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EPSOM & EWELL

TOWN HALL

EPSOM

12 February 2018

SIR OR MADAM

I hereby summon you to attend a meeting of the Council of the Borough of Epsom and Ewell which will be held at the Town Hall, The Parade, Epsom on **TUESDAY, 20 FEBRUARY, 2018** at **7.30 pm**. The business to be transacted at the Meeting is set out on the Agenda overleaf.

Prayers will be said by the Mayor's Chaplain prior to the start of the meeting.

K. Beldon

Chief Executive

COUNCIL

Tuesday 20 February 2018

7.30 pm

Council Chamber - Epsom Town Hall

For further information, please contact Fiona Cotter, tel: 01372 732124 or email: fcotter@epsom-ewell.gov.uk

FIRE PRECAUTIONS

No fire drill is planned to take place during the meeting. If an alarm sounds, members of the public should leave the building immediately, either using the staircase leading from the public gallery or following other instructions as appropriate. Do not use the lifts.

On leaving the building, please make your way to the Fire Assembly point on Dullshot Green.

AGENDA

1. DECLARATIONS OF INTEREST

To receive declarations of the existence and nature of any Disclosable Pecuniary Interests from Members in respect of any item to be considered at the meeting.

2. MINUTES (Pages 5 - 10)

To confirm the Minutes of the Meeting of the Council held on 12 December 2017 (attached)

3. MAYORAL COMMUNICATIONS/BUSINESS

To receive such communications or deal with such business as the Mayor may decide to lay before the Council.

4. QUESTIONS FROM COUNCILLORS

To answer any written questions from Councillors

Note: The deadline for questions is 5pm on Wednesday 14 February 2018 (17.00 hours on the third clear working day before the meeting).

5. **BUDGET REPORT 2018/19** (Pages 11 - 124)

This report fulfils the statutory requirement to agree a budget for 2018/19, comprising both revenue and capital expenditure plans, and to set a Council Tax for the year. The council tax recommendation is for an increase of 2.98%. Financial Policy Panel made no recommendation to Council but requested that the report include options for a Council Tax freeze and an increase of 2.98%.

6. **REVISION TO CONSTITUTION - PLANNING MEMBERS' CODE OF CONDUCT** (Pages 125 - 144)

The report recommends that the Constitution be updated to include the revised Model Code of Practice for Members in respect of Planning Matters adopted by the Planning Committee at its meeting on 18 January 2018.

7. **MOTIONS TO COUNCIL**

In pursuance of the Council's Rules of Procedure, to consider any Motions submitted by the due deadline.

No Motions received by the deadline.

Note: The deadline for Notice of Motions was 5.00pm on Wednesday 7 February 2018 (17.00 hours on the eighth clear working day before the meeting)

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EPSOM AND EWELL

Minutes of the Meeting of the COUNCIL of the BOROUGH of EPSOM AND EWELL held at the Town Hall, Epsom on 12 December 2017

PRESENT -

The Mayor (Councillor Liz Frost); The Deputy Mayor (Councillor Neil Dallen); Councillors Michael Arthur, Richard Baker, John Beckett, Steve Bridger, Kate Chinn, Alex Clarke, George Crawford, Lucie Dallen, Hannah Dalton, Graham Dudley, Robert Foote, Chris Frost, Rob Geleit, Eber Kington, Omer Kokou-Tchri, Jan Mason, Tina Mountain, Barry Nash, Peter O'Donovan, Martin Olney, Keith Partridge, Jane Race, David Reeve, Humphrey Reynolds, Guy Robbins, Vince Romagnuolo, Clive Smitheram, Jean Steer, Alan Sursham, Mike Teasdale, Peter Webb, David Wood, Clive Woodbridge and Tella Wormington

Absent: Councillors Tony Axelrod and Rekha Bansil

The Meeting was preceded by prayers led by the Mayor’s Chaplain

25 DECLARATIONS OF INTEREST

No declarations of interest were made by councillors regarding items on the Agenda.

26 MINUTES

The Minutes of the Ordinary and Extraordinary Meetings of the Council held on 17 October 2017 and 28 November 2017 respectively were agreed as a true record and signed by the Mayor.

27 MAYORAL COMMUNICATIONS/BUSINESS

The Mayor wished everyone a Happy Christmas and New Year and made a number of announcements relating to forthcoming charity events. She also informed members that she had recently attended the rededication of the grave of Lt. Colonel Northey of Epsom, a young officer killed in the Zulu wars of 1800s. Among the guests were a Zulu princess and members of the Northey family.

28 QUESTIONS FROM COUNCILLORS

Eight questions had been addressed to Committee Chairmen to which written answers had been provided and published.

29 SCHEME FOR MEMBERS ALLOWANCES

Council received and considered the report of the Independent Remuneration Panel regarding a Scheme for Members Allowances.

Upon the recommendations of the Panel being put, it was **MOVED** by Councillor Clive Smitheram and **SECONDED** by Councillor Hannah Dalton that:

the Council:

(1) Did not accept the recommendation of the IPR in regard to the uplift in Basic Allowance and retains the current system of Basic Allowances and indexation;

(2) Accept the recommendation of the IRP to award the majority Group Chairman/Leader a Special Responsibility Allowance of £2,703 for 2018/19 (under current formulae £4,113) subject to any indexation that may apply;

(3) Did not accept the recommendation of the IRP in regard to the allowance for a Leader of a Minority Group and agrees to retain the current funding arrangements;

(4) Accept the recommendation of the IRP to withdraw the Special Responsibility Allowance for the Chairman of the Nonsuch Park Joint Management Committee;

(5) Accept the recommendation of the IRP to withdraw the Special Responsibility Allowance for the independent person for standards matters (currently £1,012.44 per annum) and replace it with a daily rate of £250 payable only when the post is required by the Council to perform the duties of an Independent Person;

(6) Accept the recommendation of the IRP to implement one Special Responsibility Allowance per member;

(7) Accept the recommendation of the IRP to replace the reference to the National Living Minimum Wage for Dependent Carer’s Allowance with the appropriate rate of the National Living Wage;

(8) Accept the recommendation of the IRP to continue to adopt HMRC rates for calculating reimbursement of Members mileage and that subsistence payments should be in accordance with those paid to Officers of the Council;

(9) Approve an additional £150 (as originally recommended to Strategy and Resources Committee in March 2015) to be consolidated within the 2017/18 Basic Allowance, to reflect the previous provision and support arrangements for broadband, phone lines, printers and IT technical support which has ceased;

(10) Adopt recommendation (1) to (8) above from 1 April 2018.

The amendment was **CARRIED**, there being 23 members in favour, 7 members against and 5 abstentions.

It was thereupon **MOVED** by Councillor Vince Romagnuolo and **SECONDED** by Councillor Kate Chinn that:

"Officers look to investigate a scheme based on expenses only and report back to Full Council"

Upon being put, the amendment was **LOST**, there being 6 members in favour and the majority against

RESOLVED that:

the Council:

(1) Did not accept the recommendation of the IPR in regard to the uplift in Basic Allowance and retains the current system of Basic Allowances and indexation;

(2) Accept the recommendation of the IRP to award the majority Group Chairman/Leader a Special Responsibility Allowance of £2,703 for 2018/19 (under current formulae £4,113) subject to any indexation that may apply;

(3) Did not accept the recommendation of the IRP in regard to the allowance for a Leader of a Minority Group and agrees to retain the current funding arrangements;

(4) Accept the recommendation of the IRP to withdraw the Special Responsibility Allowance for the Chairman of the Nonsuch Park Joint Management Committee;

(5) Accept the recommendation of the IRP to withdraw the Special Responsibility Allowance for the independent person for standards matters (currently £1,012.44 per annum) and replace it with a daily

rate of £250 payable only when the post is required by the Council to perform the duties of an Independent Person;

(6) Accept the recommendation of the IRP to implement one Special Responsibility Allowance per member;

(7) Accept the recommendation of the IRP to replace the reference to the National Living Minimum Wage for Dependent Carer's Allowance with the appropriate rate of the National Living Wage;

(8) Accept the recommendation of the IRP to continue to adopt HMRC rates for calculating reimbursement of Members mileage and that subsistence payments should be in accordance with those paid to Officers of the Council;

(9) Approve an additional £150 (as originally recommended to Strategy and Resources Committee in March 2015) to be consolidated within the 2017/18 Basic Allowance, to reflect the previous provision and support arrangements for broadband, phone lines, printers and IT technical support which has ceased;

(10) Adopt recommendation (1) to (8) above from 1 April 2018.

30 CALENDAR OF MEETINGS 2018/19

Council received a report from the Head of Legal & Democratic Services regarding the proposed Calendar of Council and Committee meetings.

Councillor Eber Kington **MOVED**, and Councillor Clive Smitheram **SECONDED,** the recommendation in the report subject to reporting that the Democratic Services Manager would seek to resolve a clash in proposed dates. The calendar currently listed the Environment Committee and Local Committee as both taking place on 11 June 2018 and the Audit, Crime & Disorder and Scrutiny Committee and Planning Committee both taking place on 18 April 2019. The Democratic Services Manager would seek to reschedule the Environment and Audit, Crime & Disorder and Scrutiny Committees.

Upon being put, the recommendation that the Council approve the 2018/19 Calendar of Meetings was **CARRIED**

RESOLVED

that the Calendar of Meetings for 2018/19 be approved.

31 MOTIONS TO COUNCIL

No motions to Council had been received by the deadline of 5pm on Wednesday 29 November 2017 (eight clear working days before the meeting).

The meeting began at 7.30 pm and ended at 8.55 pm

COUNCILLOR LIZ FROST
MAYOR

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Council
20 February 2018

Agenda Item 5

Budget and Council Tax 2018/19

Report of the:	Chief Finance Officer
Contact:	Lee Duffy
Annexes/Appendices (attached):	**Listed in report conclusion**
Other available papers (not attached):	Estimate files held in Finance Directorate

Report Summary

This report fulfils the statutory requirement to agree a budget for 2018/19, comprising both revenue and capital expenditure plans, and to set a Council Tax for the year. The council tax recommendation is for an increase of 2.98%. Financial Policy Panel made no recommendation to Council but requested that the report include options for a Council Tax freeze and an increase of 2.98%.

Recommendations

See (1) to (10) below

1. **That it be noted that, under delegated powers, the Chief Finance Officer calculated the Council Tax Base as 32,658.06 (Band 'D' equivalent properties) for the year 2018/19 calculated in accordance with the Local Government Finance Act 1992, as amended (the "Act").**

2. **That the following estimates recommended by the policy committees be approved:-**

    a. **The revised revenue estimates for the year 2017/18 and the revenue estimates for 2018/19**

    b. **The capital programme for 2018/19 and the provisional programme for 2019 to 2021, as summarised in the capital strategy statement.**

3. **That the fees and charges recommended by the policy committees be approved for 2018/19.**

4. **That the Council Tax Requirement for the Council's own purposes for 2018/19 is £6,289,942.**

5. That the Council receives the budget risk assessment at Annexe 6 and notes the conclusion of the Chief Finance Officer that these budget proposals are robust and sustainable as concluded in this report.

6. That the Council receives the Chief Finance Officer Statement on the Reserves as attached at Annexe 8.

7. That the Council agrees the Treasury Management Strategy, Prudential Indicators and Authorised Limits for 2018/19 as set out in Annexe 11 including:-

   a. Affordability Prudential Indicators

   b. The actual and estimated Capital Financing Requirement

   c. The estimated levels of borrowing and investment

   d. The authorised and operational limits for external debt

   e. The treasury management prudential indicators

8. That the following amounts be now calculated for the year 2018/19 in accordance with sections 31 to 36 of the Act:

   a. £56,138,698 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(2) of the Act

   b. £49,848,756 being the aggregate of the amounts which the Council estimates for the items set out in section 31(A)3 of the Act

   c. £6,289,942 being the amount by which the aggregate at 8(a) above exceeds the aggregate at 8(b) above, calculated by the Council, in accordance with section 31A(4) of the Act, as its council tax requirement for the year.

   d. £192.60 being the amount at 8(c) above divided by the amount at 1. above, calculated by the Council, in accordance with section 31(B) of the Act, as the basic amount of its council tax for the year

9. To note that Surrey County Council and Surrey Police Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below:-

SURREY COUNTY COUNCIL

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	**940.86**	**1,097.67**	**1,254.48**	**1,411.29**	**1,724.91**	**2,038.53**	**2,352.15**	**2,822.58**

SURREY POLICE AUTHORITY

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	**157.71**	**184.00**	**210.28**	**236.57**	**289.14**	**341.71**	**394.28**	**473.14**

10. That the Council, in accordance with Section 30 to 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2018/19 for each of the categories of dwellings.

EPSOM AND EWELL BOROUGH COUNCIL

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	**128.40**	**149.80**	**171.20**	**192.60**	**235.40**	**278.20**	**321.00**	**385.20**

AGGREGATE OF COUNCIL TAX REQUIREMENTS

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	**1,226.97**	**1,431.47**	**1,635.96**	**1,840.46**	**2,249.45**	**2,658.44**	**3,067.43**	**3,680.92**

1 Introduction

1.1 The Council is required to agree a budget for 2018/19 and, having regard to the cost of service provision and estimates of income, the level of Council Tax for the coming year.

1.2 Legislation also requires:-

- The preparation of budget plans for a three year period

- The setting of prudential indicators which determine the level of Council borrowing and capital expenditure, together with the treasury management strategy

- The Council's Chief Finance Officer to report on the robustness of the estimates and the adequacy of the reserves

- The Council to consider the risks in its budget strategy

1.3 The Council has now completed its review of service income and expenditure. The policy committees have considered their service estimates and they have recommended budgets, charges and capital investment for the next financial year.

1.4 This report provides an overview of the General Fund Revenue Account budget position for 2018/19 and future years as a basis for determining council tax.

1.5 The Financial Policy Panel on 6 February 2018 recommended that budget options based on a council tax increase of 0% (freeze) and an increase of 2.98%. These options are shown in the report.

1.6 The budget report is based on a recommended increase of 2.98%, £5.58 per annum (for Band D property) in council tax reflecting the final grant settlement figures received after the Financial Policy Panel met.

1.7 All options are consistent with the council tax policy of ensuring that council tax stays below the average payable of the Surrey Districts.

2 Implications for the Council's Key Priorities, Service Plans and Community Strategy

2.1 The Medium Term Financial Strategy includes the following objectives for Council Tax and the revenue budget:-

<u>Council Tax</u>

- Ensure that Council Tax stays below the average payable of the Surrey Districts

<u>Budget Position</u>

- Produce a balanced revenue budget each year.

- Maintain a minimum working balance of £2.5 million at 31 March 2020.

- Maintain a prudent level of strategic reserves and a minimum of £1 million in the Corporate Projects Reserve.

- Utilise reserves pro-actively to manage major risks to Council's finances.

3 Current Year Position

3.1 The 'probable outturn' comprises a revised forecast for the current year ending 31 March 2018, based on the mid-year budget review. The following table summarises the financial performance anticipated for the year as reported to each of the policy committees.

POLICY COMMITTEES' BUDGETS 2017/18

	Published Policy Book 2017/18	**Mid-Year Forecast 2017/18**	**Variance**
	£000	***£000***	***£000***
Strategy & Resources Committee	2,402	2,105	
Asset Rents (Landlord Account)	(2,879)	(2,879)	
Environment Committee	1,878	2,126	
Community & Wellbeing Committee	6,244	6,248	
Total	**7,645**	**7,600**	***(45)***

3.2 Service expenditure variations have been reported to the responsible committees. The main issues affecting financial performance for the current financial year:-

Favourable:

- Homelessness costs reduced
- Contingency set aside for the impact of benefit reforms on services unlikely to be required in 2017/18.
- Additional income from acquisition of new investment property through Commercial Property Investment Company (EEPIC)

Adverse:

- Building Control income

- Income from existing investment properties rent reviews.

- Costs of exiting ICT shared service with Elmbridge BC

3.3 The budget included no planned use of the working balance to finance services. For the purpose of preparing this budget report it has been assumed that in 2017/18 the Council will make a contribution back to working balances of £45,000

3.4 The working balance carried forward at 31 March 2017 was £3.3 million. Using the service income and expenditure position as recently reported to the policy committees, the forecast working balance for 31 March 2018 is £3.4 million.

3.5 Members will note that the Council planned to use £500,000 of New Homes Bonus to fund services in 2017/18 and this draw-down has still been assumed in the forecast position.

3.6 Variations from budget as identified during the year have been taken into account in preparing estimates for 2018/19. Areas of significant concern have also been reported to the relevant policy committee so that a plan of action can be agreed.

4 Budget Strategy

4.1 The 2018/19 revenue budget and the capital investment programme comprise the Council's spending plans for the forthcoming year.

4.2 The Budget Targets for 2018/19 were agreed at Strategy & Resources Committee on 26 September 2017 as follows:-

- Estimates are prepared including options to reduce organisational costs by £588,000 subject to government grant announcement, to minimise the use of working balances and maintain a minimum working balance of £2.5 million in accordance with the medium term financial strategy.

- That at least £200,000 additional revenue is generated from an increase in discretionary fees and charges, based on minimum overall increase in yield of 3% in 2018/19.

- That a provision for pay award is made of £228,000 that represents an increase to the staffing budget of 1.5%.

- That further savings and efficiencies be identified to address the budget shortfalls of £90,000 in 2018/19, £577,000 in 2019/20 and £791,000 in 2020/21.

- That the Capital Member Group seeks to limit schemes included within the capital expenditure programme that enable the retention of agreed minimum level of capital reserves.

4.3 The Financial Policy Panel has received regular updates and given guidance on the preparation of the estimates. For more detail, Councillors may wish to refer to background papers on these agendas. The following specific agendas may provide useful background to the budget review programme:-

- September 2017: Review of local taxation level and budget targets (including efficiency savings, efficiency plan, staffing and income levels):

- December 2017: treasury management, capital programme and capital reserves:

- February 2018: finance settlement, business rate retention, income from the Council's Commercial Property Company and council tax

5 2018/19 Revenue Budget

5.1 The draft Budget Book was issued to all Councillors in January and was available when the estimates were considered by the policy committees.

5.2 The detailed fees and charges proposals and capital appraisals for all policy committees can be found on the appropriate policy committee agenda (January committee cycle).The estimates for services, as recommended by the policy committees, are summarised at **Annexe 1** to this report.

