Corporate Policy and Resources Committee

10 February 2025

Title	**Detailed Revenue Budget for 2025-26**
Purpose of the report	To agree to make a recommendation to Council
Report Author	Mahmud Rogers, Joint Financial Services Manager
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Addressing Housing Need Resilience Environment Services
Recommendations	**The Committee is asked to recommend that Council consider and approve the following:** **1. To approve a 2.9% increase on the Spelthorne Borough Council element of the Council Tax for 2025-26. Moreover:** **a. The Revenue estimates as set out in Appendix 1 be approved.** **b. £400,100 as set out in this report are to be appropriated from Earmarked Reserves other than sinking fund reserves in support of Spelthorne's local Council tax for 2025-26.** **c. Net use of £5,037,300 of Earmarked Sinking Funds reserves** **d. To agree that the Council Tax base for the year 2025-26 is 40,620 Band D equivalent dwellings calculated in accordance with regulation 3 of the Local Authorities (Calculation of Council tax base) Regulations 1992, as amended, made under Section 35(5) of the Local Government Finance Act 1992.** **2. Continuing the Council's Local Council Tax Support Scheme with the current rules and regulations.** **3. Continuing the complete disregard of war pension / armed forces pension income from benefit calculations.** **4. To note the Chief Finance Officer's commentary in section 4 of the report on the robustness of budget estimates and levels of reserves under sections 25 and 26 of the Local Government Act 2003** **5. The Council Tax Base for the whole Council area for 2025-26. [Item T in the formula in Section 31b (3) of the local government Finance Act 1992, as amended (the "act")]**

should be 40,620 band D equivalent dwellings and calculate that the Council Tax requirement for the Council's own purpose for 2025-26 is £228.86 Per Band D equivalent dwelling.

That the following sums be now calculated by the Council for the year 2025-26 in accordance with Section 31 to 36 of the Local Government Act 1992.

A	**121,762,300**	**The Council's estimated gross expenditure - being the aggregate of the amount which the Council estimates for the items set out in Section 31A (2) of the Act considering all precepts issued to it by Parish Councils.**
B	**- 112,446,000**	**The Council's estimated gross income - being the aggregate of the amount which the Council estimates for the items set out in Section 31A (3) of the Act**
C	**9,296,300**	**The Council's estimated net expenditure or budget requirement - being the amount by which the aggregate at (A) above exceeds the aggregate at (B) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax requirement for the year**
D	**228.86**	**The average band D Council Tax - being the amount at (C) above divided by the amount at 5c (above), calculated by the Council in accordance with Section31B (1) of the act, as the basic amount of its Council Tax for the year (including Parish precepts)**
E	**0**	**The sum of the parish precepts - being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.**
F	**228.86**	**Being the amount at (D) above less the result given by dividing the amount at (E) above by the amount at 5c (above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings on those parts of its area to which no Parish precept relates.**

	That the following amounts be calculated for the year 2025-26 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011. A £: 152.57; B £: 178.00; C £: 203.43; D £: 228.86; E £: 279.72; F £: 330.58; G £: 381.43; H £: 457.72
Reason for Recommendation	To deliver services for its residents the Council must set a balanced Revenue Budget and determine its Council tax levels

A £	B £	C £	D £	E £	F £	G £	H £
152.57	178.00	203.43	228.86	279.72	330.58	381.43	457.72

Precepts issued to the Council:

	A £	B £	C £	D £	E £	F £	G £	H £
Surrey County Council	1,230.90	1,436.05	1,641.2	1,846.35	2,256.65	2,666.95	3,077.25	3,692.70
Surrey Police & Crime Commissioner	225.04	262.55	300.06	337.57	412.58	487.60	562.61	675.14

That, having calculated the aggregate in each case above the Council in accordance with Sections 30 and 36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011, hereby sets the amounts as the amounts of Council tax for the year 2025-26.

The Council has determined that its relevant basic amount of Council Tax for 2025-26 is not excessive in accordance with the principles approved under Section 52ZB Local Government Finance Act 1992.

As the billing authority, the Council has not been notified by a major precepting authority that its relevant basic amount of Council Tax for 2025-26 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK Local Government Finance Act 1992.

Element A in the recommendation as per Section 31 A (2) of the Local Government Finance Act is the total of all gross revenue **expenditure**, this includes gross expenditure “above the line” in Appendix 1 of £64.955m as shown in Appendix 1 and Appendix 3; plus investment assets financing and management expenditure and other financing expenditure totalling £47.094m plus appropriations to reserves of £1m plus write off capitalised costs of £8.7m. The sum of these amounts is £121,762,300.

Element B is total gross revenue **income,** this includes “above” the line £16.6m for fees and charges, specific grants and rental income on municipal assets. Benefits grants of £21.6m, and below the line; Investment assets rental income of £49m, interest earned on surplus cash of £2.22m; appropriations from sinking fund reserves £6m, general grants £7m, Collection Fund surplus of £0.876m and transfers from reserves of £9.1m to offset the write off of capitalised costs of £8.7m and fund service growth £0.4m. The sum of these amounts is £112,446,000.

Element C equals A (expenditure) less B (income)

Ie £121,762,300 less £112,446,000 = £9,296,300

Element D is calculated by dividing Element C by the council taxbase (expressed as Band D equivalents)

Ie £9,296,300 divided by 40,620 = £228.86 Band D council tax rate

Element E is nil as this for areas with parishes and Spelthorne has no parishes

Element F equals D as there is no council tax to add for parishes.

All the other rates of council tax are calculated as a ratio of the Band D council tax rate for example Band H is 18/9 ths (ie double) of Band D so 2 x £228.86= £457.72. At the other end of the range Band D is 6/9 ths (two thirds) of Band D so 6/9 x £228.86 = £152,57.

1. Summary of the report

What is the situation	Why we want to do something
• The Council has a statutory duty to set a balanced revenue Budget and a Council Tax rate for its share of the total Council Tax Bill. • The detailed 2025-26 budget report consolidates the Committee's work between May 2024 and January 2025 and includes all the approved revenue growth bids and savings plans.	• Council needs to set a balanced budget to continue to fund the services our residents, businesses and communities need. • The 2025-26 budget is balanced and therefore any amendments proposed by Councillors need to provide both the impact on the Cost Centres (above the line) and what the impact on the funding (below the line) will be. • Council must fulfil its statutory duty and agree a balanced 2025-26 budget at the meeting on 27 February 2025.
This is what we want to do about it	**These are the next steps**
• Review all the appendices attached with this report. • Question Chairs of each Committee, Budget Managers and the Joint Financial Services Manager about any issues they may have. • Recommend to Council a balanced Budget for 2025-26.	• Approve the proposed 2025-26 Detailed Budget as set out in Appendix 1.

2. Key issues

2.1 This report is subject to the outcomes agreed at the Corporate Policy and Resources Committee meeting on 10th February 2025 and officers may have to issue an addendum report to Council, to account for any changes, after the meeting.

2.2 The figures contained in Appendix 1, include all the growth bids and savings plan approved by each Committee and agreed by the Corporate Policy and Resources Committee.

