance Group (comprising statutory officers and Directors) oversees progress in the identification and delivery of initiatives in the Plan while delivery of individual projects is managed through officer management Boards.
15. Progress is reported to Executive, Overview & Scrutiny and individual Portfolio holders as part of quarterly performance reporting. A further update on the programme together with details of the Council's commercial strategy was provided in the Service & Financial Planning report presented to Executive Committee in November 2024.

#### **REVENUE BUDGET**

16. The Revenue Budget comprises five 'building blocks' as follows:
- **Net Cost of Services:** These are the direct costs incurred in delivering services, net of specific income generated by them;
  - **Central Budgets:** These are costs incurred and income received that are not service-specific, eg. Pension Fund deficit contributions and treasury management costs and income;

- **Sources of Funding:** These income budgets are general, non-service specific income sources. They include other grant funding from Central Government and our share of Non-Domestic Rate income. For 2025/26 it includes the continued impact (benefit) of the one-off elimination of 'Negative Revenue Support Grant'. Over the medium term this is expected to cease (no sooner than 2026/27) which could result in a significant future budget pressure.
- **Council Tax:** After the budget requirement has been established for the other blocks then the amount required by this Council from council tax can be calculated; known as the 'Demand on the Collection Fund'; and
- **Contributions (to)/from Reserves:** This relates to use of Earmarked Revenue Reserves, which have been allocated to fund specific purposes. The impact of the use of Reserves is a reduction in the total income demand on council taxpayers. It also refers to the use of funds from the General Fund Balance to support the annual revenue budget.

17. The table below summarises the final Revenue Budget for 2025/26

<b>Table 1: BUDGET SUMMARY</b>	Budget 2024/25 £m	Budget 2025/26 £m
1. Net Cost of Services	18.578	18.601
2. Central Budgets	4.589	3.753
<b>NET EXPENDITURE</b>	<b>23.167</b>	<b>22.354</b>
3. Council Tax	16.675	17.209
4. Business Rates (NNDR)	3.344	3.229
5. Other Un-ringfenced Grants		
• Services Grant	0.017	-
• New Homes Bonus Grant	0.806	0.433
• Minimum Funding Guarantee Grant	1.536	-
• Funding Floor Grant	-	1.162
• Rolled in Grants (previously RSG)	-	0.017
6. Grants Transferred to Reserves:		
• Homelessness Prevention	0.695	1.384
• Transfer to Reserves	(0.695)	(1.384)
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	0.304
<b>NET SOURCES OF INCOME</b>	<b>23.167</b>	<b>22.354</b>

NOTE

1. The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2025/26. Over recent years the budget outturn has been an underspend position with no requirement to call on Reserves.
2. The Council still awaits notification of the Employers National Insurance contribution grant that will be announced in the Final Local Government Settlement due in early February 2025.

### 2024/25 Service Budget Proposals

18. Service budget proposals are summarised below:

<b>Table 2: SERVICE BUDGET PROPOSALS 2025/26</b>	Approved Budget 2024/25 £m	Proposed Budget 2025/26 £m	Net Service Budget Increase / Decrease £m
<b>ORGANISATION</b>			
Communications / Customer Service	1.090	1.094	0.004
Finance & Procurement	1.354	1.379	0.025
ICT	2.183	2.275	0.092
ICT - Reserve-funded growth for Strategy implementation	0.304	0.304	0.000
Legal & Governance	2.139	2.160	0.021
Organisational Development & HR	0.733	0.766	0.033
Corporate Policy, Projects & Performance (including Environmental Sustainability)	0.515	0.715	0.200
Property & Commercial	(0.581)	(0.722)	(0.141)
Data Protection / Emergency Planning	0.169	0.153	(0.016)
<b>PLACE</b>			
Economic Prosperity	0.276	0.238	(0.038)
Neighbourhood Operations	2.111	1.946	(0.165)
Place Delivery	0.334	0.342	0.000
Regulatory Services	1.359	1.349	(0.010)
<b>PEOPLE</b>			
Community Partnerships	1.271	1.215	(0.056)
Housing & Intervention	1.138	1.138	0.000
Revenues, Benefits & Fraud	1.621	1.612	(0.009)
Revenues, Benefits & Fraud – growth for Reserve-funded government funding risks	-	-	-



<b>Table 2: SERVICE BUDGET PROPOSALS 2025/26</b>	<b>Approved Budget 2024/25 £m</b>	<b>Proposed Budget 2025/26 £m</b>	<b>Net Service Budget Increase / Decrease £m</b>
Greenspaces, Leisure & Culture	1.620	1.695	0.075
SENIOR MANAGEMENT TEAM	0.942	0.942	0.000
<b>TOTAL</b>	<b>18.578</b>	<b>18.601</b>	<b>0.023</b>

### Grant Funded Posts

19. An area for future consideration as part of budget-setting relates to posts that are currently funded through calling on the Homelessness Prevention grant that is held in an Earmarked Reserve. They comprise:
  - Housing 10.7 FTE £0.438m
  - Revenues, Benefits & Fraud 1.0 FTE £0.036m
20. While there is currently sufficient grant funding available for these posts to continue in 2025/26 there remains a risk that the Homelessness Prevention Grant of £0.695 million may cease, however the recent Autumn Budget announcement by the Chancellor of the Exchequer has announce continued funding for homelessness and therefore a decision on whether to continue to fund these posts through the Revenue budget as part of next years' service & financial planning process may not be needed.
21. Other posts that are funded fully or in part from fixed term resources include:
  - Housing & Intervention 1.5 FTE £0.058m Refugee Support Grant
  - Housing & Intervention 3.8 FTE £0.138k Homes for Ukraine
  - Planning & Development 2.0 FTE £0.088m Community Infrastructure Levy
22. The original 2024/25 Homelessness Prevention grant allocation of £0.695 million was confirmed in December 2023 along with £0.015 million of new burdens funding This has been transferred to an earmarked Reserve until called upon to fund related expenditure. While there is currently sufficient grant funding available for these posts to continue in 2024/25 there always remains a risk that the grant may cease, however as detailed in paragraph 5. above, the Council has now received a further 2025/26 allocation of Homelessness Prevention Grant of £1.384m and therefore it is possible to continue to fund these posts through the Revenue budget for 2025/26.
23. Net Service savings, additional income and growth proposals of (£0.203) million were approved in the Service & Financial Planning 2024/25 report to Executive on 14 November 2024. This included the net increase of 0.7 FTE funded posts and included (£0.182) million of additional income from Fees & Charges.
24. Since the Service & Financial Planning report to Executive on 16 November, there have been new additional Service revenue budget growth proposals identified which total £0.226 million and new additional Central Budget growth and savings proposals which have a net total of (£0.647m) - details of these proposals are provided at Annex 2 which details additional growth and savings (from November – January).

## Service Budget Issues, Risks and Opportunities – 2025/26 Onwards

25. In addition to the service budget growth proposals in this report there are other potential service budget pressures and opportunities, risks and opportunities that will have to be addressed in 2025/26 onwards:

### Issues:

#### (i) Harlequin Theatre

- Following confirmation of the presence of Reinforced Autoclaved Aerated Concrete (RAAC) at the Harlequin Theatre in September 2023, there is an ongoing risk and impact on the revenue and capital expenditure budgets for the Harlequin Theatre. Ongoing actions are being considered and outcomes may impact on current and future capital and revenue budget requirements and decisions for the council to consider. The Leader announced at an Overview and Ccrutiny meeting in January 2025, that up to £10m would be made available for the Harlequin Theatre and cultural offering in the borough.

#### (ii) Local Government Re-organisation

- A devolution white paper was published by Central Government in December 2024 This proposes a new 'architecture' for local government which sees the replacement of two-tier local government by new Unitary Authorities; and introduces a new tier of Strategic Authorities. The White Paper introduces considerable uncertainty. The work associated with planning for the creation of, and devolution of powers to Strategic Authorities, and in particular, with developing and refining proposals for local government re-organisation may require additional financial resource to help support the delivery of this. In response to a new reserve will be created for 2025/26 to help cover any costs associated with Local Government Re-organisation.

### Risks

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

#### (i) Geopolitical and economic pressures

- World-wide geopolitical pressures continue to have a potential impact on the world economy and impact U.K. business, including local government. Inflationary fears have reduced but interest rates remain at higher levels. Pressures particularly on the supply side of the economy impact on prices of energy and other supplies including oil, which are a key element of local council costs.

#### (ii) Energy Prices

- Changeable electricity and gas costs were flagged as a significant issue when setting the budget for 2024/25 and budget impacts for 2025/26 have been revised and assessed as appropriate. Energy pricing does remain volatile and the previous years' budget growth for energy and gas costs are expected to retain costs within overall budget levels. The council has again, where possible, maximised longer term price cap contracts to retain the most economical tariffs as possible.

