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Up to £1 where sold

Council’s financial reservations

15 July 2023



Epsom and Ewell Borough Council’s finances came under the spotlight at a meeting 13th July of the Strategy and Resources Committee. Chair **Neil Dallen MBE** (RA Town Ward) opened the item stating “from history we are very good at keeping our books and the auditor often praises us for a good job done.” Later he reassured Cllr **Alison Kelly** (LibDem Stamford) that “We are no where near Woking or other councils that are in trouble. We have been very prudent. We have had some hiccups and the reserves have been used as they are supposed to be to resolve those hiccups. We are in very good shape.”

Cllr **Chris Ames** (Labour Court Ward) asked about buying properties for housing the homeless. Cllr Dallen advised that the Borough was currently supporting 70 to 80 families in temporary accommodation, a situation that the Council needs to resolve. An officer stated that there was no risk in the Council purchasing ordinary residential accommodation as that could be sold when no longer needed, but “*homelessness specific accommodation*” had risks and the demand outstripped supply. No definition of this term was asked for or provided.

Officers reported the Council receives significant income from the car parks in the Borough it operates. The financial year 2022/2023 saw a reduction in income from the Ashley Centre car park on account of the loss of the House of Fraser department store. Income was also reduced from the Hook Road car park. The introduction of charges for parking in the Stoneleigh Parade offset those reductions a little.

While acknowledging that “reserves should not be used to fund day to-day services on an ongoing basis, as reserves would eventually become depleted without a plan for replenishing them”, a Report to the meeting confirmed: “The 2023/24 budget plans to use about £2.4m from the Council’s reserves to balance, which was considered a reasonable approach in the short term, as this use of reserves has enabled the Council to assess the financial environment post pandemic and cost of living crisis, before taking major decisions around the future of service delivery.”

However, in a note of caution it was reported: “The Council’s external auditors, **Grant Thornton**, whose 2021/22 Annual Auditor’s Report (dated May 2023) recommends that the Council needs to set a timeline for how it will develop longer term saving plans that will ensure reserves are not further depleted”.

At 31 March 2023, the Council holds £2.2m (subject to audit) of uncommitted un-ringfenced revenue reserves.

The Government is promising a Fair Funding Review, not before 2025/2026, to re-assess the distribution of government and business rates funding between Councils. When complete, it is expected to favour unitary and upper tier councils, ahead of districts such as Epsom & Ewell Borough Council.

Officers reported to Councillors that in 2016, central government introduced Negative Revenue Support Grant as part of EEBC’s four-year settlement. The settlement identified that in 2019/20 the Council would have to make an on-going payment back to central government of £624,000, known as Negative RSG. However, after significant lobbying from affected councils including EEBC, government decided to remove Negative RSG from annual settlements.

The delay of the Fair Funding Review means that Negative RSG continues to be excluded from EEBC’s settlement, however, the risk still remains that Negative RSG will feature as part of the future Fair Funding Review calculation when this is eventually introduced.

It was stated that the highest service financial risks are considered to be the impact of increased inflation on the Council’s costs and income streams, and the potential for increased demands for housing and homelessness prevention next year. In particular, the cost-of-living crisis is expected to impact on any new Pay Policy. The current forecast includes an estimate of 3% for the staff pay annual cost of living increase, however, recent public sector pay settlements for 2023/24 have been significantly higher than 3%.

With the projected shortfalls in the coming years Officers are to be tasked with identifying further efficiencies, although these are becoming harder to achieve after over a decade of austerity.

Epsom and Ewell Times reported on the proposal in The Draft Local Plan (now paused) to sell off the Town Hall in the Parade and move into offices in East Street that the Council owns. The meeting noted that should the move go ahead the Council would need to generate a net annual income/cost savings in the region of £600,000 from the remaining Town Hall site if it wishes to replace foregone commercial income from its East Street owned offices.

Also on the agenda was a proposal to spend £150,000 on consultants to advise on how the Town Hall site should be developed. Cllr **Robert Leach** (RA Nonsuch) commented “We are bringing in consultants every time we need to know the time of day”. He believed that there was sufficient expertise within the Council. The officer explained he was part of a two man team that did not have the time or expertise. Cllr Jones supported the proposal as the Council could not afford to get

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this wrong. The motion was carried with Cllr Leach supporting it in the end.

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