2.3 By law Councils are required each year to set a balanced budget.

2.4 The main points from the 2025-26 Budget as set out in Appendix 1 are as follows: -

2.5 Band D increase in the Spelthorne Borough Council element of the Council Tax is £6.45 (2.9%) for the year.

2.6 Pay Award for all staff, 2.8% (as the second part of a two-year deal), supported by Unison. Total number of FTE budgeted will fall from 474 FTE for 24-25 to 464 FTE for 25-26. The reduction is due to the ending of the Family Support Service from 31st March. Total employee costs budgeted for 2025-25 are £25.2M (see Appendix 3 Subjective Analysis)

2.7 Discretionary Fees and Charges inflation applied at least 4% (with exception of Meals on Wheels and Day Centre meals which will increase by £1 per meal. All discretionary fees less than £25.00 were rounded up to the nearest pound, and fees over £25 were rounded to the nearest multiple of £5, as instructed by the Corporate Policy & Resources Committee.

2.8 Contract inflation assumed at 2.0%

2.9 It is clear that the Council and its residents continue to exist in exceptionally challenging and uncertain times, and although the challenges faced by Council as a result of the COVID-19 pandemic are largely diminished (although car parking income not quite yet back to pre-pandemic levels). Whilst 2024 saw two reductions to the Bank of England Base rate, with the rate dropping from 5.25% to 4.75%, interest rates currently are still high and in recent weeks gilt rates, which impact on the Public Works Loans Board rates, which councils access, have been particularly high. It is uncertain how much rates will reduce in 2025. Relatively high interest rates, combined with potential impacts of the Renters Reform Bill on supply of landlords are contributing towards the ongoing housing crisis which continues have a significant impact on our residents, Temporary Accommodation and housing pressures continue to be one of the highest pressures on the Council's Revenue Budget. What however has helped was the acquisition of 60 Temporary Accommodation (TA) part funded from Local Authority Housing Fund. These units have helped the Council better absorb the TA pressures. With the ongoing housing crisis, the Council continues to monitor trends in collection rates carefully for Council Tax. The acquisition of the TA units has helped the Council to be able to set the 2025-26 Budget without having to draw down more of the balance of the Social Housing Initiatives reserve.

2.10 1st April 2025 will see an increase in employers National Insurance contribution rates and a reduction in the employer National Insurance thresholds. At the same time in 2025-26 the Business Rates Relief for businesses in hospitality, leisure and retail sectors will reduce from seventy five percent to forty percent. These taxation changes will add to the pressures on businesses, the Council will monitor carefully business rates collection rates.

2.11 The increase in interest rates during 2022 and 2023 had a significant impact on the viability of the Council's residential and regeneration development projects and when combined with the financial impacts of reduced heights of buildings, increased construction costs for both materials and labour, in October 2023, Council decided to suspend all of its direct affordable housing projects removing £283m (net expenditure) from its Capital Programme, to allow Officers to reassess the situation and look at forming joint ventures to deliver the housing units desperately needs by younger families, key workers and vulnerable residents in the Borough. The Council has now approved a Development Delivery Strategy which is providing a framework for achieving outcomes on housing sites through Joint Ventures and disposals. The Council is aware that it now only has a limited time frame available to achieve housing outcomes on its sites before the Local Government Reorganisation process takes over. The Council is continuing to seek to implement its approved Development Delivery Strategy.

2.12 Like many of our businesses in the Borough, the Council is having to forecast and plan. The forward planning context for the Council, has now significantly changed, as for other councils in two tier areas with the publication of the Government's Devolution White Paper just before Christmas. As well as setting out proposals for extending devolution through creation of Combined Mayoral Authorities, the White Paper sets out a clear intent to see two tier areas replaced by unitary councils with populations of 500,000 plus. If Surrey Councils are confirmed as being in the first wave, then Spelthorne will cease to exist as a separate sovereign council from 1st April 2027. If we are in the second wave, then we will cease to exist from 1st April 2028.

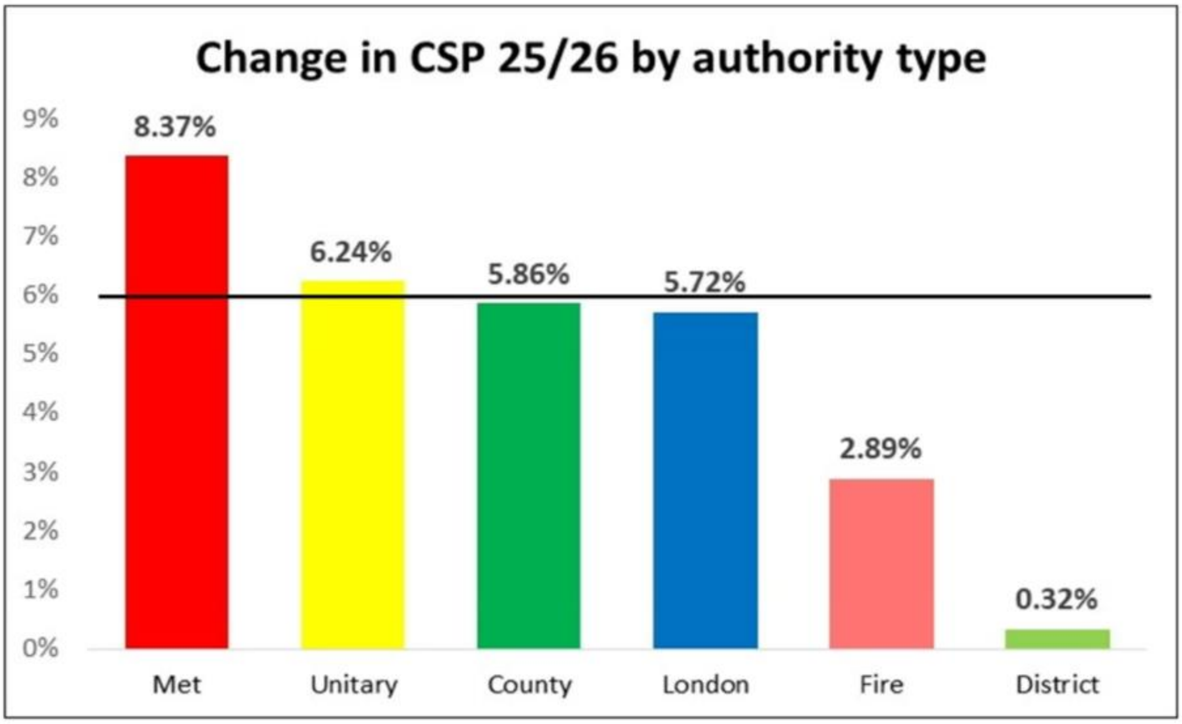
2.13 The Local Government Restructuring proposals mean that potentially the last Budget the Council will set for itself will be for 2026-27, i.e. the Budget we will be setting for ourselves in a year's time. Once the shadow Authority for the successor unitary is set up will increasing make the key strategic financial decisions affecting Spelthorne. We will therefore be mindful of this reduced budgeting time horizon when setting the Budget for 2025-26.