#### (iii) Temporary accommodation costs and stamp duty

- Councils provide a safety net for the most vulnerable people and migrants who need help, and the cost and availability of this is a budget risk for this

Council for 2025/26 and future financial years. The Council currently receives a Homelessness Prevention Grant of £0.695 million but this is not guaranteed every year and is continually monitored. For 2025/26 the Council will also receive a Homelessness Prevention Grant of £1.384m which represents a welcome increase in grant to help the Council deal with this on-going service pressure. As reported in the 2023/24 revenue outturn, the Council spent £1.367 million on bed and breakfast and emergency accommodation. This was funded from an existing housing team budget of £0.442 million plus the full use and exhaustion of the Homelessness Prevention Grant, and for the first time, the use of £0.125 million of its Homelessness Prevention Reserve. The Local Government Finance Settlement has provided £1.384m for this purpose for 2025/26, this will be transferred to the Homelessness Prevention Reserve.

- Figures from the Department of Levelling Up, Housing and Communities have shown that the cost of temporary accommodation to local authorities reached £1.9 bn last year and is increasing rapidly.
- The Chancellor of the Exchequer announced a rise in Stamp Duty for landlord purchases in the Budget announcement on 30 October 2024. As the council is engaged in purchasing properties for temporary and emergency accommodation this is likely to have an impact on future purchases and increase capital costs.

#### (iv) Housing Benefit subsidy and homelessness pressures

- Up to £0.694 million budget growth was included in the 2024/25 Budget (funded from reserves) to pay for the possible shortfall in housing benefit subsidy and grants from Government (Department for Work and Pensions). This was a cautious estimate as the loss of subsidy can go up and down during the year and is dependent on many factors including government funding and discretionary housing payments, which are continuing to receive government funding now and into 2025/26. Therefore, it transpires that this growth requirement, which was a cautious estimate, is not needed and there is no requirement to carry this forward to 2025/26.
- The key reasons why this funding forecast has stabilised is as follows:
  - The continued transition of claims to Universal Credit is leaving this authority in a position whereby claims are stabilising;
  - Increased cost of claims from residents in supported housing which is recognised as a national funding issue for local authorities has been contained within supported housing grants which have now been extended in 2024/25 for the full financial year.
  - It was confirmed in the Chancellor's Budget on 30 October 2024 that a further £1 billion will be included in the Household Support Fund which will filter down to councils as per previous financial years.
  - Homelessness pressures have increased but so far, housing benefit subsidy and discretionary housing payments have been retained within budget and allowances.
  - In terms of the cost of homelessness, this continues to rise but the council currently receives an annual £0.695m homelessness prevention grant (which will increase to £1.384m in 2025/26), however this is still not guaranteed each year and the loss of this would present a funding gap but there is no update at this stage if this funding will continue.

- The council also has an earmarked reserve set-aside for homelessness prevention of £1.075m and this provides additional funding if called upon.
- In terms of Housing Benefit, this remains a difficult budget to forecast accurately as it is demand led and close budget monitoring on a quarterly basis will be maintained throughout the 2025/26 financial year.

#### (v) Property Rental Income

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

#### (vi) Government Resources & Waste Strategy

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

for implementation which further news is still awaited upon. Further reports to Committees will follow once a finalised position is assessed and ready for approval.

- The Department for Environment, Food and Rural Affairs (DEFRA) had previously announced grants for the transitional costs for the introduction of weekly food waste collections. This capital funding is intended for the purchase of food bins and food waste collection vehicles. A capital grant of £201,834 was received in late 2023/24 from DEFRA of which £102,300 is to be spent on vehicles. It is anticipated that further funding from DEFRA will be received in 2025/26 and years beyond and government announcements are awaited.
- Further updates and reports will be made to Executive as plans for implementing the strategy are developed and further government funding is confirmed.
- The Council has also received notification on 29 November 2024 of DEFRA's intention to provide an estimate of £1.214m of transitional support in 2025/26 for The Extended Producer Responsibility Obligations (Packaging and Packaging Waste) Regulations 2024. Final confirmation and details of final amounts and payment dates are to be confirmed. This funding, will be earmarked specifically for this service requirement and purpose.

(vii) Key announcement in the Chancellor's Autumn Budget

- There were a number of announcements in the Chancellor's Autumn Budget that impact on the council's finances and filtered through in the Provisional Local Government Settlement 2025/26. These have been outlined in the report at paragraph 5 above. The Council still however, urgently awaits news of a potential final grant allocation that may be awarded for the Employee National Insurance contributions (NIC) from Government and this is expected to be announced (if a grants are to be awarded to councils) in the Final Local Government Settlement which is due in the first or second week of February 2025.
- The current and updated estimated cost to the Council for the additional NIC is £0.439m and this supersedes any previous initial estimates provided in the last November Budget report. The NIC costs of £0.439m have now been added as a growth item to Central Services Budgets for 2025/26 (see paragraph 30 below) and at this stage, this represents an additional cost to the Council in 2025/26. However, if the council does receive an additional grant to offset some of the NIC costs (to be notified in early February) then this will reduce the cost and a final adjustment will be made to the final budget report for Full Council approval on 13 February 2025.
- As this NIC grant availability and value is unconfirmed at this point, it is considered prudent and correct to show the full NIC cost of £0.439m as a general fund budget requirement for the purposes of this report to Executive Committee on 30 January 2025.

## Opportunities

Potential budget opportunities include:

### (i) Environmental Sustainability Strategy:-

- Capital funding including an additional £0.300 million of capital allocation for 2025/26, plus existing and new CIL allocations to deliver the Environmental Sustainability Strategy. This is in relation to our vehicle fleet and our operational buildings. Additional capital investment in both areas will be needed in the future if the Council is to realise its carbon emissions reduction targets. Additional funding requests will be presented based on business cases which consider not only the capital expenditure required but also any revenue budget implications (alongside carbon reduction impact). In our buildings particularly, a reduction in fossil fuel usage (via a combination of energy efficiency measures, renewable energy and behavioural change) has the potential to generate revenue savings on the Council's energy bills.

Investment by the Council in broader sustainability initiatives (for example in relation to our greenspaces and small housing stock) also has the potential to generate future revenue savings and other indirect benefits. Detail of actions, timeframes, indicative costs, funding sources and co-benefits are included in the 2024 ES Strategy and Action Plan.

### (ii) Procurement Capacity

- In recent years the Council has been reliant on external resource to manage the procurement of goods and services that support service delivery
- A successful recruitment exercise that took place earlier in the year resulted in a Principal Procurement and Contract Lead being recruited in April 2024. This officer has been tasked with seeking opportunities to secure cost savings and/or quality improvements to existing and future contracts. This role also provides support and advice on procurement matters to help ensure the council is compliant with Public Procurement Legislation in its procurement activity.
- The council has recently updated its Procurement and Contract Procedural Rules. This amendment to the constitution was approved at Council on 24 September 2024, with a go live date from 1<sup>st</sup> October 2024.
- To help meet the demand of increasing procurement projects and to support the new contract management arrangements going forward, a provision of £0.025m has been made in the 2025/26 budget for administrative support. It is important that the Council continues to strengthen procurement activities to ensure the Council secures value for money.

### (iii) Tenancy and Commercial Income

- Wheatley Court: After taking account of operating costs, residual income from the tenancies will be held in a property maintenance sinking fund and used to support housing service delivery.
- Income from the commercial units continues support to the budget in General.
- 51b and Regent House : £0.101m additional rental income is forecast from rents from these two properties in 2025/26.
- The Rise: new : £0.130m income is forecast from confirmed lettings for 2025/26 and this has been factored into the budget proposals in this report. Any other lettings that may result once known, will be included in the mid-year monitoring reports if such income arises during the financial year.

(i) Temporary accommodation crisis and costs

- Councils provide a safety net for the most vulnerable people including refugees who need help, the cost and availability of this is a significant budget risk for this Council for 2025/26 and future financial years. Details of available new funding for the Council in 2025/26 are detailed in Section (iv) above, including the increased level of Homelessness Support Grant the council will received in 2025/26.

26. In the Service & Financial Planning report to Executive in November 2024, total net savings and growth for Service budgets was reported at (£0.203) million and net savings and growth for Central Budgets at (£0.189) million. A grand total of (£0.392) million of net savings and growth overall.
27. Since November, further net growth items have been identified for Service budgets of £0.226 million and additional net savings and growth for Central Budgets of (£0.647) million. A grand total of (£0.421) million. These additional savings and growth items are detailed in Annex 2.
28. The combined overall savings and growth of (£0.813m) are summarised in the Table below.