5.3 The main year-on-year changes in the cost of service provision are detailed in **Annexe 2** to this report.

5.4 The comparison to the 2017/18 published budget is also shown in the table below at committee total level:-

POLICY COMMITTEE BUDGETS 2018/19

	2017/18 Published Budget	**2018/19 Recommended Budget**	**Variance**
	£000	***£000***	***£000***
Strategy & Resources Committee	2,402	2,697	
Asset Rents (Landlord Account)	(2,879)	(2,879)	

Environment Committee Community & Wellbeing Committee	1,878 6,244	1,948 6,017	
Total	**7,645**	**7,783**	+ 138
External Funding (council tax, revenue support grant, retained business rates)	(7,645)	(7,783)	(138)
Shortfall of income to cover planned expenditure & required use of Working Balance	**0**	**0**	0

Staff Budget

5.5 A total of £11.5 million of staff costs, staff on-costs and agency costs have been included in the policy committee estimates compared to £11.2 million in 2017/18. This will form the salary control total for budget monitoring purposes, subject to adjustments needed where service changes are agreed by the Council.

5.6 The budget includes the full staffing costs for Nonsuch JMC and Epsom & Walton Downs Conservators where the Council's liability is 50% and 60% respectively.

5.7 The Strategy and Resources Committee agreed a pay award provision of £246,000 for 2018/19 in November 2017.

5.8 It is anticipated that a two per cent staff vacancy margin, staff turnover savings net of temporary staff cover, will be required to manage staff costs within the control total.

Pensions

5.9 Following the 2016 pension fund valuation there is no increase to the level of employer's pension on-cost. No additional provision has been made for deficit funding in 2018/19. The next valuation will be based on the Surrey Pension Fund position at 31 March 2019.

6 Fees and Charges

6.1 Each policy committee has received a report on fees and charges for 2018/19. Income from the recommended charges has been included in the committee estimates.

6.2 A summary of the additional income from increases in discretionary charges included in the budgets recommended by the Committees, totalling £248,000 is attached at **Annexe 3**.

7 Economic Indicators

7.1 The latest Treasury economic indicators (December 2017) are shown at **Annexe 5**.

8 Equalities Implications

8.1 The Council will fulfil its statutory obligations and comply with its policy on equalities.

8.2 The budget proposals where they involve a reduction in service to users will require an equalities assessment.

8.3 Assessments will be required for service changes where identified in service plans.

9 Risk Management

9.1 A financial risk assessment was completed for each of the policy committee revenue budgets. The main financial risks have been included in a corporate budget risk assessment at **Annexe 6.**

9.2 The highest service financial risk is the Council's increased exposure to investment properties including the associated income streams from tenants.

9.3 **Annexe 6** also identifies the means of managing the risks identified. In relation to the size of the working balance and the capital reserves, which act as a contingency against such risks, the overall level of revenue budget risk in 2018/19 is deemed to be medium.

9.4 A higher risk remains with the financial outlook due to the state of the UK public finances and the impact of Brexit on the national and local economy, which could result in the need for further government public spending cuts.

9.5 The Government's four year settlement has provided a clearer picture of the levels of core funding for this Council until 2020. However, the funding for Epsom and Ewell Borough Council from New Homes Bonus will reduce in future years and the updated Financial Plan makes provision to remove this as a source of funding for services by 2021/22

9.6 The Government has consulted on potential changes to borrowing which could limit Council investment in the acquisition of commercial properties and could impact on opportunities for future income generation.

10 Revenue Budget Overview 2018/19

10.1 The Council's budget requirement can be measured by the amount of Council expenditure that will be financed from external finance (revenue support grant and retained business rates) and from council tax income.

10.2 The budget requirement comprises gross expenditure on services, less gross income from services, less the planned use of revenue reserves.

10.1 The Budget Requirement in 2017/18 was £7,645,000. The budget requirement for 2018/19 is calculated as follows:-

Net Expenditure on Services	£000	External Finance	£000
Gross Expenditure	48,486	Revenue Support Grant	0
		Retained Business Rate Income	1,203
Gross Income	- 40,703	Small Business Rate Relief Grant	329
		Collection Fund Deficit (business rates)	-180
		Collection Fund Surplus (council tax)	141
Net Expenditure	7,783	External Finance	1,493
T/F from Working Balance	0	Council Tax Income	6,290
Budget Requirement	7,783	Income from grant and Council Tax	7,783

10.2 The increase in the Budget Requirement (net spending) is 1.8%.

10.3 In April 2012 central government brought in a new measurement of spending defined at the 'Council Tax Requirement'. This is the estimate of tax to be raised i.e. Band D tax level multiplied by the council tax base (the number of Band D equivalent properties). The Council is required to show this information in the council tax leaflet.

10.4 The Council Tax Requirement for 2018/19 is £6,289,942 subject to any budget changes made at the Council meeting.

10.5 The Council tax requirement will change each year due to:-

- Increases/decreases in domestic properties
- Increases/decreases in council tax

11 Local Government Finance Settlement

11.1 The Government made an offer of a fixed, four-year Local Government Finance Settlement in February 2016, covering the years 2016/17 to 2019/20. The offer made to each local authority is conditional on the authority producing and publishing an Efficiency Plan that will outline how it will achieve its objectives within the available resources set in in the settlement.

11.2 The Council agreed to accept the offer of the four year settlement and rename the Cost Reduction Plan, agreed in the Medium Term Financial Strategy, the Efficiency Plan (which is shown in **Annexe 4**).

11.3 The following table shows the spending assessment figures announced for 2018/19.

GOVERNMENT FUNDING	**2017/18 Actual** ***£000***	**2018/19 Final Settlement** ***£000***
Business Rates Baseline Funding	1,326	1,366
Transitional Grant	83	0
Government Settlement Funding Assessment	**1,409**	**1,366** **(- £43k, - 3.1%)**

11.4 The government's funding assessment was reduced by £43,000 or 3.1% in 2018/19.

11.5 The latest settlement figures received shows a slight change to the four year settlement provided in February 2016, the settlement figure for 2019/20 shows the Baseline figure for business rates being reduced by £12,000 when compared to the original settlement.

11.6 The latest settlement still includes a tariff adjustment of £625,000 in 2019/20 and there still remains uncertainty on how the changes to business rates proposed for 2020/21 will impact on this Council.

	2016/17 ***£'000***	***2017/18*** ***£'000***	***2018/19*** ***£000***	***2019/20*** ***£000***
Final Settlement				
Revenue Support Grant	417	0	0	0
Retained Business Rates - Baseline	1,300	1,326	1,366	1,396

	2016/17 £'000	*2017/18 £'000*	*2018/19 £000*	*2019/20 £000*
Government Baseline Funding	**1,717**	**1,326**	**1,366**	**1,396**
Transitional Grant	93	83	0	0
Tariff Adjustment	0	0	0	-625
Government Settlement Total	**1,810**	**1,409**	**1,366**	**771**

11.7 The four year funding settlement sees the Council's core funding from RSG and retained business rates reduce from £2.3 million in 2015/16 to £771,000 in 2019/20 a cut in funding over the four years of £1.5 million or 65%.

12 Core Spending Power

12.1 In its spending announcements the Ministry of Housing, Communities and Local Government also refers to changes in 'spending power'. This is a term used to measure the impact of all government grant changes on local authority budgets. Core Spending Power is different from Government funding as this includes income received from council tax and New Homes Bonus Grant.

	2017/18 £'000	**2018/19 £'000**
Grants		
Transitional Grant	83	0
Retained Business Rates	1,326	1,366
Total Grant Funding	**1,409**	**1,366**
New Homes Bonus	1,557	834
Council Tax*	6,046	6,301
	7,603	**7,135**
Core Spending Power	**9,012**	**8,502**

*figure from provisional financial settlement

12.2 Nationally there is an increase in spending power for 2018/19 is 1.5%. However, for Epsom and Ewell Borough Council's spending power will reduce by £510,000 or 7.4%.

13 New Homes Bonus Grant

13.1 The Council additionally benefits from the award of New Homes Bonus grant, based upon the number of new residential properties in the borough in the preceding year, with a supplement for affordable housing.

13.2 As part of the financial settlement for 2017/18 the Government announced a change to the basis for calculating New Homes Bonus Grant. Originally the Council received a rolling 6 years of individual allocations; this has been reduced down to 4 years for 2018/19 alongside a further reduction by only awarding funding for growth in homes above the 0.4% per annum baseline.

13.3 The provisional payment for 2018/19 is £833,000 and compares to the forecast included within the Financial Plan of £665,000.

13.4 Under the New Homes Bonus protocol, £500,000 of this grant has been allocated to help fund services in 2018/19 and the balance of £333,000 will be made available for capital investment or corporate projects.

13.5 Further significant reductions in funding available from New Homes Bonus are expected for 2019/20 when projections show that there will be insufficient New Homes Bonus available to fund services as agreed under the protocol.

New Homes Bonus	2018/19 £'000	2019/20 £'000	2020/21 £'000
2015/16	411		
2016/178	158	158	
2017/18	45	45	45
2018/19	219	219	219
2019/20*		50	50
2020/21*			50
Projected Grant	**833**	**472**	**364**

* forecast

13.6 The reduced levels of grant for New Homes Bonus has been incorporated into the updated Financial Plan with reliance on this as a source of funding for services removed by 2021/22.

13.7 To manage the risk of a change in, or the end of, this specific grant it was agreed as part of the Medium Term Financial Strategy that a minimum level of £1 million of New Homes Bonus funding is retained within the Corporate Projects Reserve.

14 Business Rate Retention

14.1 The 2018/19 government settlement includes £1,366,000 for this Council as a 'settlement funding assessment' which is solely from Business Rates Baseline funding.

14.2 Until 2012/13 formula grant funding, including redistributed business rates, had been fixed in the local government finance settlement and this allocation was not varied during the year. Under the local retention scheme Councils enjoy gains or suffer losses from variations to the business rates collected, whether due to changes in collection rates or more/fewer businesses.

14.3 The implementation of the Business Rate Retention scheme has generally been recognised as being turbulent for a number of reasons:-

- The economic environment is already difficult for many businesses

- A very high level of outstanding appeals were with the Valuation Office dating back to the 2010 revaluation and even 2005 in some cases

- The new system covers both rate reductions due to successful appeals as well as the reimbursement of rates back to the valuation date

14.4 The Financial Policy Panel recently received more information on the business rate collection forecast and the latest position is summarised in the table below:

	Gov't Baseline 2017/18 *£000*	**EEBC Budget 2017/18 (NNDR1)** *£000*	**EEBC Latest Forecast 2017/18** *£000*	**EEBC Budget 2018/19 (NNDR1)** *£000*	
Rates Collectable	24,392	24,675	24,915	24,922	
Less: payable to central government	-12,196	-12,338	-12,458	-12,461	50%
Less: payable to SCC	-2,439	-2,467	-2,491	-2,492	20% of local share
NNDR Baseline	9,757	9,870	9,966	9,969	Rates kept before tariff
Less 'Tariff'	-8,431	-8,431	-8,431	-8,599	Tariff set by govt to go to 'top-up authorities'
Retained Business Rates	1,326	1,439	1,535	1,370	

	Gov't Baseline 2017/18	**EEBC Budget 2017/18 (NNDR1)**	**EEBC Latest Forecast 2017/18**	**EEBC Budget 2018/19 (NNDR1)**	
Less: loss of 50% of underlying growth		-202	256	-167	
Est. of Retained Business Rates	1,326	1,237	1,279	1,203	
Add back: Small Business Rate Relief Grant		290	302	329	Separate grant funding for extension of SBRR
EEBC Income including relief grants	**1,326**	**1,527**	**1,581**	**1,532**	

14.5 The above table includes the estimate of income received from retained business rates plus government section 31 grant awarded to councils to compensate for the additional business rate reliefs.

14.6 The level of retained business rates income is based on the original method of redistribution. However, as a result of the Council being successful in becoming a pilot with Surrey and the other District Councils it is expected for the level of retained business rates funding available for 2018/19 to increase.

Business Rates Pilot

14.7 In October a bid was submitted on behalf of Surrey which included all the Districts and County to become a pilot for Business Rates Retention for 2018/19.

14.8 In agreeing for this Council to be part of the Pilot it was done so on the understanding;

- All authorities will receive a guaranteed gain of £0.5m from money set aside from the separate financial stability/sustainability and economic regeneration pots;
- Finance officers clarify the distribution of the funding under financial stability/sustainability to ensure openness and fairness;
- Finance officers clarify the funding mechanism for economic regeneration to ensure openness and fairness.

14.9 It was announced within the Government's Financial Settlement that Surrey's bid to become a pilot for Retained Business Rates for 2018/19 had been successful. Details on the funding retained under the Pilot are unavailable in time for agreeing the 2018/19 budget. Therefore, the Budget Report is based on the original method of redistribution of business rates income.

14.10 A report will go to Strategy & Resources in Committee in April providing the Council with more information on the Pilot and the impact that this has on the Council's finances.

Business Rates Equalisation Reserve

14.11 The Council agreed to set up a Business Rate Equalisation Reserve in 2013/14 to help manage the fluctuations in business rates retained under the new arrangements. The following estimate is made of that reserve:-

Business Rate Equalisation Reserve Forecast	***£000***
Balance 31 March 2017	**864**
Planned use to partially offset 2016/17 deficit and levy payment	-70
Forecast balance 31 March 2018	**794**
Planned use to partially offset Prior Year Deficit	-65
Forecast balance 31 March 2019	**729**

15 Funding Received from Commercial Property Investment Company (EEPIC)

15.1 Council agreed on 19th September 2017 to set up a Local Authority Property Investment Trading Company with one of its primary objectives to enable the acquisition of investment properties outside the Borough that will generate additional income for the Council.

15.2 Since the inception of the Company (EEPIC), the company has acquired two properties outside the Borough and these are budgeted to deliver a benefit to the Council's General Fund for 2018/19 of £805,000.

15.3 It was agreed when acquiring properties it is prudent to set aside a proportion of the annual net income in to an Investment Property Income Equalisation (PIE) Reserve to safeguard against any unforeseen eventualities, e.g. loss of rent or default. The levels of funds and contributions to this reserve will be reviewed annually as part of the budget process to ensure they are sufficient to meet the objectives.

15.4 It should be noted that the two commercial property acquisitions made in 2016/17 were made through the Council and not by EEPIC and therefore do not feature in the table below.

2018/19 Budget	Expenditure £'000	Income £'000	MRP £'000	Net Total £'000
Marlow net income	571	-1,712	339	-802
Arlington Square net income	595	-1,770	279	-896
Costs	147			147
Taxation	245			245
Sub-total net income	**1,588**	**-3,482**	**618**	**-1,306**
Budgeted contribution to PIE reserve				501
Net income in 2018/19 revenue budget				**-805**

15.5 The Government has consulted with Councils to review how Local Authorities are using borrowing to finance the acquisition of assets outside of its boundaries. There is growing concern in Central Government that Councils are taking on large amounts of debt to acquire income generating assets that have no local connection to the Borough and are exposing local council taxpayers to significant risks if these investments become financial unviable.

15.6 The consultation was issued in order to try and curb Councils from carrying out these type of investments and encourage more investment within the boundary of the Local Authority, principally by making changes around the application of MRP.

15.7 The Minimum Revenue Provision (MRP) is the minimum amount which the Council must be charge to the revenue account each year and set aside as provision for repaying external loans and meeting other credit liabilities.

15.8 Officers will continue to monitor the proposals and, once any impact is established, it will be communicated to S&R Committee.

15.9 As a result of the uncertainty surrounding MRP and the need to maintain a minimum level of capital reserve of £1 million as agreed in the Council's Financial Plan, the 2018/19 Budget utilises £540,000 of the dividend income to finance schemes within the capital programme for 2018/19 rather than use the Council's diminishing capital receipts.

15.10 However, if changes are enforced to the Council's MRP Policy the dividend from EEPIC will be used to offset the impact of this change and reduce the proposed funding available for capital schemes.

16 Reserves

16.1 The reserves as contained in the audited financial statements at 31 March 2017 may be summarised as follows:-

	Balance 31 March 2016 £000	**Balance 31 March 2017 £000**	
Capital Receipt Reserves	4,968	4,893	Receipts from the sale of assets earmarked for capital programme commitments and invested under the Treasury Management policy. Incudes £580k earmarked Hospital Cluster Receipt.
Community Infrastructure Levy	2,526	3,835	Receipts available for funding of infrastructure improvements
Earmarked Strategic Reserves	7,287	9,353	Provisions for future expenditure or against identified liabilities
Working Balance	3,171	3,334	General Fund working balance

16.2 The policies for the reserves are contained in Section 3 of the Financial Plan 2016-2020 approved by Council in February 2016.

16.3 The levels of revenue reserves are set out in **Annexe 7**.

16.4 The following estimate is made of the Council's capital receipt reserves.

	Capital Reserves ***£'000***
Balance brought forward at 1 April 2017	**4,893**
Estimated use to fund 2017/18 capital expenditure	- 1,794
Estimated Balance at 31 March 2018	**3,099**
Planned use for 2018/19 programme	- 685
Allowance for Receipts in Year	0

	Capital Reserves **£'000**
Note: excludes allowance for programme slippage	
Estimated Balance at 31 March 2019	**2,414**

16.5 The Council is required to consider the level of its reserves in setting its budget. The Chief Finance Officer's statement of the adequacy of the financial reserves is attached at **Annexe 8**.

16.6 Next year's budgets include the following planned use of general reserves:-

- No use of the General Fund Working Balance to fund services
- £685,000 of capital reserves to fund the capital programme (including spend to save schemes subject to approval of business case)

17 Financial Forecast

17.1 The following financial forecast comprises an update of the forecast in the Financial Plan 2016-2020 to take account of the 2018/19 budget proposals and central government public sector spending plans.

	2018/19	**2019/20**	**2020/21**	**2021/22**
	Budget ***£000***	**Forecast** ***£000***	**Forecast** ***£000***	**Forecast** ***£000***
Cost of Service b/f	8,634	7,928	8,042	8,596
Pay & Prices Increases	+ 480	+ 450	+ 490	+ 490
Contingency for Service Changes and Pressures	+ 555	+ 115	+ 250	+ 150
Increases in Fees & Charges	- 248	- 200	- 210	- 210
Changes to External Funding	+ 97	+ 155	+ 24	0
Star Chamber / Service Savings	- 1,590	- 406	0	0
Forecast Net Cost of Services	**7,928**	**8,042**	**8,596**	**9,026**
Interest on Balances	- 120	- 150	- 188	- 225
Contributions to / (from) reserves	475	100	100	100
Use of New Homes Bonus	- 500	- 473	- 185	0

Forecast Net Expenditure	**7,783**	**7,519**	**8,323**	**8,901**
Business Rates Forecast	1,532	1,563	1,594	1,626
Tariff Adjustment	0	- 625	- 653	- 681
Council Tax Income Forecast	6,290	6,526	6,771	7,025
Collection Fund Surplus / (Deficit)	- 39	0	0	0
Collection Fund Income	**7,783**	**7,464**	**7,712**	**7,970**
Funding Shortfall	*0*	*- 55*	*- 611*	*- 931*

17.2 The Financial Plan provides more analysis behind the forecast including the assumptions used however key points to note are:-

- The forecast covers existing services plus makes contingencies for government reforms

- £500,000 of New Homes Bonus receipts are used to fund revenue services in 2018/19 but is expected to reduce to £364,000 in 2020/21. Use of New Homes Bonus as a source of funding for services has been removed from the updated Financial Plan in 2021/22.