2.14 Local Government restructuring will require a significant resource focus. To assist in progressing the first stage of the process, £0.5m has been set aside within the Revenue Budget as a Reorganisation Budget to be subject to the steer and oversight of the new councillors Reorganisation Board.

2.15 Over the last few years, the United Kingdom has moved from global pandemic through to a Cost-of-Living Crisis the Council is continuing to provide extra support, including financial support to many of our services, including support to households as mentioned earlier. This is making our ability to predict when things will return to 'normal' conditions extremely difficult. Globally the world remains an uncertain place.

2.16 The Council borrowed during the period 2016-2018 over £1bn to invest in eight commercial properties, in order to replace the reduced funding from central Government. This trend of diminished central government funding for local government is expected to continue, as per below.

Change in Core Spending Power by Authority Type, 2025/26



2.17 **Investment Assets -** The Table below shows the elements within the summary Revenue Budget relating to the Investment Assets and shows the net contribution to the Revenue Budget after financing costs, and movements in and out of the Sinking Funds is £10.013m

Investment & Regeneration Assets	**Revised Budget 2024/25 £'000**	**Budget 2025/26 £'000**
Rental Income (as per signed lease)	(50,947)	(49,065)
less: Landlord costs	6,828	7,865
Net Rental Income receivable	**(44,119)**	**(41,199)**
Loan Interest Payable	23,129	22,865
Minimum Revenue Provision	12,016	12,688
Sinking Funds - contributions to	834	1,003
Sinking Funds - release from	(2,850)	(6,040)
Set Asides for specific revenue purposes	650	670
Net Costs	**(10,340)**	**(10,013)**

2.18 To mitigate the Council's financial risks and protect the residents of the Borough, Sinking Fund Reserves were established to provide support when required. The original aim seven years ago was to increase the Sinking Fund by at least £3.5m a year, which equates to a total of £24.5m However, the commercial and regeneration property portfolio has outperformed expectations to 31 March 2023, and the Council was able to increase the Sinking Fund to £38m. 2023-24 saw some net use of the Sinking Funds reserves with the total balance at the end of 2023-24 reducing to £35.7m.

2.19 Over the next two years, as predicted and advised, Council will have to withdraw funds from the Sinking Fund Reserves to support services and the vulnerable residents in the Borough, and because of the prudent over funding of the Sinking Fund in previous years, Council has the necessary funds to meet the budget challenges. The draft budget for 2025-26 anticipates a net use of the sinking funds reserves of £5.037m. Anticipated closing balances of the sinking funds at the end of 2025-26 is £28.3m. This is using the sinking funds for the earmarked purpose they were designed for, as set out in the original council policy.

2.20 As reported to 20th January 2025 Corporate Policy and Resources Committee, the Council has undertaken a major refresh of its Sinking Funds modelling. This has identified the need over the medium term to build up sinking funds balances more rapidly by 2036. The Outline Budget report to this Committee on 9th December highlighted the proposal that from 2025-26 the Council gradually increases the net contribution into sinking funds by £1m per annum, so that by 2031 each year an additional £5m per annum is being put into the funds. This will have the effect of gradually reducing the subsidy from investment assets supporting services, which would reduce from £10m per annum to £5m per annum, i.e. it will halve over time.

Use of Reserves

2.21 In presenting this balanced budget, it has been necessary to utilise £9.11m of the Council's Earmarked Revenue Reserves, other than sinking funds reserves, of which £8.7m relates to offsetting the impact of writing off accumulated capitalised costs on housing sites, which has been approved by the Corporate Policy & Resources Committee in the Reserves Strategy.

Reserve	**Amount**
Capital Fund	(1,442,600)
Housing Initiatives	(1,016,000)
Carry Forward Reserve	(225,600)
Funding From Earmarked Reserves - Revenue Grants	(653,500)
Business Rate Equalisation Reserve	(2,827,500)
Planned Projects Reserve	(1,434,000)
Planning Performance Agreement	(95,600)
Green Initiative Fund	(50,900)
Business Rate Retention - EcDev	(94,000)
Planning Delivery Grant Reserve	(50,000)
New Schemes	(1,220,800)
Reserve Movement Excluding Sinking Funds	**(9,110,500)**
Sinking Fund Contributions	1,002,500
Sinking Fund (Funding)	(6,039,800)
Total Reserve Movement	**(14,147,800)**

2.22 As a result of extensive financial modelling, ranging over the short term, i.e., a few years to the long term, i.e., up to 50 years, and the suspension of the Council Direct Accessible Housing projects, the Council is facing some significant financial challenges over the next three years with significant Council approved cash outflows in support flowing to Knowle Green Estates.

2.23 Following the decision of the Council to suspend direct delivery of housing this initially had an adverse impact on the viability of Knowle Green Estates. The Board of Knowle Green Estates Directors implemented robust cost reduction and budgetary control regimes which improved its budget position. The acquisition of 80 TA and resettlement properties with the assistance of 40% Local Authority Housing Fund capital grant, by improving the company's rental stream has significantly improved the financial sustainability of the company. In summer 2024, the Council approved a £2.5m debenture over 10 years to the Company to give it a robust medium term financial footing. The Council's Corporate Policy and Resources Committee has set up a Task Group to consider will have to consider options for the future direction of the company including merging with an RP, setting up a Housing Revenue Account, continuing as is.

2.24 **Medium Term Estimated Budget Gaps –** forecasts for the Medium-Term Financial Plan (MTFP), otherwise known as the Outline Budget, which includes all the factors mentioned above indicate that whilst the Council has managed to balance the 2025-26 budget, the forecasts (see Appendix 1) for the following three years are challenging:

2.25 2026-27 - £ 3,897k deficit

2.26 2027-28 – £ 6,819k deficit

2.27 2028-29 - £8,582k deficit

2.28 It should be noted that the Council are expecting in the future period commencing 2026-27 that when the Government begins to implement its local government funding reforms this will direct a higher proportion of funding to councils with high needs and low council bases. The Government is indicating that it will phase in the funding changes probably over at least three financial years. It is anticipated when this happens that Surrey councils will be disproportionately hit.

2.29 It is therefore important that in the current year the Council focuses in the coming year on the strands within its MTFP to ensure it delivers actions which will close the above gaps.

2.30 Officers will be monitoring the medium term closely, particularly any adverse interest rate movements and unnecessary delays to the building of the Council's development projects, as the Council could run the risk of approximately £16.7m (estimated at 31 March 2025) of capitalised revenue costs, being charged to the revenue budget. As set out in 7.8 below, in line with the approved Reserves Strategy £8.7m of capitalised costs associated with the two sites closest to realisation are to be written off to Revenue in 2025-26 and this will be offset by drawing down a number of earmarked reserves by an equivalent amount. This, combined with ceasing to capitalise interest on housing sites moving forwards, reduces the Councils risk exposure. This is a key risk which is commented on further in the S151 Commentary below.