<b>Table 3.1: SERVICE AND CENTRAL BUDGET PROPOSALS (November and January combined)</b>			
		FTE	£m
<b>Budget Movements:</b>			
November report and this report			
Annex 2	Services – Pay (excluding pay award provision)	3.7	0.242
Annex 3	Services and Central Non-Pay (with fees and charges)	-	(1.055)
<b>NET BUDGET GROWTH / (SAVINGS)</b>		<b>3.7</b>	<b>(0.813)</b>

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

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

<b>Table 3.2: FORECAST SERVICE BUDGET ISSUES, RISKS &amp; OPPORTUNITIES</b>		2025/26	
		FTE	£m
November Report Annex			
3	Budget Opportunities – IT Strategy Implementation	-	0.304
<b>BUDGET GROWTH FOR FORECAST ISSUES, RISKS &amp; OPPORTUNITIES</b>		<b>-</b>	<b>0.304</b>

Note 1 – the amount will be financed by a call on Reserves and are dependent upon in-year demand and therefore may not be fully utilised during 2025/26.

Central Budget Proposals 2025/26

30. Central budgets are detailed in the table below. They comprise those budget items that are corporate in nature and are not associated with delivery of specific services.
31. Since the Service & Financial Planning report to Executive on 14 November, there have been a number of additional Central Budget growth and savings proposals to complete the final budget. These are summarized below:

- An increase (in addition to the original £0.150m saving) in Treasury Management savings of (£0.292) million to reflect the final forecasts for borrowing and investments in 2025/26 including reductions in the Minimum Revenue Provision requirement as a result of the Capital Review Process which has provided a £11.702 million reduction in capital schemes in the overall Capital Programme Budget 2025/26 to 2029/30.
- A reduction of (£0.694) million, reflecting a reduction in the forecast costs of housing benefit subsidy compared to that originally included in the original base budget. The revised net saving is shown in the table below, however it should be noted that the original £0.694 million was to be funded from reserves and so a reserves drawdown will not now be required in the financial year.
- An increase of £0.100 million to the central vacancy turnover provision to reflect a vacancy turnover that is more in line with the actual vacancy profile of the Council, which has been calculated to represent 1%.
- An overall increase of £0.439m to pay for the increase in the employers national insurance contributions (outlined in paragraph 24 above – Risks Section vii).

32. Overall there is a net budget decrease compared to 2024/25 as detailed in the table below which highlights the variations between financial years.

<b>Table 4: CENTRAL BUDGETS</b>	<b>Approved Budget 2024/25 £m</b>	<b>Proposed Budget 2025/26 £m</b>	<b>Net Central Budget Increase / Decrease £m</b>
Insurance	0.516	0.461	(0.055)
Treasury Management	(0.342)	(0.784)	(0.442)
Housing Benefits – net cost after grant income	(0.020)	(0.714)	(0.694)
Employer Pension Costs	2.240	2.240	-
External Audit Fees	0.159	0.176	0.017
Budget for Pay Increases	1.750	1.716	-0.034
Budget for National Insurance costs	0.000	0.439	0.439
Preceptor Grants – Horley Double Taxation	0.047	0.077	0.030
Banstead Commons Conservators – funding contribution	0.111	0.111	0.000
Apprenticeship Levy	0.080	0.083	0.003
Central Training Budget	0.082	0.082	0.000
Central Recruitment & Visa expenses	0.045	0.045	0.000
Internal Audit Fees	0.071	0.071	0.000
Central Vacancy Turnover Provision	(0.150)	(0.250)	(0.100)
<b>TOTAL</b>	<b>4.589</b>	<b>3.753</b>	<b>(0.836)</b>



NOTES:

1. Annual employer deficit contribution and compensated added years payments.
2. The budget for 2024/25 pay increases has been allocated in-year to services in 2024/25 – as part of quarterly monitoring
3. The Budget for National Insurance Costs will be allocated to services in 2025/26 – a government grant is expected in February.
4. The Treasury Management Budget has been re-aligned for final movements in capital financing requirements.

33. Other proposed changes in Central Budgets in 2025/26 were set out in the November Service & Financial Planning report; the final updates are detailed below:

- Decrease in insurance costs due to reduced inflationary pressures and claims that have resulted in reduced premium costs;
- A reduction in forecast treasury management costs following a review of borrowing and investment requirements and increased interest earnings on balances – an initial saving of (£0.150m) now increased by a further (£0.292m) to reflect revised borrowing costs and changes to MRP;
- Pay budget for 2025/26 pay increases - £1.716 million to determine the final pay level for the final pay award across the council for 2025/26.
- Forecast increase for 2025/26 in external audit fees following the recent award of the new contracts by Public Sector Audit Appointments.
- Central budgets include £0.077 million funding for a preceptor grant Horley Town Council. The budget includes the second instalment under a 10-year agreement (which runs from 2024/25 to 2033/34 and was agreed in 2024/25) to eliminate 'double taxation' whereby Horley residents pay direct to the Town Council for the local services that it provides; and
- Central budgets also include continuing the current funding contribution to Banstead Commons Conservators for a further three years, subject to formal agreement.
- Other central budgets have been increased in line with agreed contract terms (preceptor grant; internal audit fees) or forecast costs (apprenticeship levy).

Revenue Budget Funding 2025/26

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

Table 5: REVENUE BUDGET FUNDING	Approved Budget 2024/25 £m	Proposed Budget 2025/26 £m	Net Budget Increase / (Decrease) £m
---------------------------------	-------------------------------------	-------------------------------------	--

Council Tax	16.675	17.209	0.534
National Non-Domestic Rates	3.344	3.229	(0.115)
Other Un-ringfenced Grants:			
• Services Grant	0.017	-	(0.017)
• New Homes Bonus Grant	0.806	0.433	(0.373)
• Minimum Funding Guarantee Grant	1.536	-	(1.536)
• Funding Floor Grant (new for 2025/26)	-	1.162	1.162
• Other rolled in Grants (previously RSG)	-	0.017	0.017
• Homelessness Prevention Grant	0.694	1.384	0.690
<i>Transfers to Reserves – Following the Final Settlement:</i>			
• Community Partnerships Reserve	(0.104)	-	0.104
• Environmental Sustainability Reserve	(0.105)	-	0.105
• Homelessness Prevention Reserve	(0.694)	(1.384)	(0.690)
Call on Earmarked Reserves:			
• Government Funding Risks Reserve	0.694	-	(0.694)
• IT Strategy Reserve	0.304	0.304	0.000
Use of funds from the General Fund Balance to support the Revenue Budget	-	-	-
<b>TOTAL</b>	<b>23.167</b>	<b>22.354</b>	<b>(0.813)</b>

35. Work is now complete to update the Funding forecasts that have been taken into account when arriving at the final budget proposals for 2025/26. Factors taken into account include:

Council Tax

- The 2025/26 increase is based on a 2.99% Band D equivalent increase and the forecast tax base (detailed below). This is in line with the referendum limit announced that was by the Government in December 2024. This also includes the council's share of the historic Collection Fund surplus/deficit for the Council Tax element.

Business Rates

- Includes continued funding for the tariff payment (with no reduction for negative RSG) as confirmed in the December Provisional Settlement. Also includes the Council's share of the historic Collection Fund surplus for the business rates element.

New Homes Bonus Grant

- Includes updated allocations for New Homes Bonus based on the December 2024 Provisional Local Government Settlement announcement.

#### Other Grants

- The December Provisional Settlement included a number of grant changes that have been reflected in the updated budget proposals.
  - Removal of the Services Grant
  - Minimum Funding Guarantee Grant replaced by a new Funding Floor Grant and a number of minor changes to Revenue Support Grants rolled in.

#### Contributions (To)/From Reserves

- There is no requirement for a contribution from the General Fund Balance as there is no forecast Revenue Budget gap in 2025/26.
- As reported to Executive in November 2024 – the Council faces budget pressures and risk of which some may have required funding from reserves. The December Provisional Settlement announcement has however provided confirmation a balanced budget can be set without calling on Reserves.
- There remains a call on:
  - the IT Strategy Reserve (£0.304m) to fund delivery of the approved Strategy; and

### **COUNCIL TAX 2025/26 AND LOCAL COUNCIL TAX SUPPORT SCHEME 2025/26**

36. In setting the Council Tax Requirement for 2025/26 the Council must give consideration to the three elements that make up the overall requirement:

- the precept amount;
- the Taxbase; and
- the outcome of the previous year's cash collection.

37. The Government sets a cap each year which has the effect of limiting the annual increase to the tax base before a referendum is required. This was confirmed with the Provisional Local Government Settlement as being the higher of 2.99% or £5.00 for District and Shire Councils.

38. The Council is also required to agree a Local Tax Support Scheme annually and no new revisions are planned for 2025/26 following a number of major changes that were made to the Scheme when it was refreshed in 2024/25.

#### Council Tax – Taxbase

39. When considering the taxbase the Council has no authority over the banding of new builds, that is decided by the Valuation Office Agency, but as the planning authority it is responsible for ensuring an adequate supply of housing to meet the needs of the local population and is therefore in a position to approve and promote applications to build new homes.