- Council tax and other charges have been increased by 3% per annum

- The forecast does not assume any further income from new property acquisitions.

- The potential impact of any enforced changes by Central Government to MRP are not included within the latest forecast.

- The updated Plan excludes any gain from the successful bid to be a Retained Business Rates Pilot.

- Savings and the development of new income streams have been identified of £3,639,000 over the four years (2016/17 to 2019/20) as part of the budget process.

- Further savings of around £55,000 will need to be found in 2019/20 for a balanced budget to be achieved at the end of this period.

18 Capital Programme

18.1 The review of capital spending requirements was overseen by the Capital Member Group. The Financial Policy Panel considered the financing requirement for new capital investment in December 2017 and February 2018.

18.2 A provisional three year forward programme was reported to the policy committees in the last committee cycle. Supported schemes have been included in the draft capital programme.

18.3 The updated capital strategy statement is attached at **Annexe 10** and includes a summary of proposed investment for 2018-2021.

18.4 A capital investment programme of £1,813,000 is recommended for 2018/19 and the following funding is required to allow the schemes in this programme to be completed:-

18.5 Use of Capital Reserves for the core programme is £685,000

18.6 Use of central government grant: £588,000

18.7 Use of revenue income from EEPIC: £540,000

18.8 Schemes will also be carried forward from the 2017/18 programme where not completed by 31 March 2018.

19 Prudential Indicators and Authorised Limits for 2018/19

19.1 The Local Government Act 2003 introduced a system of capital controls for local authorities. Details of the regulations are set out in **Annexe 11** to this report.

19.2 The Council agreed to borrow funds of up to £80m to finance the acquisition of commercial properties in 2016/17 and further borrowing of up to £300 million was approved in 2017/18 when it was agreed to establish a wholly owned property investment trading company.

19.3 The Financial Policy Panel has considered the capital financing requirements as part of the capital programme review and it is not anticipated that the Council will undertake any long term borrowing to finance the core capital programme in 2018/19.

19.4 Prudential Indicators and Authorised Limits have been proposed in the Annexe on this basis and on the basis of the capital strategy recommended to the Council.

20 Council Tax Options

20.1 The current Surrey District Council Tax levels are shown at **Annexe 12**.

20.2 The policy in the Medium Term Financial Strategy is to ensure that Council Tax stays below the average of the Surrey Districts.

20.3 The final Government Grant settlement announced a relaxation to capping limits for council tax, allowing District Councils to increase their council tax by either £5 per annum (property D equivalent) or 3% (previously 2%) before needing to hold a referendum. The recommendation in the budget report is for an increase of 2.98%, which represents an increase of £5.58 per annum on a Band D equivalent property.

20.4 The decision must take into account a number of factors including the medium term budget forecast including the level of savings already required to achieve a balanced budget in future years.

20.5 Two options for 2018/19 levels of council tax are illustrated at **Annexe 13**, a freeze in council tax and an increase of 2.98%. Both options are based on the service estimates in the Budget Book 2018/19 and the estimate reports presented to the policy committees in January and February 2018.

20.6 Council tax for the 2.98% increase and a freeze is illustrated in the following table.

Increase:	**0%**	**2.98% Increase Recommendation**
Council Tax	£187.02	**£192.60**
Increase per annum	£0	**£5.58**
Increase per week	0p	**11p**
Income Generated 2017/18	£0	**£182,000**
Adjustment needed to Draft Budget Book	£182,000 adverse	**£0**
Income Generated Future Years Council Tax Base	0	**£182,000**

20.7 The Borough Council will remain at the lower end of the range of Surrey District Council tax levels whatever option is decided.

21 Consultation with Non-Domestic Ratepayers

21.1 The Council has provided information about the Council’s spending proposals and business rates reliefs on the web and promoted use through the Business Partnership. Any response specific to the 2018/19 budget will be identified at the meeting.

22 Collection Fund

22.1 In accordance with the Local Authorities (Funds) (England) Regulations 1992, the Borough Council as the billing authority is required to estimate on 15 January each financial year the surplus or deficit on its Collection Fund for that year in respect of Council Tax. The estimates are required to be made on an accruals basis in accordance with proper accounting practices.

22.2 Where a deficit or surplus in the 2017/18 Collection Fund is estimated in respect of Council Tax or Business Rates, the amount is to be apportioned in 2017/18 between authorities that precept on the collection fund in accordance with the ratio of their 2017/18 precepts.

22.3 The calculation of the estimated position on the Council's 2017/18 Collection Fund in respect of Council Tax items is detailed at **Annexe 14** and this shows a surplus on the Fund of £141,095 is forecast for this Council and will be credited to the General Fund Revenue Account for 2018/19.

22.4 The business rates retention scheme was introduced under the 2012 Local Government Finance Act and requires the allocation of estimated surpluses and deficits for 2017/18 in 2018/19. A deficit of £180,087 is forecast for this Council and will be charged to the General Fund Revenue Account for 2018/19. The calculation is shown in **Annexe 14**.

23 Precepts

23.1 Precepts have been issued by Surrey County Council and Surrey Police Authority upon Epsom and Ewell Borough Council, as the billing authority.

23.2 A schedule of precept dates has been agreed with the precepting authorities.

24 Council Tax Recommendation

24.1 The budget target included an increase of £4.95 per annum on a Band D equivalent property in Council Tax.

24.2 Following confirmation of changes in government funding and the council tax referendum rules, along with the need to minimise the use of working balances, the recommendation in this report is based on an increase of 2.98%.

24.3 Based on this figure the Borough Council's calculation of the amount to be raised by way of Council Tax based on the proposed council tax requirement is as follows:-

Council Tax Requirement 2018/19	**£**	**£**
Budget Requirement		7,783,181
Revenue Support Grant	0	
Transitional Grant	0	
Non Domestic Rates retained	1,203,289	
Small Business Rate Relief Grant	328,942	
External Support:		(1,532,231)
Sub-Total		6,250,950
Add: Collection Fund Deficit (business rates)		180,087
Less: Collection Fund Surplus (council tax)		(141,095)
Council Tax Requirement		**6,289,942**

24.4 Precepts have been recommended as follows:-

Awaiting confirmation	**£**	**%**
Surrey County Council	46,089,994	77
Surrey Police	7,725,917	13
Epsom and Ewell Borough Council	6,289,942	10
Total	60,105,853	

24.5 In accordance with Regulation 3 of the local authorities (Calculation of Tax Base) Regulations 2012, the Council calculated the amount of 32,658.06 as its Council Tax base for the year 2018/19. This represents the number of Band D equivalent properties.

24.6 Based on the recommendation in this report, the change in the council tax levy per Band D equivalent dwelling, when compared to 2017/18 would be as follows:-

Recommendations	**2017/18**	**2018/19**	**Variation**	
	£	**£**	**£**	**%**
Surrey County Council	1,331.55	1,411.29	79.74	5.99
Surrey Police Authority	224.57	236.57	12.00	5.34

Epsom & Ewell Borough Council	187.02	192.60	5.58	2.98
Total	**1,743.14**	**1,840.46**	**97.32**	**5.58**

25 Robustness of the Estimates

25.1 The Local Government Act 2003 requires that when a local authority is agreeing its budget and precept, the Chief Finance Officer must report on the robustness of the estimates made for the purpose of the calculations.

25.2 The Council's Chief Finance Officer advises that:-

- The Council received the 2016/17 financial statements in good time, with an unqualified audit opinion

- The revenue and capital budget monitoring arrangements are effective for the purpose and all Members receive quarterly monitoring reports

- The Financial Policy Panel receives regular reports on financial and risk management, asset management and procurement issues and has been well placed to provide effective advice on the medium term financial strategy, the capital strategy and on financial planning leading to the preparation of the detailed service estimates.

- The policy committees have received detailed estimates of revenue and capital expenditures for 2018/19 and have also received assessments on the main financial risks.

25.1 It is the Chief Finance Officer's opinion that the assumptions used in preparing the estimates are realistic and that the committees should be able to meet their obligations within the proposed budget allocations.

25.2 A corporate budget risk assessment is appended to this report (**Annexe 6**), as is a statement on the level of reserves (**Annexe 8**).

25.1 The Chief Finance Officer considers that the budget proposals for 2018/19 are robust and sustainable.

25.2 The updated financial forecast (**Annexe 9**) identifies the need for further significant cost reduction and income generation as set out in this report so as to improve the forecast budget position by nearly £1 million by 2021/22. Given the reduction in grant funding from New Homes Bonus Grant and the uncertainty over business rate retention income, the Council will need to update the financial forecast and review its spending plans as part of the 2019/20 budget review process.

25.3 The major challenge in the Financial Plan was the delivery of over £3 million of savings over the four years 2016 to 2020 and the 2018/19 estimates show that significant progress has been made in delivering these savings.

25.4 Although, all but £55,000 of the £2 million of savings or new income has been identified that will allow for balanced budgets for 2018/19 and 2019/20, the Council needs to ensure delivery of these items to enable the Council to meet its objective of setting annual budgets with no use of working balances.

26 Conclusions

26.1 The priorities in the Corporate Plan will guide the allocation of resources through service plans and annual service targets.

26.2 The proposed budget makes provision for all services next year and takes into account variations in income and expenditure this year, as well as changes to government grant funding. The budget also includes the full year effect of savings made last year and new efficiency savings and increases in income for 2018/19.

26.3 This Council agreed to accept Central Government's four year financial settlement which reduces core funding by 22% for 2017/18 and will fall by 57% by 2019/20. The level of cuts means that the Council will have to make significant reductions to its net cost of services to be able to deliver a sustainable balanced budget.

26.4 The Council has been able to prepare a balanced budget through a range of changes to services, increases to income especially from the acquisition of commercial property. Revenue reserves are sufficient to manage further variations in income and expenditure.

26.5 The major challenge for this Council is the delivery of the £2 million of savings and new income identified in the Cost Reduction Plan over the next 2 years (2018/19 to 2019/20) and the need to identify and deliver a potential further £1 million for the following 2 years (2020/21 to 2021/22).

26.6 Budget and Council Tax decisions for 2018/19 should be consistent with the draft Medium Term Financial Strategy and the Financial Plan for 2016 – 2020.

26.7 The main financial risks identified for next year's budget are set out in **Annexe 6** to this report.

26.8 The draft budget is based on a 2.98% annual increase in council tax. The proposed budget will still require the delivery of cost reductions but the increase would help to maintain the resources needed for service delivery in the medium term.

26.9 The Council will maintain its council tax policy under any of the option presented with the tax being below the Surrey average.

26.10 For ease of reference, the Annexes attached to this report are listed below:

Annexe 1	Policy Committee Budgets 2018/19
Annexe 2	Main Changes to Service Budgets for 2018/19
Annexe 3	Income from increases to discretionary Fees and Charges
Annexe 4	Updated Four Year Efficiency Plan 2016/17 to 2019/20
Annexe 5	HM Treasury Economic Indicators
Annexe 6	Risk Assessment
Annexe 7	Reserves (Revenue and Capital)
Annexe 8	Chief Finance Officers' Statement on Robustness of Estimates and Adequacy of Reserves
Annexe 9	Financial Forecast 2018 – 2022
Annexe 10	Capital Strategy Statement
Annexe 11	Treasury Management Strategy, including Prudential Indicators & Authorised Limits
Annexe 12	Surrey District Council Tax levels 2017/18
Annexe 13	Council Tax Calculation 2018/19
Annexe 14	Council Tax Collection Fund & Business Rate Collection Fund

Ward(s) Affected: (All);

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BUDGETS RECOMMENDED BY THE POLICY COMMITTEES

BUDGET SUMMARY	**2016/17 Actual**	**2017/18 Budget**	**2017/18 Revised Estimates**	**2018/19 Estimate**
	£	**£**	**£**	**£**
GROSS EXPENDITURE				
STRATEGY AND RESOURCES COMMITTEE	27,034,486	25,485,682	26,026,553	27,437,381
ENVIRONMENT COMMITTEE	10,127,298	9,639,572	9,722,251	9,757,321
COMMUNITY AND WELLBEING COMMITTEE	10,665,315	10,049,101	10,355,608	10,178,412
TOTAL GROSS EXPENDITURE	**47,827,099**	**45,174,355**	**46,104,412**	**47,373,114**
GROSS INCOME				
STRATEGY AND RESOURCES COMMITTEE	(27,491,581)	(23,964,800)	(24,892,793)	(26,013,997)
ENVIRONMENT COMMITTEE	(7,591,112)	(7,680,977)	(7,617,591)	(7,786,327)
COMMUNITY AND WELLBEING COMMITTEE	(3,881,973)	(3,707,029)	(3,972,790)	(4,022,877)
Less ASSET RENTS (Internal Recharges)	(3,380,692)	(2,879,470)	(2,879,470)	(2,879,470)
TOTAL GROSS INCOME	**(42,345,358)**	**(38,232,276)**	**(39,362,644)**	**(40,702,671)**
CONTRIBUTION TO / (FROM) STRATEGIC RESERVES	**2,082,697**	**702,895**	**858,586**	**1,112,738**
NET EXPENDITURE	**7,564,438**	**7,644,974**	**7,600,354**	**7,783,181**
CONTRIBUTION TO / (FROM) GENERAL RESERVE FOR YEAR	162,079	0	44,620	0
NET BUDGET REQUIREMENT	**7,726,517**	**7,644,974**	**7,644,974**	**7,783,181**

COMMITTEE TOTALS	**2016/17 Actual**	**2017/18 Budget**	**2017/18 Revised Estimates**	**2018/19 Estimate**
	£	**£**	**£**	**£**
STRATEGY AND RESOURCES COMMITTEE	1,811,738	2,403,330	2,105,256	2,697,178
ENVIRONMENT COMMITTEE	2,542,025	1,877,435	2,126,000	1,947,834
COMMUNITY AND WELLBEING COMMITTEE	6,591,367	6,243,679	6,248,568	6,017,639
ASSET RENTS (Internal Recharges)	(3,380,692)	(2,879,470)	(2,879,470)	(2,879,470)
CONTRIBUTION TO / (FROM) GENERAL RESERVE FOR YEAR	162,079	0	44,620	0
TOTAL	**7,726,517**	**7,644,974**	**7,644,974**	**7,783,181**

FUNDED BY	**2016/17 Actual**	**2017/18 Budget**	**2017/18 Revised Estimates**	**2018/19 Estimate**
	£	**£**	**£**	**£**
COUNCIL TAX PRECEPT	5,828,698	6,045,236	6,045,236	6,289,942
REVENUE SUPPORT GRANT	416,850	0	0	0
TRANSITIONAL GRANT	92,965	82,624	82,624	0
NNDR	1,216,123	1,237,674	1,237,674	1,203,289
SMALL BUSINESS RATE RELIEF GRANT	218,811	289,507	289,507	328,942
COLLECTION FUND SURPLUS - COUNCIL TAX	74,193	100,580	100,580	141,095
COLLECTION FUND DEFICIT - BUSINESS RATES	(121,123)	(110,647)	(110,647)	(180,087)
TOTAL	**7,726,517**	**7,644,974**	**7,644,974**	**7,783,181**

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MAIN SERVICE BUDGET CHANGES 2017/18 TO 2018/19

	Budget Savings £'000	Budget Costs £'000
STRATEGY & RESOURCES		
Increased government funding for housing benefit		717
Increased housing benefit payments	(716)	
Increase in service delivery contingency		133
Reduced New Homes Bonus Grant		888
Reduced transfer of New Homes Bonus to Corporate Projects Reserve	(845)	
One off contribution of admin element of s106 funding		100
Changes to Business Rates for Epsom & Ewell owned properties		104
Reduction in MRP relating to investment properties	(181)	
Revenue funding contribution towards capital projects		540
Net Income to General Fund from Commercial Property Investments (EEPIC)	(806)	
Removed funding from provision/reserves		107
ENVIRONMENT		
Increase in car parking income through changes in demand	(71)	
Impact of SCC changes to waste and recycling		111
Wheelie bin replacement funded through revenue		52
COMMUNITY & WELLBEING		
Reduction in homelessness net cost of temporary accommodation	(280)	
All Committees		
Increase in salaries & other overheads including changes to vacancy provision		310
Additional income from increase in Fees and Charges (budget proposals)	(248)	
All other service budget changes (changes all below £60,000)		223
	(3,147)	**3,285**
Policy Committee Budget Increase		**138**

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ADDITIONAL INCOME FROM INCREASING FEES AND CHARGES FROM APRIL 2018

	£'000	£'000
ENVIRONMENT		
Car Parks	62	
Refuse Collection / Recycling	55	
Markets	3	
Development & Building Control	78	
Cemetery	15	
Licensing & Environmental Health	6	
		219
COMMUNITY AND WELLBEING		
Social Centres	7	
Community Services	(8)	
Bourne Hall	8	
Ebbisham Centre	4	
Ewell Court House	3	
Epsom Playhouse	9	
Allotments	1	
Parks & Open Spaces	5	
		29
TOTAL		**248**

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Agenda Item 5
Annexe 4

UPDATED EFFICIENCY PLAN - 2018/19 to 2019/20

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Operational efficiencies and income generation	253	237	501	324	1,315
Strategy & Resources Committee					
Reduce hardship fund	5				5
Alternative payroll provision		10			10
Acquisition of investment properties		172	805		977
Environment Committee					
Introduce Planning Performance Agreements	12				12
Charging to variations to Section 106 Agreements	4				4
Charging for Enabling Officer	2	3			5
Parking income above 6% yield	367				367
Cease sweeping up highway verge cuttings after cutting		52			52
Highways Horticultural Restructure of Team		41			41
Cease additional cuts to highway verges		52			52
Community & Well-Being Committee					
Allotments – introduce water charging	8				8
Allotments – self management			2		2
Extend Housing Act charges	4				4
Cease extended out of hours service	24				24
Reduction in homelessness costs through new properties		75	230		305
Charge for Handyman Service	10				10
Introduce administration charge for Home Improvement Agency service	10				10
Cemeteries increase charges for inscriptions	12				12
Increase of fees in cemetery	11				11
Merging Routecall Service	152				152
Social Centre Review	73				73
Advertising on litter bins	2				2
Review of operation of parks				77	77
Introduce vending in parks			-	5	5
Venues Service Review		52	52		104
Total Identified Savings	**949**	**694**	**1,590**	**406**	**3,639**
Unidentified savings Target	**-**	**-**	**-**	**55**	**55**
Forecast Total Savings Required to Deliver Balanced Budget	**949**	**694**	**1,590**	**461**	**3,694**