Savings Targets 2025/26

2.31 Having identified over £0.656m of savings as part of the 2025-26 budget setting process. This includes £0.5m for vacancy savings. Officers will also be working to identify additional cashable service improvements and savings through all the services over the next four years. Moving forward in 2025-26 and onwards, the quarterly monitoring reports will provide regular updates on progress on delivery of savings such as transformation, procurement, and cashable. This is to ensure that Councillors are advised whether savings programmes are on track and if they are not, what actions are being taken to put them back on track.

3. How the Budget is Financed

3.1 Appendix 1 summarises the current Detailed Budget proposed for 2025-26. After allowing for Housing Benefit the gross budget is financed as follows,

3.2 Fees and Charges 25.6%

3.3 Net property Rental Income, including movements in and out of Sinking Funds Reserves– 15.4%

3.4 Interest received – 3.4%

3.5 General Revenue Grants, and Retained Business Rates 3.2%

3.6 Housing Benefit Grant 33%

3.7 Council Tax 14.3%

3.8 Business Rates 7.6%

Business Rates Retention

3.9 The new Government has confirmed the extension of the Business Rate Retention programme in its current 50% form for 2025-26. The Government as part of its Funding Review will then look to implement a reset of business rates in 2026-27.

3.10 Spelthorne Borough Council is also participating in the Surrey National Non-Domestic Rate Pool, alongside other some of the Surrey Districts and Boroughs and Surrey County Council and this will yield an estimated additional retained income of £750k in 2025-26.

Grant Settlement for Councils

3.11 The Government's Local Government Funding Settlement was announced on 18 December 2024 and initially confirmed that Spelthorne would receive as a new Core Spending Power nil% increase Guarantee grant £1.728m in 2025-26.

3.12 A key concern this council and others have with the proposed funding for 2025-26 is that the amount of funding reimbursement we are likely to receive as compensation for the higher direct employee costs commencing 1st April 2025 from the increased employer national insurance contributions appears insufficient. Nationally MHGLG is providing £515m as a funding pot to distribute to offset the impact of higher direct costs. However, the LGA has estimated that for England the total cost is approximately £637m. So, the total funding pot appears insufficient. Secondly, given time pressures to come up with a distribution methodology, the Government has adopted a very crude methodology distributing funds pro-rata to net Revenue Expenditure. This will create winners and losers. We estimate that our direct additional employer national insurance costs will be approximately £470k but it appears that we will receive only £212k grant compensation, so the Council will be underfunded by approximately£260k. We highlighted this concern in our response to the consultation on the provisional funding settlement.

3.13 Within the £239kk decrease in general grants (excluding those relating to Business Rates) were the following movements:

3.14 The Council's **New Homes Bonus** has reduced significantly from £101.5k for 2024-25 to £12k for 2025- 26. We have been notified that for 2025-27 we will receive, £116k of **Revenue Support Grant**. This represents a £6k (6.7%) inflationary increase.

3.15 **Lower Tier Grant** fell from £12.3k to nil.

However, at the same time as the above reductions, the Council received as funding for the new Extended Producer Responsibility scheme (relating to waste management and recycling) £907k. At this stage it is not clear what additional expenditure may be incurred in year one of the scheme. Nor is it clear whether this level of grant will be maintained in future years- note currently the Budget estimates for future years have not built in any estimate for future receipt of this grant.

4. Council Tax

4.1 The Government has continued to limit the increase in the amount of Council Tax raised for shire districts and Boroughs to either 3% or a rise of £5 on Band D (whichever is the higher). In Spelthorne's case 3%, would equate to £6.67 on band D. Council will be asked to recommend an increase of 2.90% which equates to £6.45 on a band D (or approximately extra 12 pence extra per week). County Councils and Unitary Authorities can levy a combined Council Tax and additional adult social care precept of up to 4.99% (Band D Council Tax £1,846.35), Surrey County Council is applying the 4% increase for 2024-25. The referendum limit for the Police has been set at an increase of £14 Band D equivalent to 4.3%, which the Surrey Police and Crime Commissioner has fully applied.

4.2 The Council share of the Band D Council Tax bill for council taxpayers in the Borough has fallen to 9.49% in 2025-26 (9.65%: 2024-25)

Council Tax Support Scheme

4.3 The Council will continue the Local Council Tax Support scheme with the same rules and regulations as was agreed for the 2014/15 scheme. This was a 25% deduction made for working age claimants and a 10% deduction for working age claimants who we classified as disabled due to the benefits they receive. This is also considering any annual uprating of applicable amounts or premiums that is announced by central government for the following year.

War Widows

4.4 It is sensible to re-confirm the Council's position with respect to the complete disregard of war pension / armed forces pension income from benefit calculations. If the full amount is disregarded the cost of this measure falls on the local authority as only the first £10.00 is disregarded by central government. We have already agreed to do this for our Council tax support scheme. We have always disregarded the full amount since the housing benefit scheme came into existence along with practically every other local authority and the cost to the authority in the last subsidy claim was £1,562. We intend to continue to make this disregard for 2024-25

5. Basis of preparation of the detailed budget

5.1 **Service levels** – the budget estimates have been prepared based on maintaining existing service levels except where variations have been approved by the relevant Committee and the Council. Members should be aware of the residual challenges posed by the COVID-19 global pandemic and the both the immediate and ongoing impact of the Cost-of-Living Crisis which may impact either favourably (in the case of interest we earn on our surplus cash) or adversely on the Council Revenue budget. Considerable work has been undertaken to estimate the potential impact of the Cost-of-Living crisis based on the knowledge gained during the pandemic and previous inflationary challenges. The Council has undertaken considerable work to identify savings and efficiencies to offset the list of growth proposals. This is to ensure a balanced budget not just for 2025-26 but also to move us towards us in a sustainable position to balance the Budget in future years.

5.2 Growth Bids and pressures across the service committees currently reflected in the draft 2025-26 Budget total £2,044,800 total bids offset by funding of £370,000 - net General Fund cost £1,674,800. Within the growth bids the following are particularly significant:

Insurance for Eclipse Leisure Centre £345k, this provision may come down significantly, but we will not have confirmation from Sutton LBC until the end of February.

Additional Resource for housing data team £56k

£500k for Local Government Reorganisation Resourcing

Planning Policy for £671.3k, of which £645k are one off growth bids relating to the Local Plan works required for 25/26 and cover Evidence Base reports and assessments and the flooding supplementary planning document. £40k for marketing for consulting the public with the local plan, and uplifts in salary costs for staff time and regrades. One bid relates to 26/27 for £210k for Local Plan Evidence Base work required to take place in the following year.

Additional resourcing for Finance team, in the context of the workload pressures facing the team, including Reorganisation, plus the need to implement improvement plans and address external audit recommendations and potentially Best Value Inspection recommendations, it is proposed that an additional £160k growth for Finance is built into the Budget. As a result of the Reorganisation proposals the project to create a joint finance team with Mole Valley is being brought to an end

5.3 **Pay and price levels** – 2.8% increase across all staff grades to each Full Time Equivalent employee is being recommended to Council, for 2025-26.