40. The Taxbase increase was agreed by Council on 28 November 2024 is unchanged and the recommendation is to adopt an increase in the council tax base from 64,252 to 64,564 properties representing a taxbase increase of 312 (0.49%) compared to 2024/25.

#### Council Precept

41. The recommendation is to set an annual precept increase for Reigate & Banstead Borough Council for 2024/25 of 2.99% taking the Council precept to £264.87 for a Band D property. This represents an increase of £7.69 compared to 2024/25.

### Collection Fund Outturn

42. Another factor that has to be taken into account when forecasting council tax income for 2025/26 is the cash surplus or deficit that is brought forward on the Collection Fund from previous years. This is the difference between the actual amount of cash collected compared to the target collection rate that was forecast for that year during budget setting.
43. It is anticipated that at the end of 2024/25 the collection fund (for Council Tax and not Business Rates) will have a net surplus of £0.948 million. This will be shared by the preceptors in line with their share of the precept, which means that Reigate and Banstead will have a surplus of an estimated £0.107 million.
44. Historically, the authority has had a very strong performance record, consistently recovering 99.7% (0.3% shortfall) of income due. This has given rise to a Collection Fund surplus for 2024/25 which has been taken into account when setting the budget for 2025/26 as the table below identifies.

### Council Tax Requirement 2025/26

45. Based on the above recommendations the Council Tax Requirement for 2025/26, (compared with 2024/25) is set out below.

<b>Table 7: COUNCIL TAX REQUIREMENT</b>	<b>2024/25</b>	<b>2025/26</b>	<b>Movement</b>	<b>Impact On Yield</b>
<b>Taxbase Band D Equivalents Forecast at October</b>	67,590.90	68,061.10	470.20	Positive : Increase
Forecast Growth in New Homes	287.90	209.80	(78.10)	Negative : Decrease
	0.43%	0.31%	(0.12%)	
Allowance for Non-Collection in 2023/24	(180.40)	(181.30)	(0.90)	Negative : Decrease
	(0.27%)	(0.27%)	0.00%	
	(3,446.10)	(3,525.30)	(79.20)	Positive : Decrease

<b>Table 7: COUNCIL TAX REQUIREMENT</b>	<b>2024/25</b>	<b>2025/26</b>	<b>Movement</b>	<b>Impact On Yield</b>
Reduction in Band D equivalents due to increased demand for the Local Concessionary Support Scheme	(5.10%)	(5.18%)	(0.08%)	
<b>Forecast Average Band D Taxbase</b>	64,252.30	64,564.30	312.00	Positive : Increase
Council Tax Band D	£257.18	£264.87	£7.69	
<b>Council Tax Requirement</b>	<b>£16,524,407</b>	<b>£17,101,146</b>	<b>£576,739</b>	
Forecast share of Collection Surplus/ (deficit) brought forward	£150,695	£107,889	(42,806)	
<b>Net Council Tax Income for this Council</b>	<b>£16,675,102</b>	<b>£17,209,035</b>	<b>£533,933</b>	

### Precepting Authorities

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

<b>Table 8.1: ANALYSIS OF DRAFT COUNCIL TAX BY PRECEPTOR<sup>3</sup></b>		
	<b>DEMAND</b>	<b>% share</b>
	<b>£</b>	<b>%</b>
Surrey County Council <sup>1</sup>	119,208,295	75.08%
Surrey Police & Crime Commissioner <sup>1</sup>	21,794,971	13.73%
Reigate & Banstead Borough Council	17,101,146	10.77%
Horley Town Council	623,148	0.39%
Salfords & Sidlow Parish Council	48,997	0.03%
	<b>158,776,557</b>	<b>100.00%</b>

<b>Table 8.2: ANALYSIS OF DRAFT COUNCIL TAX CHANGES BY PRECEPTOR</b>				
<b>Authority</b>	<b>2024/25</b>	<b>2025/26</b>	<b>Increase</b>	
			<b>£</b>	<b>%</b>
Surrey County Council <sup>1</sup>	1,758.60	1,846.35	87.75	4.99
Surrey Police & Crime Commissioner <sup>1</sup>	323.57	337.57	14.00	4.15
Reigate & Banstead Borough Council	257.18	264.87	7.69	2.99
Horley Town Council	54.00	55.21	1.21	2.24
Salfords & Sidlow Parish Council	32.10	33.06	0.96	2.98
	<b>2,425.45</b>	<b>2,537.06</b>	<b>111.61</b>	<b>3.47%</b>

#### NOTES

1. Subject to confirmation by Surrey County Council on 4 February 2025 and the PCC on 3 February 2025

47. Based on the Council Tax base of 64,564.30 (set out above), each 1% increase in Council Tax generates £0.166 million additional income for this borough. A 2.99% increase in 2024/25 will yield additional income as highlighted in the table below.
48. For MTFP modelling purposes, based on a 2.99% increase in the taxbase, the Council Tax income forecast at January 2025 is set out below:

<b>Table 9: COUNCIL TAX FORECAST</b>	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m	£m
Forecast Resources	16.524	17.101	17.786	18.501	19.244	20.018
Annual Increase in Income (including base growth)	0.669	0.577	0.684	0.715	0.744	0.774
And Cumulative Increase in Income	1.425	2.002	2.686	3.402	4.145	4.919
<b>Band D (increased at 2.99%)</b>	<b>£257.18</b>	<b>£264.87</b>	<b>£272.79</b>	<b>£280.95</b>	<b>£289.35</b>	<b>£298.00</b>
Band D Increase	£7.47	£7.69	£7.92	£8.16	£8.40	£8.65
Taxbase Increase	1.19%	0.49%	0.98%	1.00%	1.00%	1.00%
Annual Band D % Increase	2.99%	2.99%	2.99%	2.99%	2.99%	2.99%

49. Although council tax is a significant source of funding for local government, it remains subject to restrictions by Government. The Localism Act included a requirement to hold a local referendum if any council tax increase is deemed 'excessive'; a limit for increases is set each year by the Government.

50. The forecast amount of council tax to be collected takes into account local decisions on discounts, exemptions and reliefs and Local Council Tax Support scheme claim numbers.

#### Local Council Tax Support Scheme

51. Under the Local Council Tax Support Scheme this Council, as the billing authority, awards council tax reductions to eligible working-age claimants. The cost of lost council tax income falls on the Collection Fund as a consequence of these claims resulting in a reduction in the council tax base which is calculated as part of budget-setting.

52. The precepting authorities collectively fund the cost of Local Council Tax Support Scheme claims as the costs fall on the Collection Fund and are distributed between authorities in line with their share of the council tax bill.

53. In addition, the full administration costs of processing awards, and of any discretionary awards, are met directly by this Council as the billing authority. Caution therefore has to be exercised when amending the Scheme to ensure that the cost to this Council of administering changes does not exceed any reduction in the cost of the Scheme overall.

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

- Council tax increases by precepting authorities will increase overall Scheme costs;
- There was an increased number of claims during the COVID-19 pandemic. The number of claims has been steadily decreasing since then, and is now back at pre-pandemic levels;
- The scheme has on average 3,412 claims. Of these 60% are classed as vulnerable, through receiving related disability benefits and premiums. This group can receive support covering up to 100% of their Council Tax liability; 41% are either from employed households or those receiving other benefits.

These groups can only receive support covering up to 90% of their Council Tax liability.

55. 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:

<b>Table 10: LOCAL COUNCIL TAX SUPPORT SCHEME (September 2024)</b>					
<b>Category</b>	<b>Number of Claims</b>		<b>Annual Cost £m</b>		
	2024	2023	2024	2023	
Vulnerable	2,048	1,930	3.609	3.169	
Working Age – employed	433	403	0.417	0.379	
Working Age – not employed	873	949	1.175	1.253	
<b>Annual Cost to Preceptors</b>			<b>5.201</b>	<b>4.801</b>	

56. The Vulnerable group is mainly made up of households with a disability benefit in payment. The two Working Age groups are means tested but can receive up to 100% of their Council Tax support.
57. The December 2024 Settlement Announcement also included funding for additional Council Tax Support in 2023/24, representing up to an extra £25 in support for working age and pensioner households for cost of living pressures.
58. The Scheme was scheduled for review during 2023/24. Any changes proposed are subject to consultation and would need to take into account the impacts on recovery performance if support is reduced.
59. In terms of Council Tax Policy there had previously been no major changes to the Scheme since its introduction in 2013, other than to increase support in line with other national benefits. After seeking Member and Officer views during 2023/24 on potential scheme designs, a number of key changes to Council Tax Policy for 2024/25 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.