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H M TREASURY ECONOMIC INDICATORS

LATEST UK INDICATORS (1st December 2017)

% change on a year earlier unless otherwise stated

Activity		
GDP (QoQ)	*17Q3*	0.4
Service sector output (MoM)	*Sep*	0.1
Industrial production (MoM)	*Sep*	0.7
Manufacturing output (MoM)	*Sep*	0.7
GfK Consumer Confidence	*Oct*	-10
Retail sales volumes (3MoY)	*Oct*	1.1
Goods exports (volumes) (MoM)	*Sep*	5.3
Goods imports (volumes) (MoM)	*Sep*	0.2
Current account balance, £bn	*17Q2*	-23.2
Business Investment (QoQ)	*17Q3*	0.2
Labour market & earnings		
Unemployment, mn	*3m to Sep*	1.4
Unemployment rate, %	*3m to Sep*	4.3
Claimant count, mn	*Oct*	0.81
Claimant count, %	*Oct*	2.3
LFS total in employment, mn	*3m to Sep*	32.1
LFS employment rate, %	*3m to Sep*	75.0
Workforce jobs, mn	*17Q2*	34.9
Average earnings growth, %1	*3m to Sep*	2.2
Inflation & prices		
CPI (YoY)	*Oct*	3.0
RPI (YoY)	*Oct*	4.0
Producer output prices (nsa) (YoY)	*Oct*	2.8
Producer input prices (nsa) (YoY)	*Oct*	4.6
Halifax house prices2 (3MoY)	*Oct*	4.6
Nationwide house prices (MoY)	*Oct*	2.5
Public finances		
Public sector current budget deficit, £bn3	*Oct*	4.6
Public sector net borrowing, £bn3	*Oct*	8.0
Public sector net debt, % of GDP3,4	*Oct*	87.2
Monetary		
M4 deposits (ex.intermediate OFCs) (YoY)	*Sep*	4.8
Exchange rate index (2005=100)	*Latest5*	78.4
£/$	*Latest5*	1.34
£/€	*Latest5*	1.13
Bank Rate, %	*Latest5*	0.5
Long-term interest rates, %	*Oct*	1.38

[1] Including bonuses

[2] Halifax report annual change as 3m on 3m a year earlier

[3] Excluding public sector banks

[4] Amount outstanding as a %of GDP, at market prices

[5] 22 December

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REVENUE BUDGET 2018/19- RISK ASSESSMENT

STRATEGY &RESOURCES COMMITTEE						
Risk	**Budget (£M)**	**Rating**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
Reducing projected net expenditure	All	**High**	Fail to deliver reducing projected expenditure by £3.3 million over 4 years by March 2020 and deliver a balanced budget Further efficiencies to be identified in 17/18	Delivery of the MTFS and the Efficiency Plan Reduce organisational costs by £588,000	Identifying sources of revenue and maximising our existing income.	L1
External Funding	0 (RSG) 0.8 (New Homes Bonus)	**Med**	No government grant	Retain a minimum £1 million of New Homes Bonus to mitigate any further losses in grant funding	Delivery of the MTFS delivering further efficiency savings and cost reductions	L1
Failure to control Salaries Costs	11.5	**High**	Not achieving 2% vacancy margin. Additional costs of agency/temporary staffing escalating costs. Service or project pressures.	Recruitment management To deliver an agreed Organisational Development Strategy to drive culture, change, build capacity and improve performance	To deliver an agreed Organisational Development Strategy	L2&L3

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
Cost of borrowing	140	**High**	Over borrowing at incorrect rates Cost of borrowing through PWLB increases	Borrowing to invest decisions Robust business cases Agree governance arrangements and robust reporting Borrow through the PWLB	Delivery of the MTFS delivering further efficiency savings and cost reductions	L1
Rental returns for the general fund	2.3	**High**	Failure to achieve the required rental returns from commercial property investments funded by borrowing Loss of tenant	Management of properties Review of all purchasing opportunities and due diligence	Delivery of the MTFS delivering further efficiency savings and cost reductions	L1 & L3
Rental returns for EEPIC	0.8	**High**	Failure to achieve the required rental returns from commercial property investments funded by borrowing Loss of tenant	Management of properties Review of all purchasing opportunities and due diligence	Delivery of the MTFS delivering further efficiency savings and cost reductions	L1 & L3

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
Maintain secure investment of reserves and cash balance through the Treasury Management: Strategy	0.1	**Low**	Generate a sound return on cash Safeguard capital sums invested	Annual review of Treasury Management Strategy Use of external fund manager in accordance with treasury management policy Interest equalisation reserve Monthly review of fund performance Review of market risks using treasury management advisers	Delivery of the MTFS delivering further efficiency savings and cost reductions	L1
Pension funds	33.3 (Deficit as at 31 March 2017)	Med	The deficit is not addressed over the next 20 years	Pension fund deficit payments are at £818k for the next three years until 2019/20	Delivery of the MTFS delivering further efficiency savings and cost reductions	n/a

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
Asset Management	0.6 (exp) 1.3 (inc)	**High**	Operational property is not fit for purpose. No increase in the income generated from commercial property. Optimisation of property for service to residents Insufficient reserves to fund major works to council assets	Asset Management Plan to be updated in 18/19 Property maintenance and prioritised repairs programme Monitor tenant requirements and rent levels	Maximising returns from properties Increasing returns on investment properties by £50k	L8
Retained Business Rates	1.5	**Med**	Valuation Officer appeals backlog Increase in Business Rates Reliefs Collection Rate Increase in tariff payable to Central Government Loss of major business in Epsom	Prudent forecasting of rates collectable and impact of valuation appeals New monitoring and reporting arrangements Business Rates Equalisation Reserve	At least 99% of business rates to be collected	n/a

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
Housing Benefit Subsidy	18.8	**Med**	Reduced recovery rate on benefits paid out Increased demand for benefit payments due to recession Staff retention/ recruitment Welfare benefit changes Move to Universal Credit	Additional staffing resources from Corporate Project Reserve Monthly monitoring of benefit performance indicators Quarterly monitoring of subsidy position Recruitment and retention programme Increasing bad debt provision for claimant arrears	Processing of new benefit claims in 22 days and change in circumstances in 11 days	n/a
Council Tax Income	6.3 (EEBC element)	**Med**	Collection rates due to economy & changes to council tax benefits Cash flow	Billing & recovery arrangements designed to support collection targets, additional resource for local council tax support scheme Collection performance reported to Directors monthly. Collection Fund separately managed on behalf of precept authorities (SCC & SP)	98.40% of Council Tax collected	n/a
Failure to obtain best value in purchasing	9.0	**High**	Poor value for money in goods and services purchased and contracts.	New guidelines and procedures for project management, procurement and contract management.	Spend Analysis	L2

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
goods and services				Project management of all major projects Improved procurement, monitoring of spend and contract management		

ENVIRONMENT COMMITTEE						
Risk	**Budget (£M)**	**Rating**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
Off Street Parking Income	3.8	**Med**	Income from off street car parks is exposed to adverse weather and economic conditions that can have significant effect on Outturn.	Monthly monitoring and work analysing individual car park performance against target.	n/a	n/a
On Street Parking income	0.1	**High**	Loss of on street parking income due to termination of current arrangements with SCC	Part of joint working group	Identifying sources of revenue and maximising our existing income.	n/a
Domestic and Trade Waste Collection	1.7	**Med to High**	Income from waste recycling fees is exposed to changes in market prices and the changes proposed by SCC.	Monthly monitoring of income against target. Officers negotiate, where possible, to fix the prices and optimise income	Introducing a premium weekly waste and recycling service as standard for all residents and encouraging more household waste. collection	n/a
Highways	0.1	**Low**	Possible reductions of partner contributions due to budget cuts	Review of expenditure relating to highways agency spend to ensure full costs funded by SCC.	n/a	n/a

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
Building Control	0.3	**Med**	Changes to economy further impacting on planning and building control income Private competition on Building Control Service has impacted adversely in recent years with the market is difficult to predict	Annual review of charges Monthly monitoring of income Review recommendations from review of building control service and market services.	n/a	n/a
Place Development	0.4	**High**	Risk of designation for planning decisions Non delivery of the Local Plan and Plan E	Monitor costs and costs of specific appeals	Supporting developers to bring forward the development of town centre sites	L7,L8 &L9
Cemetery Services	0.45	**High**	Lack of space in cemetery Reduction in the no of burials and memorials	Cemetery extension project	n/a	n/a

COMMUNITY AND WELL BEING						
Risk	**Budget (£M)**	**Rating**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
Homelessness	£1.1	**Med**	Increase in number of households requiring temporary accommodation. Lack of affordable housing therefore unable to move households out of TA	Proactive case management to prevent households becoming homeless where possible and to minimise time spent in temporary accommodation	Provide 6 additional units of temporary accommodation At least five households accommodated through the private sector leasing scheme by March 2017 Have no more than 60 households in temporary accommodation Housing allocation policy to be fully implemented	L10
Venues Income	0.99	**High**	Not reaching budgeted level of letting income from venue Additional operational costs	Marketing of venues New website Close monitoring of lettings and income.	Maximising returns from property and other investments	L1

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REVENUE RESERVES FORECAST 2017-2018

	Balance at 31 March 2017 *£'000*	Forecast Transfers *£'000*	Forecast Balance at 31 March 2018* *£'000*
Current Balances			
General Fund	3,334	45	3,379
Collection Fund Adjustment Account	-277	10	-267
Total Current Balances	**3,057**	**55**	**3,112**
Strategic Reserves			
Insurance	458	-29	429
Repairs and Renewals	338	-44	294
Interest Equalisation	631	-41	590
VAT Reserve	216	0	216
Housing & Planning Delivery Grant	176	0	176
Property Maintenance	402	-129	273
Commuted Sums	1,965	0	1,965
Hospital Cluster Interest	230	0	230
Corporate Project Reserve	1,520	1,005	2,525
Community Safety	81	-10	71
Historic Buildings	3	0	3
Partnerships (ex yell young people and local partnerships)	28	0	28
Residential Property Acquisition Fund	2000	-657	1,343
PPP Reserve	321	-209	112
Civic Investment Reserve	0	94	94
Business Rate Equalisation Reserve	864	-70	794
HIA Hardship Fund	43	5	48
Property Income Equlisation Reserve	76	288	364
Total Strategic Reserves	**9,352**	**203**	**9,555**
Total Revenue Reserves	**12,409**	**258**	**12,667**

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Agenda Item 5
Annexe 7

CAPITAL RESERVES 2017-2020

Provisional Capital Programme Funding Summary

	Community Infrastructure Levy	Section 106	Capital Grant-DFG	Capital Receipts	Repairs and Renewals Reserves	Residential Property Fund	Insurance Fund	SCC	Revenue Funding	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Available Capital Resources at 1/4/2017	**3.835**	**2.285**	**0.095**	**4.893**	**0.338**	**2.000**	**0.038**	**0.054**	**0.000**	**13.538**
Receipts to 31/10/2017	0.435	0.006	0.588	0.000						1.029
	4.270	2.291	0.683	4.893	0.338	2.000	0.038	0.054	0.000	14.567
Funding the 2017/18 Capital Programme	(0.476)	(0.634)	(0.683)	(1.867)	(0.069)	(2.000)	(0.038)	(0.054)	0.000	(5.821)
Funds returned from completed/cancelled schemes				0.073						0.073
2017/18 Planning Capacity - Revenue	(0.080)									(0.080)
Estimated available Capital Resources at 31/3/2018	**3.714**	**1.657**	**0.000**	**3.099**	**0.269**	**0.000**	**0.000**	**0.000**	**0.000**	**8.739**
Estimated available Capital Resources at 1/4/2018	**3.714**	**1.657**	**0.000**	**3.099**	**0.269**	**0.000**	**0.000**	**0.000**	**0.000**	**8.739**
Anticipated Receipts in 2018/19	0.000	0.000	0.588	0.000	0.000				0.540	1.128
Proposed New Bids	0.000	0.000	(0.588)	(0.685)	0.000				(0.540)	(1.813)
Estimated available Capital Resources at 31/3/2019	**3.714**	**1.657**	**0.000**	**2.414**	**0.269**	**0.000**	**0.000**	**0.000**	**0.000**	**8.054**
Estimated available Capital Resources at 1/4/2019	**3.714**	**1.657**	**0.000**	**2.414**	**0.269**	**0.000**	**0.000**	**0.000**	**0.000**	**8.054**
Anticipated Receipts in 2019/20	0.000	0.000	0.588	0.000	0.000					0.588
Proposed New Bids	0.000	0.000	(0.588)	(0.250)	0.000					(0.838)
Estimated available Capital Resources at 31/3/2020	**3.714**	**1.657**	**0.000**	**2.164**	**0.269**	**0.000**	**0.000**	**0.000**	**0.000**	**7.804**

Notes:

1. Bids have been initially been allocated to funding from Capital Receipts, however alternative funding sources could be used e.g Repairs and Renewals, CIL and Section 106.
2. An initial review has been carried out of available S106 funds. This shows that none of the bids prima facie, qualifies for use of the those funds though a further review will be carried out.
3. Many of the bids are in the nature of Repairs and Renewals and potentially could be funded from the Repairs and Renewals Reserve.
4. CIL must be applied to fund infrastructure to support the development of the Council's area. A review of the potential to fund any of the schemes from CIL will be carried out.
5. Acquisitions of commercial investment properties through borrowing is not included in the above summary.

STATEMENT ON THE ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

1. Introduction

The Council has a legal duty to produce a balanced budget and must take all reasonable factors into account when doing so. Under the Local Government Act 2003 section 25(1) (b), the Section 151 Officer (Director of Finance and Resources) has a personal duty to advise the Council about the **robustness of the budget** and **the adequacy of the Council's reserves** when it considers its budget and council tax. The Act requires Members to have regard to this report in making their decisions.

To assist Chief Finance Officers in compiling these statements, CIPFA wrote to all Chief Finance Officers on 21 December 2011 providing further details of their responsibilities in respect of the budget setting process and in particular the statement on the robustness of the estimates and adequacy of reserves. This statement addresses the requirements as set out in the letter and Members should consider the content of this report carefully.

2. Robustness of the estimates

Robustness of the estimates is concerned with scrutinising detailed elements of the budget, weighing up all factors and taking a balanced view of the risks. Depending upon the level of assessed risk within the proposed budget, the Chief Finance Officer is expected to give consideration to the Council's contingency plans should savings not materialise. This report attempts to set out the risks associated with their achievement and the implications and contingency plans if the savings are not delivered as planned.

In terms of the robustness of the estimates presented for 2018/19, the following observations are made:

Preparation of the 2018/19 budget began last year with the development and approval of the new Four Year Medium Term Financial Strategy and Efficiency Plan. Income generating opportunities or revenue savings agreed as part of the MTFS for 2018/19 are included within next year's budget after assessing whether they are achievable, deliverable and acceptable. The Policy Committees in October 2017 considered savings or income generating items included within the Efficiency Plan, scheduled to be delivered in 2018/19. The 2018/19 budget incorporates £1,590,000 of savings and additional income identified from the Efficiency Plan.

The process for determining the 2018/19 budget has again required the majority of budgets to be cash limited. Contractual price rises and utility price increases have been incorporated but all non-pay budgets have been cash limited. The 2018/19 pay award proposed by the Joint Staff Consultative Committee was agreed by Strategy and Resources Committee in November 2017 and a pay award provision of £246,000 has been incorporated within the estimates for 2018/19.

The Council lost its debt free status last year when it was agreed to acquire commercial properties funded by 50 year PWLB loans. This year the Council agreed to set up a Local Authority Property Investment Trading Company to enable the acquisition of investment properties outside the Borough. So far the Company has acquired two properties that are budgeted to benefit General Fund Services by £805,000 of net income in 2018/19. With any investment there are risks, the benefit from acquiring these properties remain as long as they are tenanted, paying full rent and being properly maintained.

When acquiring new properties careful consideration must be given to the impact on Council finances if the rental income from these properties cease. Each potential property acquisition needs to be assessed to its viability with clear alternative options for the property if the current tenants withdraw. The Council is transferring a proportion of the rental income from these newly acquired properties into a reserve to mitigate potential risks relating to losses income and or liabilities for any maintenance costs.

Maintenance of our buildings is also an increasing pressure which needs to be addressed and whilst increased provision has been made within the 2018/19 General Fund Revenue Budget the ten year maintenance programme currently being developed needs to be finalised and incorporated into future projections. With earmarked reserves having been utilised, uncommitted capital receipts at the minimum level and pressure on revenue funding, the opportunity to fund on-going maintenance is limited. A similar replacement programme for the Council's plant, vehicles and equipment also needs to be developed over the next twelve months and appropriate funding allocated.

No budget is without risk as even the most carefully set plans are subject to ever changing demands and unforeseen circumstances. A full risk assessment for the General Fund Revenue Budget is contained in Appendix 6. Throughout the budget setting process advice has been provided at various times concerning the estimates made and their underlying assumptions and risks. For example, the advice of the Council's treasury management advisers has been used in determining the interest received and payable on investment. Estimates have also taken account of the financial implications of the Council's Capital Programme and the level of financing required to meet the expenditure demanded. The Capital Programme for 2018/19 is fully funded as presented to Members and does not rely upon the realisation of further capital receipts.

Stringent budget monitoring will continue to be undertaken, with particular emphasis being placed on the achievement of income estimates, salary estimates and high-risk expenditure items. Prompt response to in-year projected deficits will continue to be expected from Members and Senior Officers.

Both the understanding of the Council's financial position and the commitment to ensure delivery of budgets continue to develop across all service areas enabling the Council to be more effective in its financial planning. Members receive quarterly monitoring reports and the Chairmen of the Policy Committees receive a monthly update on financial issues facing the Council. All budget managers receive monitoring reports for their particular area. The financial monitoring system covers both revenue and capital expenditure. Ongoing training is being provided together with specific training events.

As with any budget there are uncertainties to plan for and manage and this remains the case even at this stage.