Pensions

5.4 Pension Fund valuations for our employer contribution rates for 2023-24 to 2025-26 were agreed notified to the Council in November 2022 as:

(a) The primary rate which is the contribution paid on an ongoing basis as employees earn additional entitlement will continue at 17.3% for 2023-24 to 2025-26.

(b) the secondary rate – this is a lump sum which the Council pays as an employer towards closing the deficit relating to past service benefits. This will increase to £544k in 2023-24, increases to £605k in 2024-25 and to £650k in 2025-26

5.5 The next Valuation applies as at 31 March 2025 and will impact on employers' contributions for the years 2026-27 to 2028-29. On the basis of advice from the actuaries. Currently the Surrey pension fund is showing a surplus and employer councils are being advised that there probably will not be an uplift in employer contribution rates in 2026-27. The Medium-Term Financial Plan and Outline Budget projections has reflected and anticipated no increase in employer contributions from 2026-27.

6. Fees & Charges

6.1 All 2025-26 fees and charges have been reviewed both by budget managers and the relevant service Committees in the January Committee cycle, with Corporate Policy & Resources Committee reviewing same at their meeting on 10th February.

Income Generation

6.2 The Budget forecasts have reflected officers' judgements on the future, taking the past three years income as a guide, whilst being mindful of the exceptional general economic context over the last few years, and the economic challenges to be faced over the next five years due to higher than previously anticipated inflationary pressures. In aggregate our income generation was recovering but we are still not expecting some of our income streams such as car parking to fully return to pre-pandemic levels for a while. By setting fees and charges below inflation, Council could be setting up long term issues for the Council, although, if because of these modest increases, more residents use the Council's services, the increased volume and increase frequency of spend, could make up the income short fall in real terms and this is where the relevant Committees should focus their attention over the coming years. In line with other Surrey councils the Council will look to seek to ensure that discretionary services come closer to covering their costs. With respect to Meals on Wheels, the Community Wellbeing and Housing Committee, took a small step in this direction by approving the first increase in fee for Meals on Wheels since 2020, with a £1 increase in the cost of meals.

6.3 The net income contribution to the Revenue Budget from our commercial asset's portfolio is budgeted at £10.013m for 2025-26, the Sinking Fund will contribute £5.037m (net) (2024-25: £2m) to maintain service delivery to the residents of the Spelthorne.

6.4 **Knowle Green Estates Ltd (KGE) - Currently** manages 175 housing units for the Council and is providing homes to key workers, disabled residents, and families (including Afghan families) in the Borough.

6.5 The suspension of the Council's direct accessible housing delivery projects initially had a significant impact on KGE and its finances.

6.6 In the short term, following the Extraordinary Council meeting (ECM on 2 February 2023, in light of the pressures facing KGE, and the impact on its short term cashflow, it was agreed to provide the necessary financial support to enable KGE to move forward with the correct funding in place, and to put the Council's residential delivery pipeline onto a financially sustainable basis, whilst Council agrees on the way forward for is direct accessible housing projects.

6.7 As a result of the ongoing challenges and in particular the adverse movement in PWLB interest rates, the Board of Directors are looking at several recommendations to put to Council, in order to alleviate the financial pressure on KGE and substantially reduce the current level financial support received from the Council.

6.8 On such project to assist with increasing the number of rental units available for residents and thereby increasing the cashflow within KGE is the Local Authority Housing Fund (LAHF). Working with the Department for Levelling Up Housing & Communities (DLUHC) up to 40% funding has been provided to purchases eighteen properties in the Borough. This funding reduces the need to additional loan funding through PWLB and Officers, are looking at alternative approaches to funding the balance of these properties, that would benefit both KGE and the Council, including the issuing of share capital and taking out debentures to provide a flexible loan repayment structure, particularly if the Council has funded these purchases from internal capital receipts, i.e., it has not had to borrow external funds to acquire these properties.

6.9 As part of the review of its direct accessible housing deliver projects, Council will also need to consider the future of KGE and how it will fit in with the revised strategy.

6.10 The KGE Board of Directors are considering a draft Budget for 2025-26 with net expenditure budget of (£82.6k) (2024-25: £243.8k) an improvement of £326.4k. Once KGE has returned to financial viability, one of the key policy choices for the Council in the next couple of years will be to determine and agree with KGE an interest margin to apply on affordable rental financing as these will help reduce SBC budget gaps in future years.

6.11 KGE is recharged for services provided and a small interest rate margin and this has been accounted for in the Council budget.

6.12 **Spelthorne Direct Services Ltd. (SDS)** – The company continues to grow winning a few prestigious contracts and receiving exceptional customer services ratings.

6.13 The company is performing slightly below the budget and the forecast to generate a contribution of £72k at 31 March 2024. The Board of Directors approving a net revenue budget for 2025-26 of (£139k) (2024-25: (£77k) and improvement of (£62k).

6.14 SDS is recharged for services provided to it by the Council budget and is only making finance repayments on start-up capital.

Contingencies.

6.15 The General Fund reserve exists as a source of contingency funds should a need arise, which can be addressed through offsetting savings and over the next few years, the Council should be looking to increase this to £5m over the next three to five years.

6.16 This would provide some flexibility to meet one off expenditure in the year, rather than relying on existing Earmarked Revenue Reserves, which have been set aside for specific purposes and cannot be used elsewhere.

Interest Rates

6.17 The Council has benefited from many years of above average investment returns (over an eleven-year period averaging at 4.03%) through a diversified range of pooled investment funds. These Pooled Investment Funds have been liquidated in 2024/25 to reduce the need for external borrowing.

6.18 Rising interest rate have made more challenging the funding of our Capital Programme, as the cost of PWLB borrowing increases, with long term rates since the October Budget being around 6%. However, on a positive side, higher than anticipated interest rates have boosted the returns on our surplus cash holdings. The rates we can earn have changed almost on a daily basis, yesterday, the Council was being offered 5.60% for 12-month cash deposits.

6.19 In October 2024, the Council made the strategic decision to draw down its pooled medium term investment funds. This means it will not be taking out additional external borrowing to fund the balance of the Eclipse leisure centre (which would have been at interest rates in region of 6%) but does mean the rate of return on the Council's surplus funds will be reduced from £1.474m to £0.67m. However, at the same time the interest the Council will be receiving from loans to its Housing Company Knowle Green Estates will rise from £0.75m to £1.5m.

7. Investment Income

7.1 The Corporate Policy & Resources Committee has separately received the Treasury Management Strategy for 2025-26 indicating the current position in respect of interest rates and the proposed strategy for dealing with the lower levels of interest rates and the reduction of investment monies.

7.2 Arlingclose advises the Council on expected one or possibly two rate changes in 2025-26 which would affect investments and full details are shown in the Treasury Management Strategy Report.

7.3 Council is receiving separately on this agenda the Capital Strategy, which is based on their feedback received, and it sets out the Council's broader approach to management of capital expenditure.

7.4 The Treasury Management Strategy, Capital Strategy and the Capital Programme reports set out the Prudential Indicators including the proposed borrowing limits in accordance with the Chartered Institute of Public Finance's Prudential Code.