60. The changes above were consulted upon with relevant stakeholders including Raven Housing Association.
61. These changes were possible following the receipt of Royal Assent for the Levelling-up and Regeneration bill on 26 October 2023.
62. The cost of changes to the Local Council Tax support scheme to low income households (first three bullet points above) of £0.250 million are offset by the income received from increasing premiums above (listed in the final three bullet points above).
63. Local Council Tax Support Scheme allowances and premiums were also increased on 1 April in line with other national increases contained within the Housing Benefit Regulations 2006 and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2022.
64. In terms of increases in any year to the Council Tax Support Scheme, firstly all Council Tax support awards are strictly means tested before approval for claimants and this is dependent upon a number of conditions. The key criteria for these conditions are:
  - Claimant's circumstances (for example income, number of children, benefits and residency status);
  - Overall household income available (including savings, pensions and a partner's income) and
  - How many children or other adults live with the resident of the Borough.
  - circumstances (for example income, number of children, benefits and residency status).
65. There are no changes recommended for the Local Council Tax Support Scheme in 2025/26 due to the major revisions that were made in 2024/25.

## **RETAINED BUSINESS RATES (NNDR)**

66. The Council collects Business Rates ('National Non-Domestic Rates' or 'NNDR') on an agency basis for Government. Of the total NNDR collectable, this Council retains 40% of the benefits with 10% paid to the County and 50% to the Government.
67. For 2025/26 the Council's NNDR Baseline income (before adjustments) will be £2.621 million out of a total estimated income of £57.453 million.
68. The key factors that determine this income stream are outside this Council's control;
  - The NNDR 'multiplier' (pence in the pound of rateable value) which is set by Government; and
  - The rateable value of a property which is set by the Valuation Office Agency.
69. Therefore the only decision to be taken by this Council each year is in terms of determining a forecast for income during the year, being:
  - The estimate of projected growth / decline in the NNDR Baseline as a result of business failure, property conversions or new builds.
70. The local government funding regime then requires a number of adjustments to arrive at the actual sum to be retained. The Provisional Settlement in December confirmed



that this Council's Tariff (the additional sum retained by Government) means that of the £22.981 million Baseline sum this Council must return an additional £22.142 million to the Government and retain just £0.839 million.

71. There are then three further adjustments for Section 31 grants, multiplier gap adjustments and levy payments which collectively add a further £2.081 million to the NNDR contribution to the Council funds in the year 2025/26. The section 31 grants help offset the loss of income due to the continuation of reliefs announced by Government.
72. The next adjustment relates to 'Negative Revenue Support Grant (RSG)' whereby the Government has previously announced its intention to recoup a notional 'over-funding' of authorities like Reigate & Banstead. In the December 2022 Settlement Announcement the Government indicated once more that Negative RSG has 'been addressed' through its inclusion in the overall local government funding baseline. If correct this authority will avoid the previously predicted reduction in NNDR in future years. For now the MTFP assumption is that Negative RSG may yet have an impact but not until at least 2025/26.
73. The final adjustment relates to this Council's share of historic Collection Fund surpluses or deficits; representing £0.308 million additional funding for 2025/26

#### Summary Forecast

74. In summary this means that the total contribution from NNDR to this Council in 2025/26 will be £3.229 million

<b>Table 11: NNDR ANALYSIS</b>		<b>2024/25</b>	<b>2025/26</b>
		<b>£m</b>	<b>£m</b>
<b>Gross NNDR Income</b>		54.175	56.884
<u>Plus</u> Forecast Growth		2.709	0.569
<b>Gross NNDR Income</b>		<b>56.884</b>	<b>57.453</b>
<u>Less</u> Government share (50%)		(28.442)	(28.726)
<u>Less</u> Surrey County Council share (10%)		(5.688)	(5.745)
<b>Forecast Gross NNDR Income - Reigate &amp; Banstead share (40%)</b>		<b>22.754</b>	<b>22.982</b>
<u>Less</u> Tariff due to Government		(21.884)	(22.142)
<b>Forecast Net NNDR Income - Reigate &amp; Banstead after Tariff</b>		<b>0.870</b>	<b>0.840</b>
<u>Plus</u> Section 31 Grant for Reliefs		1.473	1.605
<u>Plus</u> Multiplier gap/Inflation adjustment		0.575	0.706
<u>Plus</u> Levy payment to Government		(0.328)	(0.530)
<b>Forecast NNDR Income - Reigate &amp; Banstead</b>		<b>2.590</b>	<b>2.621</b>
Forecast Net Share of previous years' Surplus / (Deficit)		0.754	0.308
Additional Section 31 Grants projected after base Funding		-	0.300
<b>Forecast NNDR Income - Reigate &amp; Banstead</b>		<b>3.344</b>	<b>3.229</b>

75. The 2025/26 budget is therefore based on a total of £3.229 million income from NNDR, a reduction of £0.115 million as compared to 2024/25. These forecasts will be subject to in-year monitoring as more up to date information is received.

## USE OF RESERVES

76. As set out above, there is no requirement to draw on the General Fund Balance to support Revenue Budget in 2025/26.
77. Forecast balances on Revenue Reserves at 1 April 2025 are summarised below and detailed at Annex 3.

<b>Table 12: RESERVES SUMMARY</b>	<b>Forecast Balance<sup>1</sup> at 1 April 2025 £m</b>
General Fund Balance	3.500
Other Earmarked Reserves <sup>2</sup>	26,714
<b>TOTAL<sup>2</sup></b>	<b>30,214</b>

### NOTES

1. Forecast balances after decisions made during year end for 2024/25 and budget setting 2025/26.

78. The Policy on the use of Reserves was approved by Executive on 14 November 2024.
79. 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.
80. Reserves can be held for four reasons:
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
  - A contingency to cushion the impact of unexpected events or emergencies.
  - A means of building up funds to meet known or predicted liabilities.
  - A means of setting aside sums for future identified uses and / or investments.
81. 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.
82. The legal requirement for the Council to agree a balanced budget means that Council may be required to draw on its reserves to address any shortfall between forecast expenditure and forecast income.
83. The Council has set a minimum level of unallocated General Fund reserves of 15% of the net revenue budget (£23.264 million for 2024/25), which equates, when rounded, to £3.500 million The forecast unallocated balance on the General Fund at 31 March 2025 is consistent with this limit.

## FORECAST BUDGET GAP AT JANUARY 2025

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

<b>Table 13: MEDIUM TERM REVENUE BUDGET FORECAST</b>	<b>Forecast Budget 2024/25</b>	<b>Forecast Budget 2025/26</b>	<b>Forecast Budget 2026/27</b>	<b>Forecast Budget 2027/28</b>	<b>Forecast Budget 2028/29</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>FORECAST GAP</b>	<b>Balanced</b>	<b>Balanced</b>	<b>1.876</b>	<b>2.988</b>	<b>4.125</b>
Annual Increase in Gap	-	<b>Balanced</b>	1.876	1.137	1.158

85. Medium term forecasts are based on a cautious estimate of future costs and income streams. They will be updated and reported to Executive in July 2026 in preparation for 2026/27 service & financial planning.

## CAPITAL PROGRAMME

### Capital Investment Strategy and Capital Programme

86. The latest Capital Investment Strategy was approved by Executive in July 2024 and sets out how the Council plans to invest in assets to generate income. The full capital budget for the period totaled £44.837m but following the capital review, this was reduced to £33.135m, a net reduction of £10.864m which was recommended and accepted by the Capital, Budget Scrutiny Review Panel 21<sup>st</sup> November 2024. The original budget is summarized below in Table 14.
87. It should be noted that the full Capital Programme Table below has been updated to include any 2024/25 in-year adjustments that have been approved by Executive since the original capital budget was set in February 2024.
88. In addition there are there are adjustments in three execute meetings added to the capital programme below. An approved increase in Place Delivery of £1.830m and in increase in Neighbourhood Operations of £0.202m. Both increases were reported and agreed in the report to Executive on 18 July 2024 – Q4 Performance and Provisional Outturn Report 2023/24.
89. At the meeting of the Executive on 19 September 2024, £130K was approved for the replacement and installation of 22 CCTV cameras within Community Partnerships
90. At the Executive meeting of 12 December 2024, there were approved requests within Neighbourhoods Operations. Approval was to use CIL funding to increase the solar compacting bins capital project. The increase included £80k from the CIL neighbourhood fund and £30k CIL strategic indexing. There was also an adjustment agreed to remove £440k of funds for 2 trade waste vehicles and add £810K of funds for expanding trade waste to non-domestic properties. This provided a net increase to the budget of £370k