The 2018/19 budget continues to be affected by changes to how Non Domestic Rates are calculated and distributed which the government introduced in 2013. The new system seeks to provide a greater reward for those authorities which encourage business growth but also means the local authority shares to a much greater extent the risks associated with any loss of businesses. In considering the implications of this, the Council has sought to ensure a prudent approach to assessing the likely impact and also in anticipating the ongoing effect of the macroeconomic picture. To assist with the potential volatility of this income stream, a Business Rates Equalisation Reserve has been created. There are arrangements in place to monitor the ongoing effect and any changes which may affect this funding stream.

Another element of uncertainty relates to income. In terms of other income, these estimates are made looking at past levels of income achieved as well as trends throughout a year. Variances can increase income as well and often these positive variances cancel out the negative variances. However, there is still a real risk where significant levels of income are forecast. The fees and charges levied by the Council have been subject to a detailed review. Significant income budgets are subject to the same degree of rigorous monitoring as other budgets and any variations are reported through the monitoring processes in place. For 2018/19 the Council has taken the opportunity to adjust budgets where income received continually failed to meet the agreed budget. In addition where the Council is required to set fees and charges to ensure the full costs of the service are recovered it is important that the fees are regularly reviewed and prompt action is taken where either a deficit or surplus is projected.

With all Councils seeing a reduction in government funding, there is a risk that other organisations will look to reduce the funding given to Epsom and Ewell Council to provide services on their behalf or jointly.

To assist with mitigating the risks associated with budget preparation there is a contingency within the budget to allow for unforeseen events. Holding a central contingency pot means departmental sums are not required.

In conclusion, the 2018/19 General Fund estimates are considered to be robust on the basis that:

a. Stringent budget monitoring, together with prompt responses to variances is actioned.
b. Total net expenditure is maintained within approved budgets.
c. Plans for generating additional income and reducing expenditure identified in the updated Financial Plan need to be developed for consideration during 2018/19. It is important that this is considered a high priority for this Council to ensure financial stability for future years.

3. Adequacy of Reserves

The requirement for financial reserves is acknowledged in statute (Local Government Finance Act 1992). There are also safeguards in place to prevent local authorities over-committing themselves financially. These include:

- The balanced budget requirement
- Chief Finance Officer's S114 powers
- The external auditor's responsibility to review and report on financial standing
- The prudential code for capital finance

The minimum prudent level of reserves that the Council should maintain is a matter of judgement. It is the Council's safety net – a contingency to cushion the impact of unexpected events or emergencies and a working balance to help cushion the impact of uneven cash flows. Reserves can also be a means of building up funds, often referred to as earmarked reserves to meet known or predicted liabilities.

The consequences of not keeping a minimum prudent level of reserves can be serious. In the event of a major problem, or a series of events, the Council could be forced to cut spending during the year in a damaging and arbitrary way.

The level of reserves was reported to the Strategy and Resources Committee in September 2017, when the financial statements for 2016/17. The minimum working balance in the Medium Term Financial Strategy stands at £2.5m to recognise the risk of using part of New Homes Bonus to finance General Fund services.

In the last few years, the government has increased local authority exposure to financial risk with the introduction of the Local Council Tax Support Scheme and localisation of business rates. The risk in part has been offset by reducing the collection rate for council tax, increasing the provision for bad debt, and by creating the business rate equalisation reserve. Having considered these risks, the conclusion is that minimum levels should remain as currently specified with the Medium Term Financial Strategy; namely

- General Reserve - £2.5 million
- Capital Receipts - £1 million
- Corporate Projects Reserve £1 million (New Homes Bonus)

The General Fund balance is anticipated to be £3.4 million at 31 March 2019. The projections assume no further withdrawals from the General Fund Balance.

The unallocated capital receipts are anticipated to be just under £3.2 million at 31 March 2019 With the capital programme on average using up around £1 million of capital receipts per annum the Council will need to give consideration to how future capital expenditure can be resourced either through borrowing or generating additional receipts.

The Council has other reserves ear-marked for specific purposes and these are detailed in Appendix 7.

With the Council acquiring commercial property to generate income to protect front line services, consideration has been given as to whether it would be appropriate to increase the minimum level of the General Fund Balance to recognise the Council's increased exposure to risk should the current tenants withdraw. Given that the Council is transferring a proportion of the rental income into a reserve to mitigate the potential risk relating to lost income and or liabilities for any maintenance costs, it has not been deemed necessary. However this will be reviewed as the portfolio increases.

Having undertaken the review of reserves and given the economic and financial environment the Council is working within during 2018/19 it is believed that the Council is operating at an acceptable level of reserves.

Lee Duffy
Chief Finance Officer

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REVENUE BUDGET FOUR YEAR FORECAST

Status: Financial Planning Based on 2018/19 Budget

	Forecasts						Assumptions				
FOUR YEAR BUDGET PROFILES	**2017/18 Budget £000**	**2018/19 Budget £000**	**2019/20 Forecast £000**	2020/21 Forecast £000	2021/22 Forecast £000	BASE £000	**2017/18 Budget £000**	**2018/19 Proposed £000**	**2019/20 Forecast £000**	2020/21 Forecast £000	2021/22 Forecast £000
NET SPEND B/F FROM PREVIOUS YEAR		**7,645**	**7,783**	**7,519**	**8,323**						
add back: Use of New Homes Bonus in Previous Year		**500**	**500**	**473**	**185**						
add back: Interest on Balances as credited to the revenue account in previous year		220	120	150	188						
add back: Use of Reserves/Provisions in Previous Year		269	-475	-100	-100						
Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)	**8,365**	**8,634**	**7,928**	**8,042**	**8,596**						
Allowance for Pay and Price Inflation											
General Inflation - price base		+190	+190	+190	+190	9,500		2.00%	2.00%	2.00%	2.00%
General Inflation pay bill base		+246	+260	+300	+300	11,000		na	1.00%	2.00%	2.00%
Other		+44									
Prices Increases net of Increased Fees & Charges		**+480**	**+450**	**+490**	**+490**						
Increases in costs / Reductions in income											
Pension Fund Valuation 2019				+100	+100						
Increase in cost of IT hardware and software		+73									
Contingency for IT		+132									
Bin replacement programme previously funded from capital reserves		+68									
Increase in Business Rates for EEBC property loss of relief		+111									
Reduction in Building Control income		+30									
Trade waste tipping fees		+36									
Increase in corporate contingencies		+25	-25								
Epsom Salts 400 year anniversary		+10	-10								
Increase in provision for property maintenance		+70	+50	+50	+50						
Provision for impact on services of latest benefit reforms			+100	+100							
Legislation Impacts		**+555**	**+115**	**+250**	**+150**						
Changes to External Funding											
Refuse & Recycling (SCC)		+111	+60								
Loss of Housing Benefit Admin Grant			+45	+24							
Grant funding from DCLG for Local Council Tax Admin Subsidy		-50	+50								
Highways horticulture		+36									
Changes to External Funding		**+97**	**+155**	**+24**	**+0**						
New Home Bonus											
Estimated New Homes Bonus	-1,554	-834	-473	-365	-369						
Transfer to Corporate Project Reserve	+1,054	+334	+0	+180	+369						
NHB Funding used to support General Fund services	**-500**	**-500**	**-473**	**-185**	**+0**						
Cost Reduction Plan											
Star Chamber		-391	-406								
Acquisition of Commercial Property		-805									
Disposal of Ebbisham Centre		-52									
Removed advertising budget for 'Big Switch'		-60									
Increase in garden waste fees to offset reduction in SCC subsidy		-52									
Reduction in homelessness costs		-230									
Cost Reduction Plan		**-1,590**	**-406**	**+0**	**+0**						

FOUR YEAR BUDGET PROFILES	2017/18 Budget £000	2018/19 Budget £000	2019/20 Forecast £000	2020/21 Forecast £000	2021/22 Forecast £000	BASE £000	2017/18 Budget £000	2018/19 Proposed £000	2019/20 Forecast £000	2020/21 Forecast £000	2021/22 Forecast £000
Contributions from Reserves/Provisions											
Funding of IT projects within the capital programme		+425	+100	+100	+100						
Funding of capital works to property		+115									
Business Rates Equalisation Reserve		-65									
		+475	**+100**	**+100**	**+100**						
Fees and Charges											
Increased yield on discretionary Fees and Charges		-248	-200	-210	-210	-6,600		3.0%	3.0%	3.0%	3.0%
		-248	**-200**	**-210**	**-210**						
Interest on Balances (excludes interest credited to strategic reserves)											
Average level of investments											
Investments (average)	*0*	*15,000*	*15,000*	*15,000*	*15,000*						
Interest rate used (supplemented by interest equalisation reserve)	*1.00%*	*0.80%*	*1.00%*	*1.25%*	*1.50%*						
Total Interest Forecast	-168	-120	-150	-188	-225						
Add: Use of interest equalisation reserve	*-52*	*0*	*0*	*0*	*0*						
Interest credited to General Fund to Finance Services	**-220**	**-120**	**-150**	**-188**	**-225**						

SUMMARY OF FORECASTS											
Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)	**8,365**	**8,634**	**7,928**	**8,042**	**8,596**						
Price Increases (inflation)		**+480**	**+450**	**+490**	**+490**						
Legislation Impacts		**+555**	**+115**	**+250**	**+150**						
Changes to External Funding		**+97**	**+155**	**+24**	**+0**						
NHB Funding used to support General Fund services	**-500**	**-500**	**-473**	**-185**	**+0**						
Cost Reduction Plan		**-1,590**	**-406**	**+0**	**+0**						
Contributions from Reserves/Provisions		**+475**	**+100**	**+100**	**+100**						
Fees and Charges		**-248**	**-200**	**-210**	**-210**						
Interest credited to General Fund to Finance Services	**-220**	**-120**	**-150**	**-188**	**-225**						
Forecast Net Cost of Services	**7,645**	**7,783**	**7,519**	**8,323**	**8,901**						
SETTLEMENT ASSESSMENT FUNDING FORECAST											
RSG	+0	+0	+0	+0	+0			0	0	0	0
Transitional Grant	+83	+0	+0	+0	+0						
Tariff Adjustment	0	0	-625	-653	-681						
Retained Business Rates	**1,238**	**1,203**	**1,563**	**1,594**	**1,626**		**based on high level forecast subject to review after yr 1**				
Small Business Rate Relief Grant	**289**	**329**	**0**	**0**	**0**						
Localism Relief Grant	**0**	**0**	**0**	**0**	**0**						
Formula Grant / Business Rate Retention	**1,610**	**1,532**	**938**	**941**	**945**			***-78***	***-594***	***3***	***4***
Base Income from Council Tax		6,108	6,290	6,526	6,771						
Increase in council tax base			+47	+49	+51	32,658		0.75%	0.75%	0.75%	0.75%
	6,045	**6,108**	**6,337**	**6,575**	**6,822**						
Forecast for increase of 3% in Council Tax income		+182	+189	+196	+203			3% increase			
Council Tax Income Forecast	**6,045**	**6,290**	**6,526**	**6,771**	**7,025**						
Deficit on Retained Business Rates	-111	-180	0	0	0						
Collection Fund Surplus	101	141	0	0	0						
Assumed Collection Fund Income (Formula Grant + Council Tax)	**7,645**	**7,783**	**7,464**	**7,712**	**7,970**						
Forecast Budget Shortfall (required use of working balance)	**0**	**0**	**55**	**611**	**931**						

GENERAL FUND WORKING BALANCE PROJECTION: AFTER SERVICE COST REDUCTION					
Estimated Working Balance b/f	3,334	3,334	3,334	3,279	2,668
Resulting Working Balance c/f	3,334	3,334	3,279	2,668	1,737

EPSOM AND EWELL BOROUGH COUNCIL

CAPITAL STRATEGY STATEMENT
February 2018

Capital Investment 2018/19 to 2020/21

1. Introduction

The Council's Capital Strategy provides a framework for asset planning and for decisions on capital investment – expenditure on larger projects or schemes which generally leads to improved corporate or community assets.

The Financial Policy Panel provides guidance on the level of investment that is consistent with the Council's Medium Term Financial Strategy. The programme will be reviewed annually so that an investment programme is maintained and investment options reassessed with specific reference to the Priorities in the Corporate Plan, the Community Strategy and the Asset Management Plan.

The development of the Capital Strategy and the Asset Management Plan assists the Council in major investment decisions. The Asset Management Plan was last updated in February 2015 to reflect progress made on property and energy management. An updated plan is currently being prepared by the Head of Property and Regeneration.

In 2016/17, Council agreed a new strategy for Property Investment which included the creation of a Commercial Property Acquisition Fund of up to £20 million, financed from prudential borrowing. In February 2017, Council increased the fund by a further £60 million. This approved capital expenditure for acquisition of investment properties within the Borough is to secure long term income streams for the Council. The approval of individual investments is delegated to the Investment Property Group.

In September 2017, Council approved the establishment of a property investment company and a supplementary capital expenditure budget for property acquisitions of up to £300m across 2017/18, 2018/19 and 2019/20.

Due to the current public sector funding environment the main capital programme 2018-2021 has been limited to core projects which comprise mandatory and other prioritised expenditure, investment that can be funded from external funds and is classed as a high priority and 'Spend to Save' schemes that will provide future savings.

2. Development of the Capital Strategy

Member and officer capital groups have been established to oversee the main capital programme and monitor capital schemes. The Capital Member Group is made up of Members nominated by the Financial Policy Panel, supported and attended by the Chief Finance Officer as appropriate. The officer group with responsibility for overseeing the capital programme is the Leadership Team and comprises Heads of Services.

Service and financial planning timetables are submitted to Financial Policy Panel annually. The Capital Strategy is presented to the Council for approval each year.

3. Main Capital Programme 2018-21

Based on the available capital resources and subject to external funding, including grants and developer contributions, and securing revenue savings, Council has been asked to approve the following programme for 2018-21 in February 2018.

	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
Playhouse- Replacement of stage floor surface	36	0	0	36
Playhouse- Refurbishment of existing 1st floor changing rooms	30	0	0	30
LED Lighting Bourne Hall	55	0	0	55
Bourne Hall- Replacement of old defective air conditioning to banqueting suites	25	0	0	25
Disabled Facility Grants *	588	588	588	1,764
Ashley Centre Car Park - Health & Safety improvements	165	0	0	165
Repair to St Mary's Churchyard Flint faced wall	77	0	0	77
Ashley Centre Car Park - Upgrade level 4a & 4b with deck shield waterproof coverings	227	0	0	227
Energy Improvements - LED Replacement lighting Hudson House	20	0	0	20
Upgrade of Car Park credit card machines	35	0	0	35
Replacement of CRM and Data Warehouse	250	250	0	500
ICT programme of work	60	0	0	60
Document Management System replacement	50	0	0	50
Financial Management System Upgrade	65	0	0	65
Poole Road Pavilion enhancements	50	0	0	50
Renewal of Town Hall lift controls	80	0	0	80
Total	**1,813**	**838**	**588**	**3,239**

* Subject to additional external funding

In addition schemes may be added where:-

- there is a carry forward from 2017/18 with specific funding already allocated
- new schemes supported by a business case (self-financing), or

- they can be funded by additional external funding sources e.g. Section 106 agreements or specific grants

Funding for the approved programme is set out below.

	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
Capital Reserves and Receipts	665	250	0	915
Government Grants	588	588	588	1,764
Revenue Reserves	540	0	0	540
Capital Reserves for Spend to Save Schemes	20	0	0	20
Total	**1,813**	**838**	**588**	**3,239**

4. Use of Capital Reserves

The Council's financial position is reviewed annually following the closure of accounts and prior to service and financial planning for the following year. This includes a review of the projected capital receipts reserve position and other sources of funding for capital schemes.

The Council's Medium Term Financial Strategy targets a minimum balance of capital reserves of £1 million to be used as a contingency for unplanned capital commitments over the next four years. This minimum balance is subject to annual review and may be varied:-

- where capital receipts generated from sale of assets have an adverse impact on the revenue budget, e.g. loss of rental income, or
- for changes in revenue budget targets requiring differing levels of investment income
- where major developments or land disposals take place

Due to the low level of receipts from the disposal of property assets since 2009, the Capital Member Group has limited investment from reserves to high priority and spend-to-save schemes. The forecast of reserves at 31 March 2019 is £2.4 million. This assumes full delivery of the 2018/19 capital programme and no new capital receipts.

A report is due to go to Strategy & Resources Committee in April 2018 to request the use of CIL funding for two infrastructure projects, the Cemetery Extension and Lower Mill Weir repair, which were originally earmarked for funding from capital receipts.

Should the proposal be approved, this will release £771k of capital receipts and increase the forecast balance at 31 March 2019 to £3.2m.

5. Capital Resources

Potential capital resources have been identified from

- capital reserves at the end of March 2019;
- approved sales of property assets, subject to market recovery;
- revenue funding, as identified as part of the revenue budget setting process;
- use of Community Infrastructure Levy (CIL) and S106;
- external funding, including grants and commuted sums.

The Council will use CIL receipts from developers to part finance Plan E and the potential Kiln Lane Link Road projects. CIL will also be used to finance the Cemetery Extension and Lower Mill Weir infrastructure projects, subject to S&R Committee approval in April.

As capital reserves decrease, the Council needs to achieve additional receipts from sale of assets or other external funding, or identify contributions from revenue, if the capital programme is to be sustainable over the long-term. The Council will review its property through the Asset Management Plan.

The Council seeks to maximise partnership funding in the delivery of its key priorities and will commit capital reserves to: -

- finance prioritised capital investment where funding is not available from other sources
- attract partnership funding and/or to achieve partnership objectives
- finance investment that is 'self-funding', for example investment that improves performance and reduces running costs or investment in the maintenance of service assets

The Council will seek to maximise effective investment from all potential funding sources. External sources of financing include monies received in negotiations on the Hospital Cluster site, Section 106 agreements, CIL, government grants for Disabled Facilities, partnership funding from other Local Authorities or Public and Voluntary organisations.

6. Criteria for Assessing Capital Programme Priorities

The following criteria have been used for appraising future capital investment options and reviewing the on-going capital programme. As a minimum all investment proposals must meet one of the following baseline criteria: -

- investment where there is a guarantee of the scheme being fully externally funded and is classed as a high priority

- investment required to meet Health and Safety or other new legislative requirements

- investment required to continue to deliver the services of the Council (e.g. minimum level of building maintenance)

- investment in 'Spend to Save' schemes that will generate cost savings or additional income generation, providing;

    - there is payback of the capital invested within 5 years (up to 7 years for energy reduction initiatives);

    - there is a low risk of not achieving return on investment

    - there is a clear definition of the cost/benefits of the scheme

Prior to schemes being assessed for approval, a detailed project appraisal must be completed and recommended by the appropriate policy committee. A standard capital appraisal form has been developed which requires details of the scheme (cost estimates, revenue impact, project management resources and expected timescales). It also requires an explanation of how the scheme fits within the baseline criteria. In recommending investment proposals policy committees must ensure they can fund any additional operational costs from within their revenue budget targets.