Use of Reserves

7.5 The Corporate Policy & Resources Committee is reviewing the Capital and Revenue Reserves Strategy Report at their meeting on 19 February, which indicates that £14.148m of funding from Earmarked Revenue Reserves will be utilised in 2025-26. The Detailed Budget Report (Appendix 1) indicates that in approving the Budget, Council will approve the following movements on the Council's reserves:

(a) £95.6k from the Planning Performance Agreement to fund a Systems Administrator Support Officer, Strategic Planning Officer and additional 12 hours for the Planning Enforcement Officer.

(b) £50.9k from the Green Initiatives Reserve to fund the Climate Change Officer for 2025-26

(c) £94k from the Business Rates Retention Reserve to fund for 2025-26 two posts in the Economic Development Team.

(d) £653.5k from Earmarked Reserves for one off costs relating to funding the aborted capital schemes (£543.5k). A one off £110k for Environmental Health to implement and update software for Uniform & GeoEnviron.

(e) £50k from the Planning Delivery Grant (PDG) Reserve to support the delivery of the Flooding Supplementary Planning Document necessary to overcome the Environment Agency's objections to the emerging Spelthorne Local Plan.

(f) £1.443m from the Capital Fund for the aborted capital expenditure housing schemes.

(g) £1.016m from the Housing Initiatives reserve for the aborted capital expenditure from housing schemes.

(h) £226k from the Carry Forward Reserve for the aborted capital expenditure from housing schemes.

(i) £2.827m from the Business Rates Equalisation reserve to fund the aborted capital expenditure from housing schemes.

(j) £1.434m from the Planned Projects reserve for the aborted capital expenditure from housing schemes.

(k) £1.22m from the New Schemes reserve for the aborted capital expenditure from housing schemes.

(l) As mentioned above, a net £5,037.5k is planned to be transferred from the Sinking Fund reserves to cover short term dips in investment assets rental income (in line with the purposes for which the Sinking Funds reserves were put aside for) and as previously reported to Council, these pressures have been fully disclosed since 2021 and were based on the rolling five year projections produced by the Assets and Finance Teams.

7.6 Not only has the investment income portfolio provided for our long-term future prosperity it has enabled the Council to provide a revenue contribution to help finance the capital programme, regenerate the Borough, and continue to provide services and support to our residents.

7.7 In 2025-26 it is anticipated that £5.037m (net) will be used to Maintain the £10.013m contribution towards front line services.

7.8 In addition to the above reserves movements, as per the Reserves Strategy approved at Corporate Policy and Resources Committee on 9th December, the accumulated capitalised costs relating to two of the housing sites closest to realisation of outcomes are to be written off to Revenue. These costs total £8.7m and will be offset by drawing down a number of earmarked reserves as set out in the Reserves Strategy.

Savings & Additional Income

7.9 In total savings of approximately £1.246m have been found for 2025-26. See Appendix 10

7.10 **Precepts**

7.11 Surrey County Council at its meeting on 28th January set a Band D Council tax of £1,846.35 representing a 4.99% increase and Surrey Police at its tax setting meeting on the 3rd February set a band D Council tax of £337.57 representing a £14 increase on Band D (the maximum allowed under the regulations) representing a 4.3%increase.

7.12 **Medium Term Financial Plan**

7.13 Within the detailed budget report, officers have included the figures for 2025-26 to 2027-28 and these figures represent the expected outturn for the MTFP, as based on the information above, with the projected deficits highlighted in 2.20 above.

8. Options analysis and proposal

8.1 The Council is required to set a balanced budget and in the light of the detailed budget it is recommended the Council increases its share of Council Tax for 2025-26 by 2.90%. The Council is very aware of the financial pressures many of its residents are currently under because of the impacts of Cost-of-Living crisis, however this increase equates to a below inflation increase and is necessary to protect the Council's tax base and its ability to balance its Budget and provide services for its residents.

9. Financial implications

9.1 Addressed in the body of the report.

10. Other considerations

10.1 The Local Government Act 2003 (the 2003 Act) section 25 requires that when a Council is agreeing its annual Budget the Chief Finance Officer (section 151 Officer) must report to it on the following matters:

(a) The robustness of the estimates underpinning the Budget

(b) The adequacy of the proposed reserves' levels

10.2 In the exceptionally challenging times all Councils are currently facing because of the past impact of the COVID19 pandemic and both the current and future impact of the Cost of Living Crisis and the housing crisis it is even more important than ever to ensure that the Council pursues a careful and prudent approach to setting its budget (both Revenue and Capital) and considering budget risk, particularly around any long term delays to its development properties, now that Council have suspended these projects, pending a review of all possible options, otherwise a further £16.0m of capitalised revenue costs may have to be charged back against the 2025-26 and future years Revenue Budget and this will put services at risk, if this is not dealt with in an orderly fashion by Council. The Council has made its best estimate of the need for additional budget to cover likely additional need to spend on Temporary Accommodation to address increasing demand. This is the key reason why the Social Initiatives Fund reserves has been used to help balance the 2024-25 Budget

10.3 Officers, working with our Treasury Management advisers, will need to carefully monitor the movements in interest rates, and how to fund the Leisure Centre once the project is completed, make critical judgements on when fees and charges income are likely to fully recover, and evaluate and manage a number of risks facing its commercial and retail income streams, and how this will impact on the Council's current and future budgets.

10.4 Given the challenges outlined earlier in the report officers, will continue to monitor collection rates for Council Tax, Business Rates (positively in the last month or so performance on collection of Council Tax has improved), and investment and regeneration assets and Knowle Green Estates Board will monitor rent arears in residential units, reduce cost, and look to increase income, whilst managing the Council's 180 rental units.

10.5 There are a range of other legislative measures in Local Government Acts which are in place to ensure local authorities do not over-commit themselves financially. These include:

(a) The Chief Finance Officer's section 114 power and duty, which requires a report to all members of the Council if there is, or likely to be, unlawful expenditure or an unbalanced budget.

(b) The Prudential Code issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which guides local authorities on the affordability of their capital programme.

10.6 The 2003 Act requires Members to have regard to this report in making their decisions. The 2003 Act does not provide any specific guidance on how to evaluate the robustness of the estimates. However, it does identify the need to allow for risks and uncertainties that might lead to expenditure exceeding budget by:

(a) Making prudent allowance in the estimates for inflation, known cost increases or reductions in income and in addition

(b) Ensuring that there are adequate reserves to draw on if the estimates are insufficient.

10.7 It is stressed that the advice contained in this report on the appropriate level of reserves is not based on a percentage of spend, but on an assessment of all the circumstances likely to affect the Council. Guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) states the following factors should be considered by the section 151 officer in undertaking an assessment on the overall level of reserves and balances:

(a) Assumptions regarding inflation, which clearly are of increased significance at present.

(b) Treatment of demand led pressures.

(c) Treatment of savings

(d) Risks inherent in new partnerships etc.

(e) Financial standing of the authority (i.e., level of borrowing, debt outstanding etc).

(f) The Authority's track record in budget management

(g) The Authority's capacity to manage in year budget pressures.