<b>Table 14: CAPITAL Programme 2024/25 to 2028/29 by SERVICE</b>	2024/25	2025/26	2026/27	2027/28	2028/29	<b>TOTAL £m</b>
	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	
Property Services	7.750	1.017	2.210	0.292	0.000	<b>11.269</b>
IT Services	0.410	0.200	0.200	0.500	0.000	<b>1.310</b>
Organisational Development	0.500	0.000	0.000	0.000	0.000	<b>0.500</b>
Environmental Strategy	0.328	0.000	0.000	0.000	0.000	<b>0.328</b>
Housing	5.446	1.431	1.431	1.431	0.000	<b>9.739</b>
Leisure & Culture	0.258	0.100	0.100	0.100	0.000	<b>0.558</b>
Community Partnerships	0.014	0.052	0.026	0.026	0.026	<b>0.144</b>
Neighbourhood Operations	4.768	1.277	1.002	3.953	0.000	<b>11.000</b>
Place Delivery	9.989	0.000	0.000	0.000	0.000	<b>9.989</b>
Economic Prosperity	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>TOTAL APPROVED CAPITAL PROGRAMME</b>	<b>29.463</b>	<b>4.077</b>	<b>4.969</b>	<b>6.302</b>	<b>0.026</b>	<b>44.837</b>

<b>Table 14a: CAPITAL Review Reduction 2024/25 to 2028/29 by SERVICE</b>	2024/25	2025/26	2026/27	2027/28	2028/29	<b>TOTAL £m</b>
	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	
Property Services	4.746	0.712	1.912	0.185	0.000	<b>7.555</b>
IT Services	-0.103	-0.024	0.026	0.385	-0.284	<b>0.000</b>
Organisational Development	0.500	0.000	0.000	0.000	0.000	<b>0.500</b>
Environmental Strategy	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
Housing	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
Leisure & Culture	0.258	0.100	0.100	0.100	0.000	<b>0.558</b>
Community Partnerships	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
Neighbourhood Operations	0.395	0.045	0.045	0.045	0.000	<b>0.530</b>
Place Delivery	6.355	-3.789	-0.007	0.000	0.000	<b>2.559</b>
Economic Prosperity	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>TOTAL APPROVED CAPITAL PROGRAMME</b>	<b>12.151</b>	<b>-2.956</b>	<b>2.076</b>	<b>0.715</b>	<b>-0.284</b>	<b>11.702</b>

91. The Table above includes budgets brought forward from previous years and the amounts released in year that were approved after the current capital programme was approved

by Council in February 2024 (as noted in sections 86-89).

### **Capital Review Process**

92. Due to the high levels of slippage in the capital programme over the past three financial years, it was determined by the s151 Officer that a comprehensive Capital Review Process should take place in 2024/25 on a “scheme by scheme” basis and the results of that review, including any changes to the programme (by way of re-profiling or identifying capital spending reductions), be fed into the Budget process for setting the new 2025/26 to 2028/29 Capital Programme.
93. The review has made good progress (and has been through a Scrutiny Panel process) and a revised multi-year capital programme is being proposed to Executive in January 2024. This will include and re-profiling required for capital budgets and any capital spending reductions where identified. A final capital programme reduction of £11.702m has been identified and is proposed in this report.
94. It should be noted that the Capital Review and any proposed revisions to the Capital Programme have been a Budget Scrutiny Panel (Capital) of the Overview and Scrutiny Committee in November 2024. The overall goal of the Capital Review is to ensure that capital schemes reflect approved and agreed spending plans and any previous recurrent capital slippage is eradicated from the programme.
95. As part of the Capital Review Process, each service department at the council has been asked to identify any new capital growth for financial year 2025/26 onwards. This strand of the review work is complete now and a summary of the capital growth proposals totaling £0.839m. There are only seven items of growth for 2025/26 onwards and these were detailed and previously approved by Executive Committee at its meeting on 14 November 2024 (having also be reviewed by the Capital Scrutiny Panel in November 2024).
96. One of the primary reasons for this growth is further capital investment required in Environment and Sustainability schemes of £0.300 million with a focus again on energy and sustainability schemes across the council. Many projects are in plan and new upgrades to the Town Hall, the depot and other areas of the council as identified in energy audits and service plans and will be delivered over the next five years.
97. A further capital investment priority is ICT (£0.154m) for the continued replacement of essential computer equipment for staff and systems. The replacement of ICT equipment is centred around a replacement programme over a number of years and the costs of equipment has increased and the ICT Team have also re-profiled their capital requirements to meet latest service department needs and extend service life where possible of ICT equipment.
98. There are also capital growth items proposed that attract CIL and external grant funding and these are included in the growth proposals and will not require the council to provide any additional borrowing to fund the schemes.
99. The final Capital Programme for 2024/25 to 2028/29, including all proposals for growth, budget re-profiling and capital budget reductions is shown at Annex 4 and explained in the following paragraphs and tables.

<b>Table 15: CAPITAL PROGRAMME 2024/25 to 2028/29 by SERVICE</b>	2024/25	2025/26	2026/27	2027/28	2028/29	<b>TOTAL £m</b>
	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	
Property Services	3.003	0.305	0.298	0.107	0.000	<b>3.713</b>
IT Services	0.513	0.224	0.174	0.115	0.284	<b>1.310</b>
Organisational Development	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
Environmental Strategy	0.328	0.000	0.000	0.000	0.000	<b>0.328</b>
Housing	5.446	1.431	1.431	1.431	0.000	<b>9.739</b>
Leisure & Culture	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
Community Partnerships	0.014	0.052	0.026	0.026	0.026	<b>0.144</b>
Neighbourhood Operations	4.374	1.232	0.957	3.908	0.000	<b>10.471</b>
Place Delivery	3.634	3.789	0.007	0.000	0.000	<b>7.430</b>
Economic Prosperity	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>TOTAL APPROVED CAPITAL PROGRAMME</b>	<b>17.312</b>	<b>7.033</b>	<b>2.893</b>	<b>5.587</b>	<b>0.310</b>	<b>33.135</b>

Capital Programme Growth 2025/26 onwards

100. Capital Programme growth proposals totalling £0.839 million for 2024/25 to 2028/29 were set out in the Service & Financial Planning report to Executive on 14 November 2024.

<b>Table 16: CAPITAL PROGRAMME GROWTH 2024/25 to 2028/29</b>	2024/25	2025/26	2026/27	2027/28	2028/29	<b>TOTAL £m</b>
	Projecte d £m	Projecte d £m	Projecte d £m	Projecte d £m	Projecte d £m	
Organisation	0.000	0.300	0.000	0.020	0.134	0.454
People	0.000	0.000	0.000	0.000	0.000	0.000
Place	0.000	0.155	0.050	0.180	0.000	0.385
<b>TOTAL</b>	<b>0.000</b>	<b>0.455</b>	<b>0.050</b>	<b>0.200</b>	<b>0.134</b>	<b>0.839</b>

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

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

<b>Table 17: CAPITAL PROGRAMME 2024/25 to 2028/29 by SERVICE</b>	2024/25	2025/26	2026/27	2027/28	2028/29	<b>TOTAL £m</b>
	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	
Property Services	3.003	0.305	0.298	0.107	0.000	<b>3.713</b>
IT Services	0.513	0.224	0.174	0.135	0.418	<b>1.464</b>
Organisational Development	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
Environmental Strategy	0.328	0.300	-	-	-	<b>0.628</b>
Housing	5.446	1.431	1.431	1.431	-	<b>9.739</b>
Leisure & Culture	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
Community Partnerships	0.014	0.052	0.026	0.026	0.026	<b>0.144</b>
Neighbourhood Operations	4.374	1.232	1.007	4.088	0.000	<b>10.701</b>
Place Delivery	3.634	3.944	0.007	0.000	0.000	<b>7.585</b>
Economic Prosperity	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>TOTAL APPROVED CAPITAL PROGRAMME</b>	<b>17.312</b>	<b>7.488</b>	<b>2.943</b>	<b>5.787</b>	<b>0.444</b>	<b>33.974</b>

### Capital Programme Funding

<b>Table 18: CAPITAL PROGRAMME FUNDING 2024/25 to 2028/29</b>	2024/25 Projected £M	2025/26 Projected £M	2026/27 Projected £M	2027/28 Projected £M	2028/29 Projected £M	<b>TOTAL</b>
<b>TOTAL CAPITAL EXPENDITURE 2022/23 to 2028/29</b>	<b>17.312</b>	<b>7.488</b>	<b>2.943</b>	<b>5.787</b>	<b>0.444</b>	<b>33.974</b>
<b>FUNDED BY:</b>						
Capital Receipts	2.433	0.000	0.000	0.000	0.000	<b>2.433</b>
Capital Grants & Contributions	5.608	2.651	1.516	1.516	0.000	<b>11.291</b>
Prudential Borrowing	9.271	4.837	1.427	4.271	0.444	<b>20.250</b>
<b>TOTAL CAPITAL FUNDING 2022/23 to 2028/29</b>	<b>17.312</b>	<b>7.488</b>	<b>2.943</b>	<b>5.787</b>	<b>0.444</b>	<b>33.974</b>