Where schemes are prioritised for inclusion in the capital programme prior to a detailed evaluation of revenue costs, commitments will not be made until estimates of operational costs have been evaluated and financing in the revenue budget identified. The Council will continue to follow a whole life costing approach to project appraisal.

Capital schemes funded wholly or in part from external sources e.g. Government Grants, Section 106 monies, CIL or other contributions are also subject to the same requirements in respect of meeting the baseline criteria and the completion of project appraisals recommended by the policy committee.

Schemes can be included within the proposed capital programme subject to a detailed business case being submitted to the relevant service committee. These schemes can only progress once approval is granted for the project by the policy committee.

Separate criteria exist to evaluate proposed individual property acquisitions that are funded from the Property Acquisition Funds.

7. Timetable for Approval of Capital Programme

The timetable and process for approval of capital programme following annual review is as follows:-

- update on level of resources / reserves at end of previous year reported to Financial Policy Panel and Strategy and Resources Committee in June and July
- Members nominated onto the Capital Member Group by the Financial Policy Panel
- a forecast of resources reported to Financial Policy Panel and Strategy and Resources Committee in September
- budget targets agreed by the Council in September
- officers, in consultation with Heads of Service, submit new or updated draft summary capital bids to the Capital Member Group to review in September
- Capital Member Group meets in September to agree approach and use the Capital Strategy criteria to decide which of the summary bids should be progressed into full bids for review in November
- Officers submit full capital bids to the Leadership Team to validate and be prioritised in October
- Capital Member Group reviews all bids in November and prepares recommendations on funding to Financial Policy Panel in early December
- prioritisation of all investment proposals within the available resources advised by Financial Policy Panel in December
- detailed scheme proposals and project appraisals, including identification of how any revenue funding requirements could be met for each scheme, recommended by policy committees in January
- capital programme to be recommended by policy committees in January
- capital programme for the following year and the remaining years of the capital programme agreed by Council in February

Any approved capital scheme which has not been committed by the mid-year point of the year in which funding is agreed is subject to review by the Capital Member Group / Financial Policy Panel.

Any approved capital scheme where additional capital or revenue costs are identified prior to commencement of the scheme should be referred back to the relevant policy committee and, if additional funding is required, to Strategy and Resources Committee as soon as possible during the year.

Investment proposals funded wholly from external sources or relating to property acquisitions may be submitted for approval at any time during the year. The investment requirements and funding available from CIL, Section 106 and Hospital Cluster monies are reviewed annually in December by Financial Policy Panel.

8. Borrowing Strategy

In February 2017 the Council agreed to extend the borrowing to fund the acquisition of commercial property that provide the Council with a long term rental income from £20 million up to £80 million. The Council will keep the level of borrowing under review.
The Council does not anticipate borrowing for capital projects other than the acquisition of investment properties and the Medium Term Financial Strategy requires that the Council maintains a minimum level of £1 million of capital reserves.

However, during this period a borrowing strategy may need to be developed in preparation of the 2020-2024 Medium Term Financial Strategy. Subject to the levels of new receipts generated, revenue contributions, income generated from CIL and S106 and external grants, there may be a need to borrow to finance part of the main capital programme.

9. Approach to PFI and Procurement

The majority of capital schemes fall below a level of investment normally relevant to PFI. PFI options will be actively considered on any major investment decisions of significant financial value e.g. projects with a cost over £5 million.

The Council has developed its Procurement Strategy. As part of this strategy a number of principles and guidelines have been developed to assist all managers including capital scheme budget holders in the purchase of goods and services. The main areas covered include review of procurement options, risk/benefit analysis, risk management, potential for partnership, cost and quality options and assessing the need for specialist skills.

10. Managing and Monitoring the Capital Programme

Detailed monitoring and performance review of the capital programme is the responsibility of the Leadership Team on a quarterly review basis and by the Capital Member Group during the annual review. The officer group sets performance and delivery targets for the year, reviews monitoring information and recommends action where appropriate for reporting to Chief Officers, Members, the Financial Policy Panel and policy committees.

Financial monitoring reports are submitted to Members on a quarterly basis. This includes expenditure monitoring, uncommitted balances held on s106 funds and capital receipts balances. Budget monitoring reports show the projected outturn and profiled spend for each scheme, highlighting significant variations and slippage and identifying recommended action. Summary reports are sent to all Members at the end of each quarter and recommended changes to the programme are submitted to committees during the year. Financial Policy Panel will consider major variances from revenue or capital programmes.

Detailed information on the delivery of individual schemes, including assessment of financial and delivery risks and profile of works and expenditure during the year, is agreed with budget holders. This will form the basis against which schemes are monitored during the year. For those schemes considered as most significant, a detailed timetable and milestones will be agreed by the relevant committee at the beginning of the financial year.

For major schemes the Council will consider external consultants to assist in project management.

The Council conducts post implementation reviews on certain capital projects, specifically where the scheme has a high cost or value or there has been a significant variation in cost or time to implement.

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Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2018/19

1 INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

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

1.2 Reporting requirements

The Council is currently required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny - The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Financial Policy Panel for the mid-year report and Strategy & Resources Committee for the Annual Treasury Management report.

Capital Strategy
In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities will be required to prepare an additional report, a Capital Strategy report, which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this report is to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

1.3 Treasury Management Strategy for 2018/19

The strategy for 2018/19 covers two main areas:

Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. During the last year by members of Financial Policy Panel have received presentations from the Council's treasury management advisors, further training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management consultants

The Council uses Link Asset Services, Treasury Solutions (formerly known as Capita Asset Services) as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 THE CAPITAL PRUDENTIAL INDICATORS 2018/19 – 2020/21

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Total	**21,742**	**61,542**	**162,386**	**140,838**	**588**
Financed by:					
Capital receipts	812	643	685	250	-
Capital grants	457	535	588	588	588
Capital reserves	1,142	46	-	-	-
Revenue	197	25	540	-	-
Total financing	**2,608**	**1,249**	**1,813**	**838**	**588**
Net financing need for the year	**19,134**	**60,293**	**160,573**	**140,000**	**0**

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The Council is asked to approve the CFR projections below:

Capital Financing Requirement £000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Opening CFR	(161)	18,973	79,070	238,823	376,336
Unsupported capex	19,134	60,293	160,573	140,000	0
MRP	0	(196)	(820)	(2,487)	(3,986)
Closing CFR	18,973	79,070	238,823	376,336	372,350

The brought forward CFR from 2015/16 was a credit balance of £161k.

2.3 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources £000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Fund balances / reserves	3,334	3,334	3,334	3,334	3,334
Capital receipts	4,893	3,099	2,414	2,164	2,164
Earmarked reserves	13,187	13,911	13,911	13,911	13,911
Other	2,104	2,104	2,104	2,104	2,104
Total core funds	**21,414**	**22,448**	**21,763**	**21,513**	**21,513**
Working capital*	7,000	7,000	7,000	7,000	7,000
Expected investments	**28,414**	**29,448**	**28,763**	**28,513**	**28,513**

*Working capital balances shown are estimated year-end; these may be higher mid-year

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2017, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
External Debt					
Debt at 1 April	0	19,134	64,427	225,000	365,000
Expected change in Debt	19,134	60,293	160,573	140,000	0
Less use of internal funds	0	(15,000)	0	0	0
Actual gross debt at 31 March	**19,134**	**64,427**	**225,000**	**365,000**	**365,000**
The Capital Financing Requirement (excluding MRP deductions)	**18,973**	**79,266**	**239,839**	**379,839**	**379,839**
Under / (over) borrowing	**-**	**14,839**	**14,839**	**14,839**	**14,839**

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £000	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
External Debt	64,427	225,000	365,000	365,000

The authorised limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Authorised limit £000	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Debt	385,000	385,000	385,000	385,000
Other long term liabilities	0	0	0	0
Total	385,000	385,000	385,000	385,000

3.3 Prospects for interest rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

Link Asset Services Interest Rate View	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- The Bank of England takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March and the anti EU populist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the EU as a whole and of the individual respective countries. Hungary will hold a general election in April 2018.
- The result of the October 2017 Austrian general election has now resulted in a strongly anti-immigrant coalition government. In addition, the Czech ANO party became the largest party in the October 2017 general election on a platform of being strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Investment and borrowing rates

- Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.
- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases.

Since then, borrowing rates have eased back again somewhat. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

3.4 Borrowing strategy

The Council aims to maintain an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the *C*ouncil, at the earliest meeting following its action.

3.7 Municipal Bond Agency

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code"). The Council's investment priorities will be security first, portfolio liquidity second, then return.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in appendix 5.4 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

4.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Chief Finance Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- Banks 1 - good credit quality **–** the Council will only use banks which:
    i. are UK banks; and/or
    ii. are non-UK and domiciled in a country which has a minimum sovereign Long Term rating of AAA

  and have, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where rated):

i. Short Term –*F1*
ii. Long Term – *A-*

- Banks 2 – Part nationalised UK bank – Royal Bank of Scotland. This bank can be included provided it continues to be part nationalised or it meets the ratings in Banks 1 above.
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
- Bank subsidiary and treasury operation -. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies - The Council will *use* all societies which:
    i. Meet the ratings for banks outlined above;
    ii. Have assets in excess of *£1bn*;

    or meet both criteria.
- Money Market Funds (MMFs) – *AAA*
- Enhanced money market funds (EMMFs) – with a risk score of 1.5
- UK Government (including gilts, Treasury Bills and the DMADF)
- Local authorities, parish councils etc
- Supranational institutions
- Pooled property funds – up to £5m

A limit of 50% will be applied to the use of non-specified investments.

Use of additional information other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

Time and monetary limits applying to investments. The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch Long term Rating (or equivalent)	Money and/or % Limit	Time Limit
Banks 1 higher quality	***F1/AAA/B/1***	**£5m**	**5yrs**
Banks 1 medium quality	***F1/AA-/B/2***	**£5m**	**3yrs**
Banks 1 lower quality	***F1/A-/C/3***	**£5m**	**1yr**
Banks 2 – part nationalised	**N/A**	**£5m**	**1yr**
Limit 3 category – Council's banker (not meeting Banks 1)	**N/A**	**£5m**	**1 day**
DMADF	**AAA**	**unlimited**	**6 months**
	Fund rating	**Money and/or % Limit**	**Time Limit**
Local authorities	**N/A**	**£5m**	**1yr**
Money market funds	**AAA**	**£5m**	**liquid**
Enhanced money market funds	**AAA**	**£5m**	**liquid**

The proposed criteria for specified and non-specified investments are shown in section 7 for approval.

4.3 Country and sector limits

Due care will be taken to consider the country, group and sector exposure of the Council's investments.

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of *AA-* from Fitch *(or equivalent*). The list of countries that qualify using this credit criteria as at the date of this report are shown in section 8. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

In addition:

- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.
- the minimum credit rating does not apply to the UK.

4.4 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations

Bank Rate is forecast to stay flat at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

	Now
2017/18	0.40%
2018/19	0.60%
2019/20	0.90%
2020/21	1.25%
2021/22	1.50%
2022/23	1.75%
2023/24	2.00%
Later years	2.75%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit:

Maximum principal sums invested > 364 & 365 days			
£m	**2018/19**	**2019/20**	**2020/21**
Principal sums invested > 364 days	£10m	£10m	£10m

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

4.5 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4.6 External fund managers

Around £20m of the Council's funds are externally managed on a discretionary basis by Aberdeen Asset Management.

The Council's external fund manager(s) will comply with the Annual Investment Strategy. The agreement(s) between the Council and the fund manager(s) additionally stipulate guidelines and duration and other limits in order to contain and control risk.

The minimum credit criteria to be used by the cash fund manager(s) are as follows: -

	Fitch	Moody's	Standard and Poors
Long Term	A-	A2	A
Short Term	F1	P1	A-1

5 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2018/19 – 2020/21 AND MRP STATEMENT

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans. The plans include both the core capital programme and approved investments through the Property Acquisition Fund (£80m) and Epsom & Ewell Property Investment Company Ltd (£300m).

5.1.1 Capital expenditure

Capital expenditure	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Strategy & Resources	20,160	60,584	161,078	140,250	0
Environment	203	267	524	0	0
Community & Wellbeing	1,379	691	784	588	588
Total	**21,742**	**61,542**	**162,386**	**140,838**	**588**

5.1.2 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement*:*

For all unsupported borrowing (including PFI and finance leases) the MRP policy will be*:*

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations.

This option provides for a reduction in the borrowing need over approximately the asset's life.

5.1.3 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicator:

a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2016/17 Actual %	**2017/18 Estimate %**	**2018/19 Estimate %**	**2019/20 Estimate %**	**2020/21 Estimate %**
Ratio	-2%	4%	14%	38%	48%

The estimates of financing costs include current commitments and the proposals in this budget report. The financing costs would be incurred to fund investment in investment properties and Epsom & Ewell Property Investment Company Ltd, and would, therefore, be funded by associated income streams from these sources.

5.1.4 Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

		2017/18	2018/19	2019/20
Interest rate exposures				
		Upper £'000	**Upper £'000**	**Upper £'000**
Limits on fixed interest rates borrowings		380,000	380,000	380,000
Limits on variable interest rates borrowings		0	0	0
Maturity structure of fixed interest rate borrowing 2018/19				
			Lower	**Upper**
Under 12 months			0%	0%
12 months to 2 years			0%	0%
2 years to 5 years			0%	0%
5 years to 10 years			0%	20%
10 years to 20 years			0%	0%
20 years to 30 years			0%	0%
30 years to 40 years			0%	0%
40 years to 50 years			0%	100%
Maturity structure of variable interest rate borrowing 2018/19				
			Lower	Upper
Under 12 months			0%	0%
12 months to 2 years			0%	0%
2 years to 5 years			0%	0%
5 years to 10 years			0%	0%
10 years to 20 years			0%	0%
20 years to 30 years			0%	0%
30 years to 40 years			0%	0%
40 years to 50 years			0%	0%

6 ECONOMIC BACKGROUND

UK. After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has confounded pessimistic forecasts of weak growth by coming in at 1.8%, only marginally down on the 1.9% rate for 2016**. In 2017, quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 +0.3% (+1.5% y/y), quarter 3 +0.4% (+1.5% y/y) and Q4 was +0.5% (+1.5% y/y). The outstanding performance came from the manufacturing sector which showed a 1.3% increase in Q4 and +3.1% y/y helped by an increase in exports due to the lower value of sterling over the last year and robust economic growth in our main trade partners, the EU and US. It is also notable that there has been a progressive acceleration in total GDP growth during the year which gives ground for optimism looking forward into 2018.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.1% in November so that may prove now to be the peak. Inflation fell to 3.0% in December.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

EZ. Economic growth in the eurozone (EZ), (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and +0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in December inflation was 1.4%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 started erratically with quarter 1 coming in at an annualised rate of only 1.2%, quarter 2 at 3.1%, quarter 3 3.2% and Q4 2.6%. This gave an overall figure for annual growth in 2017 of 2.6%, an acceleration from 1.5% in 2016. Unemployment in the US has also fallen to the lowest level for seventeen years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with five increases in all and four increases since December 2016; the latest rise was in December 2017 and lifted the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

JAPAN. GDP growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling to get inflation up to its target of

2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

7 TREASURY MANAGEMENT PRACTICES

7.1 TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

The CLG issued Investment Guidance in 2010, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 13/04/2012 and will apply its principles to all investment activity. In accordance with the Code, the Chief Finance Officer has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year*,* covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated *AAA* by Standard and Poor's, Moody's and / or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society. For category 5 this covers bodies with a minimum Short Term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies .

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are

	Fitch (or equivalent)	Moody's	Standard & Poors	Money Limit	Time Limit
Upper Limit Category	F1 / AAA / B / 1	P-1 / Aaa / B	A-1 / AAA	£5m	5yrs
Middle Limit Category	F1 / AA- / B / 2	P-1 / Aa3/ B	A-1 / AA-	£5m	3yrs
Lower Limit Category	F1 / A- / C / 3	P-1 / A3 / C	A-1 / A	£5m	1yr
Building Society	Meet banks criteria or assets in excess of £1bn and are an 'eligible institution'			£5m	1yr
DMADF	AAA			unlimited	6 months
Money Market Funds	AAA			£5m	no limit
Enhanced Money Market Funds				£5m	no limit
Other Local Authorities				£5m	1yr
Supranational				£5m	5yrs
Gilts				£5m	10yrs
Guaranteed Organisations				£5m	length of guarantee

Non-specified investments –are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	Non Specified Investment Category	Limit (£ or %)
a.	**Supranational bonds greater than 1 year to maturity** **(a) Multilateral development bank bonds** - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.). **(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g. National Rail, the Guaranteed Export Finance Company {GEFCO}) The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	AAA long term ratings, 50% of money invested through external fund manager. Restriction of 5yrs maximum maturity
b.	**Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	50% of money invested through external fund manager. Restriction of 10yrs maximum maturity 50% of money invested through external fund manager. Restriction of 10yrs maximum maturity
c.	**The Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	In this instance balances will be minimised as far as is possible.

d.	**Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which have a minimum asset size of £1bn, but will restrict these type of investments to 12 months.	£5m per institution.
e.	Any **bank or building society** that has a minimum long term credit rating of A-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	Maximum of 50% on investments over 1yr
f.	Any **non-rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to parent bank having the necessary ratings outlined in (e) above and a guarantee from the parent company.	£5m per institution.
g.	**Share capital** in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. See note 1 below.	Maximum £5m per institution, subject to minimum rating of AA- (long term). The exception is Epsom & Ewell Property Investment Company Limited (EEPIC) - Council has separately authorised share capital and loans to EEPIC of up to £300m.
h.	**Property funds** – The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using.	Maximum £5m per fund

NOTE 1. This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Chief Finance Officer, and if required new counterparties which meet the criteria will be added to the list.

Use of external fund managers – It is the Council's policy to use external fund managers for part of its investment portfolio. The fund managers will use both specified and non-specified investment categories, and are contractually committed to keep to the Council's investment strategy. The terms of the fund managers' investment policies are in accordance with strategy detailed above and are detailed in the contract with the fund manager. The performance of the manager is reviewed at least annually by the Chief Finance Officer and the manager is contractually required to comply with the annual investment strategy.

TMP2 Performance measurement

The Council has a number of approaches to evaluating treasury management decisions: -

a. Monthly reviews carried out by the treasury management team

b. Reviews with our treasury management consultants & external fund manager

c. Annual review after the end of the year as reported to Strategy & Resources Committee

d. Half yearly monitoring report to Financial Policy Panel

e. Quarterly monitoring reports

The treasury management team holds reviews with our consultants every 6 months to review the performance of the investment and debt portfolios.