(h) The Authority's virements and year end procedures in relation to under and overspends.

(i) Estimates of the level and timing of capital receipts.

10.8 In assessing the above the s151 Officer is having regard to the constructive and useful discussions, which have been taking place since last summer, with DLUHC colleagues focusing on the Council's approach to mitigating future risks with respect to its debt levels and the role the sinking funds play in this.

10.9 In assessing the robustness of the Council's financial position, we have particularly considered risks with respect to our investment assets and have received a useful external expert's report highlighting the challenges and opportunities presenting with respect to our investment assets. A key element of our risk mitigation continues to be being focused on ensuring that our future sinking funds reserves balances will be sufficient to meet future demands on them. The future balance projections for the next four years are setting out in the Capital & Revenue Reserves Strategy report considered by Corporate Policy and Resource's Committee.

10.10 In assessing the robustness of our budget approach, as S151 Officer and working with senior officers and Councillors we are looking ahead over the next four years. We are anticipating that post the General Election there is likely to be a business rates reset and a "Fair Funding" review and redistribution of grants to councils. We are currently assuming that this will happen in 2026-27 and that Spelthorne and other Surrey Councils will be relative losers. We have on grounds of prudence assumed that this will be a hard reset, whereas it is quite possible that there will be some transitional protection for councils. Spelthorne along with other Surrey Councils has recently been doing a collective exercise to review financial resilience. Whilst this has highlighted the challenges ahead in 2026-27, the work suggests that with our current levels of reserves we are currently in a reasonable position but need to plan for meeting the challenges in 2026-27.

10.11 We will be particularly focused in the coming year to firstly ensure that we robustly track delivery of cashable savings built into the budget. Progress will be reported regularly to Councillors. Secondly, we are looking ahead to proactively address the challenges potentially arising in 2026-27and this will include work focused on better understand options around discretionary and secondary expenditure and commencing a zero-based budgeting exercise for 2025-26.

10.12 The Council's Section 151 Officer has considered and followed those guidelines. The Council is obliged to take these views into consideration when setting the Council Tax and budget for 2025-256.

In coming to a view on the adequacy of reserves it is necessary to take several issues into account including:

10.13 The purpose for which the Council holds specific reserves and general fund working balance.

(a) The risks and uncertainties the Council faces that may have financial consequences.

10.14 The likelihood of those risks arising

10.15 We also have to have regard to the expectations of successor Shadow and unitary authority

10.16 The above issues, along with the Reserves Policy were considered as part of the Outline Budget report in December and the Capital & Revenue Reserves Strategy report was reviewed and approved by the Corporate Policy & Resources Committee at their meeting on 9th December 2024.The Council's General Fund revenue reserve, which acts as a contingency reserve is currently £3.1m which represents 12% of the proposed net budget requirement for 2025-26. We will seek in the coming years to further increase the balance in the General Fund reserve.

10.17 Reserves and provisions – the local Government Act 2003 requires the Chief Finance Officer to report on the adequacy of the Council's financial reserves when consideration is given to the general fund budget requirement for the year. Under the local government finance act 1988, all useable revenue balances held by the Council are at the direct disposal of the general fund apart from the Collection Fund and the investment reserve. However, an all of Spelthorne Borough Council's reserves have been approved by Council as earmarked and can only be used for the intend purpose approved.

10.18 A key risk impacting on the level of reserves the Council is facing is the need to achieve positive outcome on land currently being held for housing and regeneration purposes. There is a Development Delivery Strategy approved with a prioritised order for achieving outcomes on these sites. Currently across these sites the accumulated capitalised costs associated with the assets total £16.7m. To the extent that positive housing outcomes are not achieved on these sites these costs will need to be written off to Revenue and will require the application of earmarked reserves to offset that adverse impact on the Budget. The Reserves Strategy anticipates application of £8.7m reserves for this purpose in 2025-26. Moving forwards in 2025-26 the Council will no longer be capitalising costs on vacant housing sites, with these costs being charged to Revenue.

10.19 The Chief Finance Officer considers that the reserves and provisions will ensure that the Council maintains a relatively healthy financial position even in the face of the residual economic impacts of COVID-19 and now the Cost-of-Living Crisis and housing crisis. However, the recently refreshed Sinking Funds model has highlighted that the Council does need to build up funds in the sinking funds reserves at a faster rate over the medium term in order to ensure that there are sufficient funds to insulate the Council and council taxpayers when key tenants in the future may not renew leases or exercise breaks. As a result of this the Reserves Strategy has been revised with the view of stepping up contributions over a five-year period into the sinking funds, in steps of one million pounds, such that by 2031 we are setting aside an additional £5m per annum into the sinking funds reserves. This has significantly implications for the discretionary services provided by the Council as this equates to a halving of the subsidy currently provided by the investment assets of the Council. In forming this judgement, the Chief Finance Officer has had regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Resilience Index results for the Council which show a strong overall positive picture particularly with respect to reserves levels with 6 of the 8 indicator measures towards the lowest end of risk. This reflects the additional amounts the Council has been putting into its Sinking Funds. As commented in the Capital & Revenue Reserves Policy a recent national benchmarking exercise by LG Improve identified that Spelthorne had at end of 2023-24 the second highest ratio of unallocated revenue reserves to net revenue budget of any district or Borough Council in the country.

10.20 In response to the impact of COVID-19 which saw the biggest economic downturn for more than three hundred years, and now the Cost-of-Living crisis the Council has carefully reviewed the adequacy of its Sinking Funds reserves designed to be able to absorb potential drops in its commercial income stream. The Government does periodically seek out external expert advice on how its investment portfolio is performing, what are the challenges and risks which need to be addressed. This advice is discussed with councillors, and it is important that the council remains very focused on minimising voids and getting tenants into its investment assets when voids arise.

10.21 The CIPFA Financial Resilience has three measures for which the Council is shown as being at the higher end of risk. These are:

(a) Gross Debt to revenue budget – this reflects that the Council has more than £1 billion in debt (although we do not have the highest level of debt in our comparator group). What also needs to be considered is that the Council has nearly £1 billion of best-in-class assets backing this debt. It is recognised that in line with property assets across the economy our asset valuations have reduced significantly over the last few years, because of the pandemic and more recently the Cost-of-Living crisis, however, with the income levels and occupancy levels holding up strongly we believe these are temporary balance sheet movements and that the values will recover over time. Further, as the Council has no intentions to sell these assets any paper loss incurred to date, will not crystallise.

10.22 Through the Council's Sinking Fund strategy, it is seeking to ensure it the Council can cope with any unplanned situation, like the war in Ukraine. The debt is being paid down on an annual prudent basis. and the borrowing has been fixed at low rates of interest (an average of 2.33%). There is no risk of interest movement on the debt. However, the sinking funds reserves need to ensure that council taxpayers are protected on a longer term from impacts of future pressure points for example when key tenants

(a) Interest to revenue - this reflects the level of debt highlighted above, What the CIPFA indicator does not reflect is that the rental income generated by the commercial assets is more than 2.2 times in value the interest cost and is sufficient to cover interest, annual debt repayments, management costs and to make annual Sinking Fund contributions.