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

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

<b>Table 19: CAPITAL PROGRAMME FUNDING</b>	
Capital Receipts	<ul style="list-style-type: none"> <li>• Sale of capital assets results in a capital receipt that can only be used to invest in new capital assets or to repay capital related prudential borrowing.</li> <li>• The main source of capital receipts currently held in reserve relate to receipts acquired through sales of right to buy and shared ownership properties through our housing partners.</li> <li>• Flexible use of capital receipts – there are no current plans for use of this funding option.</li> </ul>
Capital Grants & Contributions	<ul style="list-style-type: none"> <li>• The council receives local authority grants from central government, Surrey County Council such as the Disabled Facilities Grant and Home Improvement Agency. Our teams also look to locate new funding with bid for grants from these bodies and other external bodies such as the National Lottery Fund.</li> <li>• They also include the Council's share of Section 106 and CIL used to fund capital projects.</li> <li>• Contributions may also come from other local stakeholders who wish to invest in projects which will enhance the local area.</li> </ul>
Prudential Borrowing	<ul style="list-style-type: none"> <li>• The primary source of long-term funding for the Capital Programme is now prudential borrowing. Currently internal council reserves are being borrowed by the capital programme to reduce interest costs that would be incurred via external borrowing. External borrowing is primarily through the Public Works Loans Board as this provides greater value long term borrowing.</li> <li>• Loans are managed through the approved Treasury Management Strategy and policies.</li> <li>• Interest on borrowing is paid to the PWLB and charged to the annual revenue budget along with the Minimum Revenue Provision that is necessary to set aside funds for eventual repayment of the loan principal. These costs have to be taken into account when setting a balanced Revenue Budget.</li> <li>• 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.</li> </ul>
Revenue Budget Contributions	<p>There is no expectation that significant capital expenditure will be funded from the revenue budget in 2025/26. However, this will be determined on a case by case basis and the best method of financing.</p>



#### Capital Programme – Revenue Budget Implications

104. As explained above, with the exception of earmarked Section 106 funds and some earmarked Housing capital receipts, the Council no longer has significant capital Reserves, therefore, while a small number of schemes will be continued to be funded from capital grants and other contributions, the majority of the approved Capital Programme must be funded through prudential borrowing (from either internal borrowing or external borrowing sources). The costs of repaying this borrowing fall on the revenue budget as treasury management costs in Central budgets.
105. Treasury management budgets have been updated to reflect the costs of borrowing for the approved Capital Programme for 2025/26 onwards net of interest on forecast balances. There is an additional reduction in Treasury Management costs for 2024/25 due to the re-profiling of the capital programme and the resulting funding requirement which can be met from internal borrowing to minimise borrowing costs where possible. Final details will be confirmed in the Treasury Management Strategy for 2025/26 will be reported to Overview & Scrutiny Committee, Executive and Full Council for approval in March 2025.
106. 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.

107. Costs incurred as a result of staff spending time on capital projects can be capitalised, provided that time can be linked to bringing a specific, separately identifiable asset into working condition, or substantially enhancing the working life of an existing asset. In order to capitalise staff costs, evidence needs to be provided of the time spent on the project and the outcomes delivered.

### **STATEMENT OF THE CHIEF FINANCE OFFICER (CFO)**

108. The Local Government Act 2003 (Section 25) places a duty on the Chief Finance Officer to advise the Council on the robustness of the proposed budget and the adequacy of balances and reserves supporting its budget. The Council is required to have regard to this advice when making the annual budget decisions.
109. The information set out in this Budget report and the supporting Medium-Term Financial Plan Summary and other Annexes sets out how this Council plans to:
  - assess and manage financial risks, including the risks relating to delivery of new income streams and commercial activities;
  - manage increased demand for services;
  - manage delivery of major capital schemes;
  - track proposed changes and volatility of Government funding;
  - deliver a balanced budget beyond 2025/26;
  - continue to deliver value for money to local taxpayers;
  - continue to receive an unqualified audit report on the annual statement of accounts; and
  - ensure that effective scrutiny of the Budget process is carried out and responded to.

## Robustness of Reserves

110. As highlighted in the Service & Financial Planning report to Executive on 14 November 2024 and in this Budget report both general and earmarked reserves remain relatively healthy. The planned use of reserves in 2025/26 financial year is appropriate as the Council addresses areas of financial risks and moves to a position where its finances rely less on Government grants and as it invests in delivery of its Strategies. The forecast remaining level of reserves will continue to provide sufficient cover to meet commitments and provide a strong 'safety net' for unplanned events. This report includes the outcome of the latest review of Reserves to ensure that they remain aligned with the most significant areas of risk in the budget and delivery of corporate priorities.

## Budget Proposals – Issues, Uncertainties & Risks

111. As explained in this report, the budget proposals for 2025/26 are robust. However, there remain a number of uncertainties and risks which are summarised in the following paragraphs.

112. Local Government Reorganisation:

- A devolution white paper was published by Central Government in December 2024 This proposes a new 'architecture' for local government which sees the replacement of two-tier local government by new Unitary Authorities; and introduces a new tier of Strategic Authorities. In the immediate / short term, the White Paper introduces considerable uncertainty. The work associated with planning for the creation of, and devolution of powers to Strategic Authorities, and – in particular – with developing and refining proposals for local government reorganization and may require additional financial resource.

113. Geopolitical and the national economy:

- Geopolitical and economic pressures exist nationally and globally – they could result in lower income (through - for example - reduced discretionary spending or lower than anticipated recycle prices) and increases in demand (benefits and statutory duties such as homelessness).
- A reduction in the number of employers in the Borough could also have an impact on retained NNDR income.
- Inflationary pressures persist despite recent drops in CPI and are a significant risk, in particular with regard to fuel, energy and building costs. UK interest rates remain high at over 4.75% (as at December 2024) which affects the cost of borrowing and puts further pressure on residents and local businesses.

114. Future Government Funding:

- The future of local government funding and business rates remains uncertain and an area of concern. All Councils still await news of the Fair Funding Review and Business Rates Reforms. It is currently unclear when these announcements will be made. Once again for 2025/26 the Provisional Local Government Settlement was for one year only.
- Other Government strategies such as the Resources and Waste Strategy may also pressurise domestic council budgets and are likely to require consideration and have budgetary implication from 2025/26 when implementation plans are

confirmed.

- The end of New Homes Bonus payments over the coming years will have an impact on available resources if this ceases after 2025/26. The provisional local government finance settlement indicated that the council will receive less in New Homes Bonus than in previous years.
- There is a temporary accommodation crisis nationally and the Homelessness Reduction Act requires councils to provide more support to homeless people and people at risk of becoming homeless. The Government has continued to commit ring-fenced funding towards this duty but there remains a question mark over the longer term.

#### 115. Corporate Plan:

- The Council is currently reviewing its Corporate Plan, and has consulted on a draft plan for 2025-2030. This will set the framework for Council activity over the coming years.
- This review process will take account of developing context and a range of local engagement and consultation.
- Where any new or revised priorities are identified, these elements and necessary resourcing will be considered within the Service & Financial Planning process.

#### 116. Budget Risks:

- The latest risk assessment is detailed in the MTFP, which outlines the financial gap the Council has to bridge over the next five years.
- Despite significant improvements in recent years the Pension Fund remains a risk over the longer term as future economic downturns and recent case law may impact on the value of the fund investments and liabilities. However, current employer contributions remain affordable within existing resources.
- Given the uncertainty over future geopolitical and national economic conditions and the business rates regime, it is prudent to maintain the Council's capacity through its reserves to protect services from unforeseen financial pressures. Once used however, it may prove difficult to replenish reserves.

- It should be noted that the Council retains a General Fund working balance in-line with the approved Reserves Policy and has been able to set a prudent 'balanced' budget for 2025/26 as detailed on this budget report to Council. As a result of this prudent budget as detailed in this report.
- The Council is therefore not at risk, based on current medium-term forecasts of having to consider the issue of a S114 notice.

117. Overall, the Council has made prudent budgetary provision for its commitments for the 2025/26 financial year and can set a balanced budget, within the legislative framework that governs its operations and within other constraints, such as the Council's policy framework.

## **OPTIONS**

118. The following options are available to the Executive:

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

This option is recommended for approval, to ensure that the Revenue Budget, Council Tax and Capital Programme are agreed in good time to adopt a balanced budget for 2025/26.

**OPTION 2** - Only approve some of the proposed budget and financial planning changes set out within the report.

This option is not recommended, as it would undermine service plan delivery and would present a risk to setting the budget and council tax for 2025/26.

**OPTION 3** - Reject the proposed budget and request that further work be undertaken to develop new proposals for consultation under the terms of the Constitution.

This option is not recommended as it leave the Council at risk of failing to adopt a budget and council tax for 2025/26.