An Annual Treasury Report is submitted to the Council each year after the close of the financial year, which reviews the performance of the investment portfolio. This report contains the following: -

a. average investments held during the financial year and average interest rates

b. investment strategy for the year compared to actual strategy

c. explanations for variance between original strategies and actual

d. comparison of return on investments to the investment benchmark

e. compliance with Prudential and Treasury Indicators

The performance of investment earnings will be measured against the following benchmarks: -

a. In house investments
7 day LIBID

b. External fund manager
7 day LIBID

Epsom & Ewell Borough Council's policy is to appoint external investment fund managers to manage a proportion of its cash and will comply with the Local Authorities (Contracting Out of Investment Functions) Order 1996 [SI 1996 No 1883}.

The delegation of investment management to external managers will entail the following:

- Formal contractual documentation;
- Agreement on terms for early termination of the contract;
- Setting of investment instruments, constraints/parameters/conditions
- Setting of investment counterparty limits;
- Setting a performance measurement benchmark and a performance target;
- Frequency of performance reporting;
- Frequency of meetings with investment managers;

The Code of Practice places an obligation on the Council to monitor the performance of the fund managers. This Council has appointed Link Asset Services to assist in this respect.

TMP3 Decision – making and analysis

Epsom & Ewell Borough Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the scheduled to this document."

The Treasury team will ensure that the following records will be retained: -

- Daily cash balance forecasts
- Money market rates obtained by telephone from brokers
- Dealing slips for all money market transactions
- Brokers' confirmations for investment transactions
- Confirmations from borrowing institutions where deals are done directly
- Contract notes received from fund manager
- Fund manager valuation statements

Processes to be pursued:

- Cash flow analysis
- Investment maturity analysis
- Ledger reconciliation
- Performance management information

TMP4 Approved instruments, methods and techniques

Epsom & Ewell Borough Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the Treasury Management Strategy and within the limits and parameters defined.

TMP5 Organisation, clarity and segregation of responsibilities and dealing arrangements

Allocation of responsibilities

(i) Full council

- approval of annual treasury management strategy.

(ii) Strategy & Resources Committee

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval

- approval of the division of responsibilities
- receiving and reviewing annual monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Financial Policy Panel

- receiving and reviewing half yearly monitoring report and acting on recommendations

(iv) Chief Finance Officer

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Principles and Practices Concerning Segregation of Duties

The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal. (Dealer 1) Production of transfer note. (Dealer 1)
Bank	Entry of transaction onto bank (Finance Officer)
Authorisation/Payment of Deal	Approval and payment. (Dealer 2)
Accounting Entry	Processing of accounting entry (Exchequer Team) Reconciliation of cash control account. (Exchequer Team)
Bank	Bank reconciliation (Exchequer Team)

Statement of the treasury management duties/responsibilities of each treasury post

The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Chief Finance Officer. This person will carry out the following duties: -

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance

- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.
- The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- The responsible officer may delegate his power to borrow and invest to members of his staff. The Treasury Management Team must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness.
- The responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
- Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
- It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non-Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

The Chief Accountant

The responsibilities of this post will be: -

a) execution of transactions

b) adherence to agreed policies and practices on a day-to-day basis

c) maintaining relationships with counterparties and external service providers

d) supervising treasury management staff

e) monitoring performance on a day-to-day basis

f) submitting management information reports to the responsible officer

g) identifying and recommending opportunities for improved practices

The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

a) Ensuring that the system is specified and implemented

b) Ensuring that the responsible officer reports regularly on treasury policy, activity and performance.

The Monitoring Officer – the Head of Legal Services

The responsibilities of this post will be: -

a) Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.

b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.

c) Giving advice to the responsible officer when advice is sought.

Internal Audit

The responsibilities of Internal Audit will be: -

a) Reviewing compliance with approved policy and treasury management practices.

b) Reviewing division of duties and operational practice.

c) Assessing value for money from treasury activities.

d) Undertaking probity audit of treasury function.

Absence Cover Arrangements

Four officers within the Finance Team have the authority to place deals, with a further three officers able to input trades onto the system ready for authorisation.

Dealing

The following posts are authorised to deal: -

- Chief Accountant
- 3 Senior Accountants
- 3 Accountants

TMP6 Reporting requirements and management information arrangements

Epsom & Ewell Borough Council will ensure that regular reports are prepared and considered on the implementation of its treasury managements policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implementations of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the council will receive:

- an annual report on the strategy and plan to be pursued in the coming year.

- a mid-year review on the current performance of the treasury management function.

- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

TMP7 Budgeting, accounting and audit arrangements

The Chief Finance Officer will prepare, and Epsom & Ewell Borough Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management functions, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Best value and performance measurement*, and TMP4 *Approved instruments, methods and techniques*. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangement.*

Epsom & Ewell Borough Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

Epsom & Ewell Borough Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

TMP8 Cash and cash flow management

Cash flow projections are prepared annually and updated daily. The annual cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the Chief Finance Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring.

TMP9 Money Laundering

Epsom & Ewell Borough Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

TMP10 Staff training and qualifications

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

a) Treasury management staff employed by the Council

b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a Personal Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Chief Finance Officer to ensure that all staff under his authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the treasury management team.

Details of Approved Training Courses

Treasury management staff and members will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

Members charged with governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

TMP11 Use of external service providers

Epsom & Ewell Borough Council recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies.

TMP12 Corporate governance

Epsom & Ewell Borough Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.

It has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

The following documents are available for public inspection: -

Treasury Management Policy Statement

Treasury Management Strategy Statement

Annual Investment Strategy

Minimum Revenue provision policy statement

Annual Treasury Review Report

Treasury Management monitoring reports (e.g. half yearly, quarterly)

Annual accounts and financial instruments disclosure notes

Annual budget

3 Year Capital Plan

Minutes of Council / committee meetings

8. APPROVED COUNTRIES FOR INVESTMENTS (as at 29/01/2018)

This list is based on those countries which have sovereign ratings of AA- or higher (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- U.K.

AA-

- Belgium
- Qatar

9. THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed

Changes to Treasury Management Strategy for 2018/19

A large proportion of the Treasury Management Strategy remains the same as last year but this section highlights any significant changes made on the previous year's Strategy.

The Prudential Indicators in Section 2 of the Strategy have been updated to reflect the latest figures approved by Council, with borrowing limits increased to £380 million until 2019/20. The indicator showing the incremental impact on Council Tax has been removed, in line with the Prudential Code 2017.

Section 3 of the Strategy reflects Council's approval to borrow up to £380m to finance the acquisition of commercial property, in-Borough and out-of-Borough through its wholly owned subsidiary company. The Capital Financing Requirement has increased as a result.

The Annual Investment Strategy in section 4 has been updated to reflect Council's approval to provide loans and share capital of up to £300m to the Council's wholly owned subsidiary company.

In Section 5 the Strategy recommends the Council's policy statement for MRP, which remains the Asset Life Method.

Section 6 provides an economic update from our independent financial advisors, Link Asset Services (formerly known as Capita Asset Services). This provides economic forecasts for UK and other world economies.

The Treasury Management practices set on in Section 7 have been updated to reflect the changes to EEBC's management structure, following the removal of the Director of Finance and Resources and Head of Financial Services posts, and the creation of the Chief Finance Officer post.

Section 8 provides a list of approved countries for investment; no new countries have been added to the list for 2018/19.

Section 9 - the role of the S151 Officer has been updated to reflect CIPFA's latest Treasury Management Code of Practice and the Prudential Code 2017.

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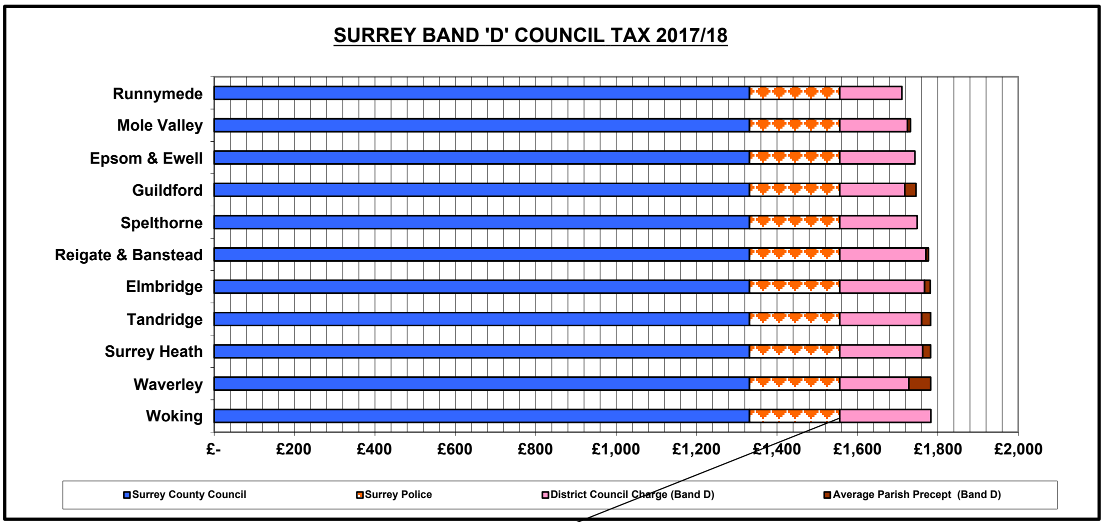
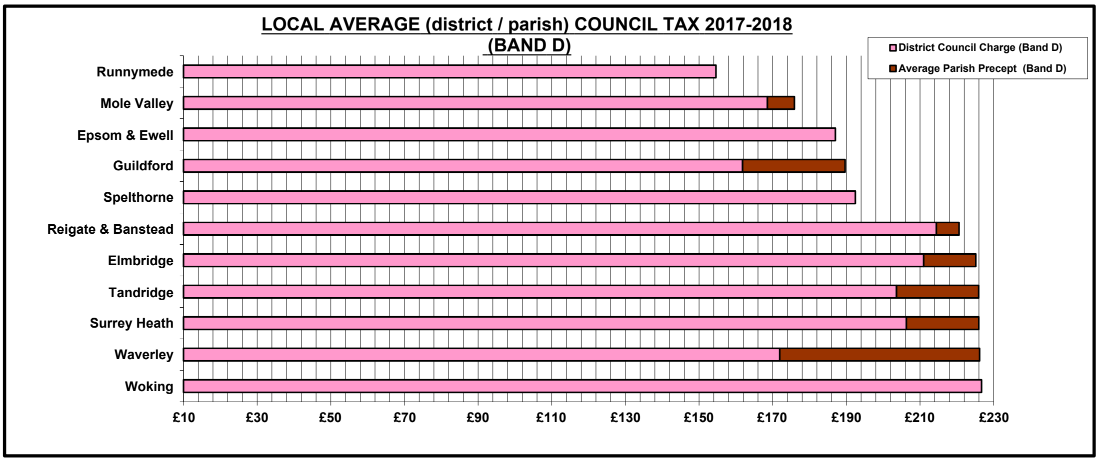
2017-2018 COUNCIL TAX (average per dwelling and Band D for 2 adults)

SURREY DISTRICT		Surrey County Council	Surrey Police	District Council Charge (Band D)	Average Parish Precept (Band D)	Local Average (Band D)	Average Council Tax (Band D)
Runnymede	£	1,331.55	224.57	154.59	0.00	**154.59**	1,710.71
Mole Valley	£	1,331.55	224.57	168.56	7.33	**175.89**	1,732.01
Epsom & Ewell	**£**	**1,331.55**	**224.57**	**187.02**	**0.00**	**187.02**	**1,743.14**
Guildford	£	1,331.55	224.57	161.82	27.83	**189.65**	1,745.77
Spelthorne	£	1,331.55	224.57	192.44	0.00	**192.44**	1,748.56
Reigate & Banstead	£	1,331.55	224.57	214.44	6.16	**220.60**	1,776.72
Elmbridge	£	1,331.55	224.57	211.00	14.15	**225.15**	1,781.27
Tandridge	£	1,331.55	224.57	203.62	22.31	**225.93**	1,782.05
Surrey Heath	£	1,331.55	224.57	206.30	19.66	**225.96**	1,782.08
Waverley	£	1,331.55	224.57	171.91 21	54.27	**226.18**	1,782.30
Woking	£	1,331.55	224.57	226.71	0.00	**226.71**	1,782.83





SURREY DISTRICTS - COUNCILTAX 2016/17 to 2017/18

	2016/17 Band D			Date of Council meeting	2016/17 Band D			2016/17 % change		
	Ave Excld Parishes	Ave Incl Parishes	Difference	2017	Ave Excld Parishes	Ave Incld Parishes	Difference	Excld Parishes	Incld Parishes	Status
	£	£	£		£	£	£			
Elmbridge	207.00	221.15	14.15	22-Feb	211.00	225.15	14.15	**1.93%**	1.81%	Approved
Epsom & Ewell	182.07	182.07	0.00	14-Feb	187.02	187.02	0.00	**2.72%**	2.72%	Approved
Guildford	156.82	183.29	26.47	09-Feb	161.82	189.65	27.83	**3.19%**	3.47%	Approved
Mole Valley	163.65	169.24	5.59	21-Feb	168.56	175.89	7.33	**3.00%**	3.93%	Proposed
Reigate & Banstead	209.44	215.39	5.95	09-Feb	214.44	220.60	6.16	**2.39%**	2.42%	Approved
Runnymede	149.59	149.59	0.00	09-Feb	154.59	154.59	0.00	**3.34%**	3.34%	Approved
Spelthorne	187.44	187.44	0.00	23-Feb	192.44	192.44	0.00	**2.67%**	2.67%	Approved
Surrey Heath	201.30	221.64	20.34	22-Feb	206.30	225.96	19.66	**2.48%**	1.95%	Approved
Tandridge	198.62	219.99	21.37	23-Feb	203.62	225.93	22.31	**2.52%**	2.70%	Approved
Waverley	166.91	218.41	51.50	21-Feb	171.91	226.18	54.27	**3.00%**	3.56%	Approved
Woking	221.76	221.76	0.00	09-Feb	226.71	226.71	0.00	**2.23%**	2.23%	Approved
Surrey County Council	1,268.28	1,268.28	0.00	07-Feb	1,331.55	1,331.55	0.00	**4.99%**	4.99%	Approved
Surrey Police	220.19	220.19	0.00	06-Feb	224.57	224.57	0.00	**1.99%**	1.99%	Approved
District only average	185.87	199.09	13.22		281.12	292.79	11.67	51.24%	47.06%	
Total CT average	1,674.34	1,687.56	13.22		1,746.88	1,760.68	13.79	4.33%	4.33%	

BAND 'D' COUNCIL TAXES IN SURREY - 2017/18

LOCAL SERVICES (including Parishes)

	2016/17	2016/17	Rank	2017/18	2017/18	Rank		% increase	
	District + Parish Ave Precept	Council Tax (incl. Precepts)	(1 = highest)	District + Parish Ave Precept	Council Tax (incl. Precepts)	(1 = highest)	District Ave Precept	District + Parish Ave Precept	Council Tax (incl. Precepts)
		£1,488.47			£1,556.12				
Waverley	**£218.41**	£1,706.88	**5**	**£226.18**	£1,782.30	**2**	**3.00%**	**3.56%**	4.42%
Tandridge	**£219.99**	£1,708.46	**4**	**£225.93**	£1,782.05	**4**	**2.52%**	**2.70%**	4.31%
Elmbridge	**£221.15**	£1,709.62	**3**	**£225.15**	£1,781.27	**5**	**1.93%**	**1.81%**	4.19%
Woking	**£221.76**	£1,710.23	**1**	**£226.71**	£1,782.83	**1**	**2.23%**	**2.23%**	4.25%
Reigate & Banstead	**£215.39**	£1,703.86	**6**	**£220.60**	£1,776.72	**6**	**2.39%**	**2.42%**	4.28%
Surrey Heath	**£221.64**	£1,710.11	**2**	**£225.96**	£1,782.08	**3**	**2.48%**	**1.95%**	4.21%
Guildford	**£183.29**	£1,671.76	**8**	**£189.65**	£1,745.77	**8**	**3.19%**	**3.47%**	4.43%
Spelthorne	**£187.44**	£1,675.91	**7**	**£192.44**	£1,748.56	**7**	**2.67%**	**2.67%**	4.33%
Epsom & Ewell	**£182.07**	£1,670.54	**9**	**£187.02**	£1,743.14	**9**	**2.72%**	**2.72%**	4.35%
Mole Valley	**£169.24**	£1,657.71	**10**	**£175.89**	£1,732.01	**10**	**3.00%**	**3.93%**	4.48%
Runnymede	**£149.59**	£1,638.06	**11**	**£154.59**	£1,710.71	**11**	**3.34%**	**3.34%**	4.44%

Source: individual authorities

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COUNCIL TAX PROPOSAL: CALCULATION FOR 2018/19 BUDGET REPORT (Includes SPCC decision and SCC council tax proposals)