(b) The Index flags that due to the Council currently doing well in terms of the amount of Business Rates it retains above the Baseline set by Government that there is a risk when the Government resets the baseline in 2026-27, that the Council is at risk of losing rates when the change happens.

10.23 The Chief Finance Officer is satisfied that each service budget has been prepared in the context of the Council's corporate strategies, including the Capital Strategy and longer-term financial strategy which means that the Council is presented with robust estimates as a basis for making decisions about the level of Council tax. Officers have a modelled a range of scenarios including different assumptions around future pay settlements, and rate at which business rates may be withdrawn from the Council by Government. The nature and size of our revenue budget carries a degree of risk, this is particularly the case in the current Cost of Living crisis, which has followed on so quickly, after the global pandemic.

10.24 Reserves and provisions – the local Government Act 2003 section 26 requires me to report on the adequacy of the Council's financial reserves when consideration is given to the general fund budget requirement for the year. Independent benchmarking by LGImprove indicates that Spelthorne has the highest ratio of Revenue Reserves to net Revenue Budget of any district or Borough Council in the country. Under the local government finance act 1988, all revenue balances held by the Council are at the direct disposal of the general fund except for the Collection Fund. However, a number of these balances are earmarked specifically for social housing and the new scheme fund. Detail any other considerations to be considered.

10.25 It continues to be important that the Council critically reviews its financial management performance, with this in mind a refreshed self-assessment against the CIPFA Financial Management Code will be brought to March Audit Committee. One of the Key messages of the Code is that responsibility for owning effective financial management belongs to the whole senior management team both political and officer.

11. Procurement Implications

11.1 None directly applicable

12. Risk Implications

Issues considered when evaluating the robustness of the estimates and the adequacy of the reserves is set out below.

12.1 The budget has several risks, and these are set out below:

Outside control	**Internally based**
Local Government Restructuring will require very significant resources to address	Risk of failure to achieve objectives due to inadequate resources – the wide range of objectives the Council seeks to achieve requires significant resourcing to manage and implement. It takes time to recruit and train officers to lead and oversee projects. Prioritisation is required to ensure that key projects are successfully completed in the appropriate timeframe. Failure to appropriately prioritise projects may result in both wasted resources pursuing projects which should not have been priorities, and delays to projects which should have been identified as key to success.
	Failure to achieve housing outcomes on sites and stop incurring holding costs on vacant sites. Important that the Development Delivery Strategy is progressed at a good pace.
Economic and financial impacts of the Cost-of-Living crisis, including on residents' ability to pay Council tax, businesses ability to pay business rates, particularly with business rates relief for retail, leisure and hospitality reducing from 75% to 40% and this happening at same time as employer national insurance contributions rise, Council income levels, levels of local Council tax support, impacts on commercial rents etc	Failure to maintain momentum in moving towards full occupancy across the Investment Asset portfolio.
External geopolitical conflicts resulting in impacts such as sanctions which impact on income streams	
PWLB Interest rates, since the October Budget gilt rates have increased significantly – main mitigation taken by Council has been to reduce need for extra borrowing by drawing down pooled funds.	Failure to sufficiently resource delivery of key asset income generation projects and to deliver transformation and savings programme. Particularly a risk when organisation at same time facing Local Government Reorganisation, addressing audit issues and Local Plan process
New Government has confirmed a review of local government funding	

which is likely to channel funding to areas with high demographic need and low council tax bases. This is likely to divert funding away from areas such as funding. Likely to be phased in over three or more years	
	Reliance on interest earnings to balance the budget, particularly if Council decides to use short term investment funds to fund the Leisure Centre project.
Changes to redistribution of Local Government Funding- to be phased in from 2026-27	Failure to develop a new strategy to deliver the Council's housing delivery programme following the suspension of the direct accessible housing projects, due to reduced volume of units, higher building material costs, labour rate inflation, caused by a shortage of skilled workers, together with high PWLB Interest rates, could see the release of £16m of capitalised development costs to the revenue budget in 2024-25 or years to come.
Impact of budget pressures on Surrey County Council and other public sector entities.	
Fair Funding review and business rates reset in 2026-27 reduces the amount of business rates income the Council can retain	
An increase in the level of voids at our investment properties, followed by a significant number of new tenants entering new leases, will see income reduce and costs increase before our revenue streams return to business as usual.	
Inflation rates do not fall back but instead become embedded adding to our cost pressures on housing delivery and cost of services.	
Housing benefit subsidy/welfare reform.	

The risks are that the level of savings anticipated do not materialise or that there are additional spending pressures. These will be mitigated by ensuring proposals have been properly evaluated before being built into the final budget for example clarifying any contractual assumptions, and thereafter through careful budget monitoring.

13. Legal implications

13.1 Councils have a statutory responsibility to set a balanced budget by the beginning of March each year.

13.2 Councillors are reminded that any amendment motions to change the detailed budget, must be submitted to Committee Services by 1200 hours on Tuesday 20 February.

14. Equality and Diversity

14.1 The detailed budget proposals apply to all residents across the Borough. Any significant service changes underpinning the Budget will have Equality Impact Assessments undertaken.

15. Sustainability/Climate Change Implications

15.1 The Budget reflects prioritisation against corporate priorities including climate change. Provision has been for example to create a new climate change officer.

16. Timetable for implementation

16.1 Full Council to approve the budget on 27 February 2025.

Background papers:
2024-25 Reserves Strategy (CPRC)
2024-25 Outline Budget Report (CPRC)
2024-25 Fees & Charges Report (all Committees)
2024-25 Council Tax Base. (CPRC)

Appendices:
Appendix 1 – Detailed budget for 2025-26.
Appendix 2 – Net Expenditure Budget 2025-26 by Committee.
Appendix 3 – General Fund Subjective Analysis.
Appendix 4 – Calculation of Council Tax for 2025-26.
Appendix 5 – Calculation of Council Tax (SBC only) for different valuation bands for 2025-26.
Appendix 6 - Calculation of the total Council Tax (SBC, SCC & SPCC) for different valuation bands for 2025-26.
Appendix 7 – FTE equivalent support provided by SBC to KGE and fully charged to KGE for 2025-26 and other services.
Appendix 8 – Breakdown of costs by discretionary and mandatory services for each Committee, by Cost centre. based on the 2025-26 detailed budget.
Appendix 9 – Commercial & Regeneration Contribution to front line services for the four years ended 31 March 2028
Appendix 10 – Community Wellbeing Summary Revenue Savings 2526
Appendix 11 – Corporate Policy & Resources Summary Revenue Savings 2526
Appendix 12 – Environment & Sustainability Summary Revenue Savings 2526
Appendix 13 – Business Infrastructure Committee Summary Revenue Growths2526
Appendix 14 - Community Wellbeing & Housing Summary Revenue Growths2526
Appendix 15 - Corporate Policy & Resources Summary Revenue Growths2526
Appendix 16 - Environment & Sustainability Summary Revenue Growths2526