## **LEGAL IMPLICATIONS**

119. There are no direct legal implications arising from the recommendations in this report subject to the Council adopting a balanced budget for 2024/25 by March 2024 to meet the requirements of the Local Government Finance Act 1992

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

## **FINANCIAL IMPLICATIONS**

121. These are addressed throughout the report.

## **EQUALITIES IMPLICATIONS**

122. The Council has a statutory duty to consider equality implications as part of the decision making process and demonstrate this. The Council's Corporate Equality Policy – setting out the Council's legal duties and responsibilities – is available at [https://www.reigate-banstead.gov.uk/download/downloads/id/6490/corporate\\_equality\\_policy\\_2020.pdf](https://www.reigate-banstead.gov.uk/download/downloads/id/6490/corporate_equality_policy_2020.pdf)

123. An initial assessment was undertaken on each of the budget changes proposed in the November Executive report to determine whether it would impact on service delivery or service users in any way. This assessment identified that a number of the proposals may potentially have an impact on residents with protected characteristics. Those proposals were:

- Proposals to increase the Borough Council's element of Council Tax by the referendum limit; and,
- Proposals to increase car park charges

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

125. Since the draft budget proposals were published, consultation has been undertaken, and the equality impact assessments have been finalised. The final assessments are attached at Annex 6 to inform Members' decision making.

126. In summary:

- Proposed Council Tax increase: Any potential negative impact on residents facing financial hardship (including those in protected characteristic groups) will be avoided by continuing to operate the Local Council Tax Support Scheme and the provision of discretionary support as appropriate.
- Proposals to increase car park charges: The increases proposed are consistent with levels of inflation since charges were last reviewed, and car parks remain free to blue badge holders. The parking team will continue to monitor levels of car parking usage / ticket sales to understand the overall impact of the proposals. Consideration will be given to whether a survey of car park users would be beneficial to allow a better understanding of the demographics and protected characteristics of those who use our car parks.

127. A small number of service budget changes have been included in the final proposals that were not included at draft budget stage. These have been considered and no associated equality impacts have been identified associated with them.

## **ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS**

128. Environmental sustainability (ES) activity as set out in the 2024 ES Strategy and Action Plan falls to be delivered by a range of services across the organisation. This work is supported by the Sustainability Team, for which budgetary growth to bring in additional staff resources was agreed for 2024/25; this additional resource is now in place.
129. Much sustainability activity is carried out as 'business as usual' using existing revenue and capital budgets, supported by the Environmental Sustainability Reserve, the value of which was increased for 2024/25 onwards. This reserves funding is used for one-off activity costs and will also be used to fund a 0.8FTE Sustainability Project Officer post in 2025/6 and 2026/7 (the post currently being funded from the UK Shared Prosperity Fund)..
130. For 2025/26 onwards it is proposed to increase the Environmental Strategy Delivery Budget by a further £300k. This provides an additional capital resource for ES schemes where other internal or external funding is not available. It also provides a buffer if other capital schemes with ES elements have been reduced as part of the capital review process.
131. Opportunities to draw on external / third party funding will continue to be explored, as will joint working with Surrey County Council and other partners to access relevant funding and implement associated schemes.

## **COMMUNICATIONS IMPLICATIONS**

132. The Council continues to offer value for money for Council residents – in 2025/26, the average household will pay just £5.09 per week to the Borough Council in Council Tax, which pays for the wide range of services that the Council delivers, including household waste and recycling collections, street cleaning, greenspaces maintenance, leisure and community centres, and statutory and regulatory services such as licensing, environmental health and planning.
133. Central to Council's communications and engagement strategy is not only to promote the good work that the Council does and the services it provides, but also to ensure residents and businesses are aware of and have the opportunity to input to our annual Service & Financial Planning process. Development of the Corporate Plan is being supported by extensive consultation with residents and other partners to inform priorities which guide the annual budget setting process.

## RISK MANAGEMENT CONSIDERATIONS

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

## HUMAN RESOURCE IMPLICATIONS

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

Table 21: STAFF ESTABLISHMENT – FORECAST FTE MOVEMENTS 2024/25 TO 2025/26		
STAFF ESTABLISHMENT 2024/25 (including fixed term posts)		535.0
Net Permanent Posts to be created / (deleted) as part of 2025/26 Service & Financial Planning Savings and Growth proposals:		
Annex		
2	Corporate Policy	3.0
2	Emergency Planning	(1.0)
2	Economic Prosperity	(1.0)
2	Joint Enforcement Team	(1.5)
2	Place Delivery	0.2
2	Community Development	1.0
2	Revenues, Benefits & Fraud	3.0



<b>Table 21: STAFF ESTABLISHMENT – FORECAST FTE MOVEMENTS 2024/25 TO 2025/26</b>	
<b>STAFF ESTABLISHMENT 2024/25</b> (including fixed term posts)	<b>535.0</b>
<b>FORECAST STAFF ESTABLISHMENT 2025/26</b>	<b>538.7</b>
<b>NET INCREASE / (DECREASE)</b>	<b>3.7</b>

140. The final budget proposals and Medium Term Financial Plan forecasts include provision for an annual pay award for staff. This award has been subject to negotiations with staff union representatives and takes into account a variety of factors, including economic conditions, inflation levels and staff recruitment and retention considerations. The budget forecast also includes an allocation for contractual pay increases for some staff (primarily incremental pay rises linked to achieving appraisal targets).

#### Pay Award

141. A consolidated percentage increase of 2.5% for all staff has been offered as full and final for 2025/26 and can be accommodated within the budget; consultation with the recognised trade unions has now concluded, however this is subject to final agreement.

## **CONSULTATION**

### Public Consultation

142. Consultation has been carried out in line with the Constitution. The 8-week public consultation ran from 18 November 2024 until 13 January 2025. An online survey was provided, with multiple choice options along with 'free text' questions, to allow respondents to give their views in their own words. Interested parties were also able comment by email to a dedicated Council email address or via a 'Freepost' option.
143. The consultation was promoted through a press release, social media, Council e-newsletters to residents and businesses and by email to a list of approximately 520 stakeholders. Recognising that some residents may not be able to take part on-line, hard copy paper surveys in an accessible format were made available on request from the Customer Contact Team.
144. The Council received 86 surveys (27 of which were only partially completed), and a further 5 representations by email.
145. The results of the consultation on the draft budget proposals have been taken into account in finalising the proposals within this paper, and the accompanying equality impact assessments (see above). A summary of the consultation findings, including written comment provided as part of the survey, is included at Annex 6. Headline messages include:
- The proposal to increase Council Tax by the referendum limit was supported by a majority of respondents, receiving 54% of responses in agreement. 61% of respondents supported limited use of reserves if needed.;
  - There was a mixed response in relation to proposals for changes to fees and charges. Some received over 60% support (including increased licensing and locally sets planning fees (60-61%, increased charges for commercial park and garden hire (70%) and increased charges for banner advertising (82%)). However, some received lower levels of support (for example allotments (52%), car parking permits (52%) and sports pitch hire (54%)); and some received less than 50% support (for example garden waste (31%), cemetery services (36%) and car parking charges (42%)).

- Overall, proposals to reduce the Council's direct costs, and to generate more income were strongly supported (ranging from 64-85%). However there were more mixed views about proposals to increase service budgets, with high levels of support for more spending on community safety, CCTV and replacement funding for community development staff, but less support for investment in corporate services such as ICT equipment/software and contract management and procurement..
- A number of comments were made in relation to the Harlequin Theatre, however there were no proposals relating to that within the draft budget.

#### Consultation with the Overview & Scrutiny Committee

146. The Overview & Scrutiny Committee established a Budget Scrutiny Panel to support this work. The Panel met twice, to consider both capital and revenue proposals. Their reports were considered by the Overview & Scrutiny Committee on 5 December 2024 and presented to the Executive on 12 December. The Committee is also due to consider the final Budget proposals on 23 January 2025.

#### Consultation with Business Representatives

147. Section 65 of the Local Government Finance Act 1992 requires the Council to consult representatives of those subject to non-domestic rates in the borough about its proposals for expenditure for each financial year. This was done as part of the public consultation exercise described above, including promotion of the consultation at business networking events and using the Council's business e-newsletter.

### **POLICY FRAMEWORK**

148. Service & financial planning: the budget proposals within this report form part of the Council's budget and policy framework. The annual budget is developed to ensure that the Council can deliver the Corporate Plan and services to residents and businesses.

#### **Background Papers:**

*Medium Term Financial Plan 2025/26 to 2029/30, report to Executive on 18 July 2024*

*Capital Investment Strategy 2025/26, report to Executive on 20 June 2024*

*Service & Financial Planning 2025/26 to 2028/29, report to Executive on 14 November 2024*

*Budget Scrutiny Panel Report, Service & Financial Planning 2025/26, report to Executive on 12 December 2024*

*Equality Impact Assessment: Service & Financial Planning 2025/26, January 2025*

## **ANNEXES**

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