		2017/18	2018/19	2018/19
	EPSOM AND EWELL BOROUGH COUNCIL	2.72%	**0.00%**	**2.98%**
		£	**£**	**£**
				Recommendation
	Gross Service Expenditure	45,174,355	**47,373,114**	**47,373,114**
	Business Rate Tariff	8,430,981	**8,599,015**	**8,599,015**
	Business Rate Estimated Levy	201,350	**166,569**	**166,569**
	Gross Expenditure	53,806,686	**56,138,698**	**56,138,698**
	Gross Income	37,529,381	**39,589,933**	**39,589,933**
	Business Rate Income - (Tariff Element/Levy)	8,632,331	**8,765,584**	**8,765,584**
	Budget Requirement	7,644,974	**7,600,949**	**7,783,181**
	Business Rate Retained Income	1,237,674	**1,203,289**	**1,203,289**
	Small Business Rate Relief Grant	289,507	**328,942**	**328,942**
	Revenue Support Grant	0	**0**	**0**
	Transitional Grant	82,624	**0**	**0**
	Collection Fund Surplus (Council Tax)	100,580	**141,095**	**141,095**
	Collection Fund Deficit (Business Rates)	-110,647	**-180,087**	**-180,087**
	Council Tax Grant	0	**0**	**0**
	Collection Fund Income	1,599,738	**1,493,239**	**1,493,239**
	Council Tax Requirement	6,045,236	**6,107,710**	**6,289,942**
	Council Tax Base (Band D Equiv. Properties)	32,324.01	***32,658.06***	***32,658.06***
	Basic Amount of Council Tax	£187.02	**£187.02**	**£192.60**
	Epsom & Ewell Borough Council			
1/9ths	**Valuation Band**			
6	**A**	£124.68	**£124.68**	**£128.40**
7	**B**	£145.46	**£145.46**	**£149.80**
8	**C**	£166.24	**£166.24**	**£171.20**
9	**D**	£187.02	**£187.02**	**£192.60**
11	**E**	£228.58	**£228.58**	**£235.40**
13	**F**	£270.14	**£270.14**	**£278.20**
15	**G**	£311.70	**£311.70**	**£321.00**
18	**H**	£374.04	**£374.04**	**£385.20**
	Surrey County Council Basic Amount			
	£1,411.29			
1/9ths	Valuation Band			
6	A	£887.70	**£940.86**	**£940.86**
7	B	£1,035.65	**£1,097.67**	**£1,097.67**
8	C	£1,183.60	**£1,254.48**	**£1,254.48**
9	D	£1,331.55	**£1,411.29**	**£1,411.29**
11	E	£1,627.45	**£1,724.91**	**£1,724.91**
13	F	£1,923.35	**£2,038.53**	**£2,038.53**
15	G	£2,219.25	**£2,352.15**	**£2,352.15**
18	H	£2,663.10	**£2,822.58**	**£2,822.58**
	Surrey Police & Crime Commissioner: Basic Amount (RECOMMENDED)			
	£236.57			
1/9ths	Valuation Band			
6	A	£149.71	**£157.71**	**£157.71**
7	B	£174.67	**£184.00**	**£184.00**
8	C	£199.62	**£210.28**	**£210.28**
9	D	£224.57	**£236.57**	**£236.57**
11	E	£274.47	**£289.14**	**£289.14**
13	F	£324.38	**£341.71**	**£341.71**
15	G	£374.28	**£394.28**	**£394.28**
18	H	£449.14	**£473.14**	**£473.14**

COUNCIL TAX PROPOSAL: CALCULATION FOR 2018/19 BUDGET REPORT (Includes SPCC decision and SCC council tax proposals)

EPSOM AND EWELL BOROUGH COUNCIL	*2017/18* *2.72%*	**2018/19** **0.00%**	**2018/19** **2.98%**
Council Tax Total			
Valuation Band			
A	£1,162.09	**£1,223.25**	**£1,226.97**
B	£1,355.78	**£1,427.13**	**£1,431.47**
C	£1,549.46	**£1,631.00**	**£1,635.96**
D	£1,743.14	**£1,834.88**	**£1,840.46**
E	£2,130.50	**£2,242.63**	**£2,249.45**
F	£2,517.87	**£2,650.38**	**£2,658.44**
G	£2,905.23	**£3,058.13**	**£3,067.43**
H	£3,486.28	**£3,669.76**	**£3,680.92**

EPSOM & EWELL BOROUGH COUNCIL ELEMENT OF THE COUNCIL TAX - CHANGES

Council Tax at Band D =	*£187.02*	**£ 187.02**	**£ 192.60**
Increase in Council Tax (%)		**0.00%**	**2.98%**
Increase in Council Tax (per annum)		**£0.00**	**£5.58**
Increase in Council Tax (per month)		**£0.00**	**£0.46**
Increase in Council Tax (per week)		**£0.00**	**£0.11**
Income Generated from Council Tax Increase		**£0**	**£182,232**
Use of Working Balance		**£182,232**	**£0**
Equiv. Council Tax support from use of wkg bal.		**£5.58**	**£0.00**
Note:			
Budget Requirement	*7,644,974*	**£7,600,949**	**£7,783,181**
Increase in Budget Requirement		***-0.6%***	***1.8%***

10%	**EEBC**	**£6,289,942.36**
77%	**SCC**	**£46,089,993.50**
13%	**SPA**	**£7,725,917.25**
		£60,105,853.11
		£60,105,853.11

Council Tax Collection Fund Income and Expenditure Account Estimate for the Year Ended 31 March 2018

	2017/18
	£
Expenditure :-	
Surrey County Council Precept	43,041,036
Surrey Police Precept	7,259,003
Epsom & Ewell Borough Council Precept	6,045,236
Distribution of Income in 2017/18 to cover 2016/17 surplus	919,766
Increased Provision for Bad Debts	177,686
	57,442,727
Income :-	
Council Tax Income	57,516,791
	57,516,791
Surplus for the year	74,064
Balance Brought Forward 1 April	1,240,620
Balance Carried Forward 31 March	1,314,684

Surplus allocation 2018/19 Budget:	£
Surrey County Council	1,004,135
Surrey Police & Crime Commissioner	169,454
Epsom & Ewell Borough Council	141,095
	1,314,684

**Retained Busimess Rates Collection Fund
Income and Expenditure Account Estimate
for the Year Ended 31 March 2018**

	2017/18
	£
Expenditure :-	
Central Government (includes tariff & levy)	21,024,250
Surrey County Council	2,467,501
Epsom & Ewell Borough Council	1,183,261
Increased Provision for Bad Debts	41,512
Increased Provision for Appeals	-
Cost of Collection Allowance	83,437
	24,799,961
Income :-	
Business Rates Income	24,568,927
Reduced Provision for Appeals	333,706
Transitional Protection	137,374
Funding from Preceptors in 2017/18 to cover 2016/17 deficit	341,773
	25,381,780
Surplus for the year	581,819
Balance Brought Forward 1 April	(1,032,035)
Balance Carried Forward 31 March	(450,216)

Deficit allocation 2017/18 Budget:	£
Central Government	(225,108)
Surrey County Council	(45,022)
Epsom & Ewell Borough Council	(180,087)
	(450,217)

Revision to Constitution - Model Code of Practice for Members in respect of Planning Matters

Report of the:	Chief Legal Officer
Contact:	Fiona Cotter
Annexes/Appendices (attached):	**Annexe 1:** Model Code of Practice for Members adopted by Planning Committee
Other available papers (not attached):	Report and Minutes to the Planning Committee dated 18 January 2018

Report summary

The report recommends that the Constitution be updated to include the revised Model Code of Practice for Members in respect of Planning Matters adopted by the Planning Committee at its meeting on 18 January 2018.

Recommendation (s)

That the revised Model Code of Practice for Members in respect of Planning Matters attached at Annexe 1 be included in the Constitution, to supercede the (ACSeS) Model Code of Good Practice currently contained therein

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

1.1 Sound and defensible planning decisions reflect the Council's core values.

2 Background

2.1 The Planning Committee agreed a Planning Improvement Action Plan at a Special Meeting on 13 November 2017. The Plan contained a number of actions to implement changes to the practices and procedures relating to the consideration and determination of planning applications.

2.2 The Committee was asked to consider updated versions of the Code of Conduct and Delegation Scheme, which had been revised taking into account comments and recommendations from the Planning Peer Challenge report, changes in law and best practice guidance from the Local Government Association and the Planning Advisory Service.

3 Proposals

3.1 Council has delegated decisions on the Scheme of Delegation in relation to planning matters to the Planning Committee. Council is requested to consider the inclusion of the revised Model Code of Practice in the Constitution. The Code attached at **Annexe 1** has been amende.

4 Financial and Manpower Implications

4.1 There are no financial or manpower implications for the purposes of this report.

4.2 ***Chief Finance Officer's comments:*** *None for the purposes of this report.*

5 Legal Implications (including implications for matters relating to equality)

5.1 The revised Model Code of Conduct has been revised to bring it in line with current best practice, the Localism Act and National Planning Guidance in particular. The opportunity has also been taken to refresh the processes around the use of the local convention of "call in" i.e. the ability of councillors to require an application to be considered by the Planning Committee.

5.2 ***Monitoring Officer's comments:*** *the proposed Model Code of Practice accords with current legislation and best practice.*

6 Sustainability Policy and Community Safety Implications

6.1 There are no implications for the purposes of this report.

7 Partnerships

7.1 The revised Model Code recognises the need for more collaborative working with applicants within the appropriate bounds of probity and recognises the need to engage with all stakeholders earlier in the planning process

8 Risk Assessment

8.1 The revised Model Code is designed to mitigate the risk of the perception of impropriety on the part of members when engaging in the planning process. The benefit of this detailed Code is that it sets out clear lines of engagement and expectations for all parties involved, including members of the public and developers.

9 Conclusion and Recommendations

9.1 The Council's Constitution is regarded as a key document in the Council's Corporate Governance Framework. Inclusion of this Code of Conduct within the Constitution not only demonstrates the Council's commitment to good corporate governance but also promotes openness and transparency.

Ward(s) Affected: (All Wards);

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Model Code of Practice for Members in respect of planning matters

Probity in Planning

Introduction

Planning matters have a significant impact on our lives and the area in which we live. It is important that the system operates and is seen to operate, in an honest, open and transparent manner.

The purpose of the planning system is to consider development proposals in the light of wider public interests, with the Government requiring a positive approach to be taken towards allowing substantial development. To succeed, the planning system relies on Councillors and Officers acting in a way, which is fair and is clearly seen to be fair. This includes acting in accordance with Planning Law in all instances and paying due regard to national and local policies in addition to all other “material planning considerations.”

This Code of Good Practice has been adapted from national guidelines on probity to take account of the local situation. Two particular areas of the Localism Act 2011 are relevant to this code. Firstly, with regard to pre-determination the Act makes clear that it is proper for councillors to play an active part in local discussions and that they should not be liable to legal challenge as a result, provided they maintain an open mind. Secondly, and related to pre-determination, the Act introduces a new requirement for developers to consult local communities before submitting planning applications for certain developments. This gives Members and local residents a chance to comment when there is still genuine scope to make changes to proposals at both pre-application and post submission stages.

Status of the Code

This Planning Code is contained in the Council’s Constitution and is complimentary to the Council’s Code of Conduct for Members. Members of the Planning Committee should apply both the general Code of Conduct and the Planning Code in dealing with planning issues. This is to help Members maintain the Council’s high standards of conduct, avoid placing the Council at risk of legal challenge or a finding of maladministration by the Local Government Ombudsman, and avoid putting an individual member at risk of a complaint. A breach of this Code whilst not usually amounting to a breach of criminal law, may adversely affect the standing of the Council.

The purpose of this Planning Code is to:

- Set the standards of conduct the Council requires all Members and Officers of the Council to follow when dealing with and determining planning applications including policy, development and enforcement

- guide the way in which Members and Officers of the Council deal with all planning decisions, supporting their respective roles, and protecting their reputation for probity

- Set the standard of conduct which other parties to the process can expect from Members and Officers when dealing with planning matters

This Code applies to all Members and Officers when making decisions on planning matters. It has been drawn up to:

- Support Members effective engagement in all aspects of the planning process and, in this context, to fulfil their democratic role

- Ensure transparency and fairness in the way in which decisions are taken and that there are no grounds for suggesting that a decision has in any way been biased, partial or not well founded

A key purpose of this Code is to help Members of the Planning Committee make formal planning decisions that are safe from legal challenge. It is also intended to be helpful to members of other committees and to ward members in relation to various planning decisions

The benefit of a detailed Code is that it sets out clear lines of engagement and expectations for each of the parties involved including members of the public and developers.

General Role and Conduct of Councillors and Officers

Members and Officers have different but complimentary roles in the planning process. Members of the Planning Committee have different roles to those of other Councillors.

Mutual trust, respect and understanding between Councillors and Officers are key to achieving effective local government. Officers' views, opinions and recommendations will be presented based on their overriding obligation of professional independence, which may on occasion be at odds with the views, opinions or decisions of the Committee or its Members.

Officers, in their role of advising and assisting Members in their determination of planning matters in the public interest, do not represent either the landowner/applicant or the objector. They will:

- Provide impartial professional advice

- Seek to ensure consistency of interpretation of national, regional and the Council's planning policies

- Complete written reports with clear written recommendations and all necessary information for the decision to be made

The Code of Conduct for Officers is set out in full in Part 5 of the Council's Constitution. In addition, many professional staff within the planning service will be members of the Royal Town Institute (RTPI) and are required to comply with the RTPI Code for professional conduct. Planning officers, who are not RTPI members, are also expected to conduct themselves in the same manner.

It is important and best practice that Members recognise that Officers are part of a management structure and any concerns that they may have about the handling of a planning matter should be raised with the department manager. In general, officers and members should adopt a team approach and should recognise and respect each other's different roles.

Members must not put pressure on Officers to put forward a particular recommendation or deal with a planning matter in a particular way. This does not prevent a Councillor from asking questions or submitting views to an officer. These views if submitted in written form will be placed on the planning file and considered together with other material planning considerations.

In reaching a decision Members must ensure they read, consider and take account of the relevant material considerations connected with the application and should not favour any person, group or locality or put themselves in a position where they may appear to do so.

The Members of the Planning Committee should make all decisions in an open and transparent manner and this should not be compromised in any way. Such actions as messages being passed to Members of the Planning Committee during debate should be avoided as this could give an impression of undue influence from a third party. In an emergency, any communication should go through the the Democratic Services Officer.

In order to ensure that decisions are taken on planning grounds and are sound, it is i**mperative** that all Members of the Planning Committee read the reports prepared by Officers and familiarise themselves with all relevant National Planning Guidance (including the National Planning Policy Framework), Development Plan policies and other material considerations well in advance of the Planning Committee itself. It is important that Members be s**een** to be meeting this provision of the Code. Information on specific applications will be available on the Council's website via "Public Access"

Councillors who are Members of the Planning Committee are responsible for the determination of planning applications for major and controversial applications. The Planning Committee must assess proposals against national and local planning policy, are restricted to planning considerations, and **cannot** seek to control non-planning issues or duplicate other legislative controls.

Members of the Planning Committee must always approach their decision making with an **open mind**; have regard to **all** material planning considerations and be prepared to change their views if persuaded that they should. Members should remember that planning law requires determination to be based on **planning consideration** and not on any political or other reasons.

If Members do anything, which would show they had closed minds and had predetermined an application, then they should **not take part**. Showing a predisposition towards a particular course of action does not in itself demonstrate bias and prevent Members from taking part in the decision making, however it may well encourage legal challenge.

Members should **not** vote or take part in the meeting's discussion on an item unless they have been present to hear the entire debate, including the officer's introduction to the item.

Members should ensure that if they are proposing, seconding or supporting a decision contrary to an officer's recommendations or the development plan, Members must **clearly identify** and understand the planning reason leading to this decision. The reason/s must be given **prior** to the vote and be recorded. Members must be aware that the resulting decision may have to be justified by evidence at a planning appeal in the event of challenge.

Interests: Registration and Disclosure

The Law and the Councillor's Code of Conduct set out rules and guidance on declaring their interests. Councillors **must** follow these rules and guidance and review their own situation regularly.

If a Member has a Code of Conduct interest in any matter, the existence and nature of the interest **must be disclosed** at any relevant meeting. This is best done at the beginning of the meeting.

The Members' Code of Conduct states that Members must, within 28 days of taking office as a member or co-opted member, notify the authority's monitoring officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State, where the pecuniary interest is that of the Member, their spouse or civil partner, or is the pecuniary interest of somebody with whom a Member is living with as a husband or wife, or as if they were civil partners. If an interest has not been entered onto the authority's register, then the member must disclose the interest to any meeting of the authority at which they are present, where they have a disclosable interest in any matter being considered and where the matter is not a 'sensitive interest'.

If a Member does have a pecuniary interest, unless granted a dispensation, the Member **may not** participate in making the decision, either formally or informally. The Member should also avoid giving a**ny** impression of participation, as it is important to maintain public confidence in the impartiality of Councillors in decision-making. Taking part whilst having a pecuniary interest **is** a criminal offence.

In relation to planning decisions, any interest that does not amount to a pecuniary interest but which would have a significant impact upon a member's judgement should be declared by the Member at the meeting. In each case this would be a matter for the Member's **own** judgement having full regard to the facts.

An example of this type of interest might be in relation to a planning application on a site very near to the member's home (where it may well be advisable for the member not to take part).

Even if a member considers a non-pecuniary interest would not have a significant impact on their judgement, there are likely to be situations where the public expectation would be for the member not to participate. Equally, there may be circumstances in which a member of the public would not regard it necessary for a member to declare an interest or involvement in a matter but for reasons of good practice and transparency, a member chooses to do so, simply to be as open as possible. In these circumstances, the declaration would have no impact on the Member's participation.

Councillors who are unsure whether an interest should be declared or need guidance, should do so before the Planning Meeting, by seeking advice from the Monitoring Officer or Deputy Monitoring Officer

Predetermination, Predisposition and Bias

Members of the Planning Committee must ensure that they do not fetter their ability to take part in the decision making process by making up their minds or clearly giving any appearance that an application or other matter referred to the Planning Committee has already been determined, before the Planning Committee has the opportunity to consider the merits or demerits of an application.

The Planning Committee should when considering an application, take into account **all views** that are expressed in such a way that they are **openly heard** and **fairly** considered in a b**alanced** way before the Committee reach a decision.

The courts have sought to distinguish between situations that involve predetermination or bias, on the one hand **and predisposition** on the other.

Predetermination is indicative of a **"closed mind"** approach and could leave the committee's decision open to challenge by Judicial Review. Such "pre-determination" has been held to amount to the "surrender by the decision-maker of its judgement by having a closed mind and failing to apply it to the task".

Members of the Planning Committee can have a p**redisposition** to an initial view, but **must make it clear** that they have an **open mind** and are willing to listen to **all material considerations** presented before deciding on how to vote.

A councillor who has **predetermined** their position should **withdraw** from being part of the decision making body. If the councillor takes part in the decision making process it will put the Council at risk of finding of maladministration and of legal proceedings on the grounds of there being a risk of bias or predetermination or a failure to take into account all of the factors enabling the application to be considered on its merits.

Members and Officers should also avoid the **appearance of bias**, that is, appearing to give undue weight to particular matters on the basis of personal attributes, or social acquaintance, that might influence their conduct generally and ties in with comments made in relation to declarations of interest above Whilst it might remain possible for a Member to apply an open mind to the matter to be determined in such circumstances Members must avoid giving the impression or appearance that particular personal interests or attributes would lead them to consider aspects of an application more carefully or with more regard than other aspects unaffected by their own character and experience. It should be understood that the perception of justice "*is rooted in confidence, and that confidence is destroyed when right minded people go away thinking that the judge was biased".*

For Planning Committee Members the aim is that they act, and are seen to act, impartially and honestly by approaching each planning decision fairly between the parties and with an open mind. Should a Member wish to take a particular stance in relation to a development, or feel that it would be difficult to demonstrate that they have followed a consistently fair approach between all parties in a case, then it is perfectly possible for them to decide not to be part of the decision making process on the particular issue or application but to act as a ward member in that instance.

From time to time, members are invited by prospective developers or objectors to attend meetings to discuss proposed development schemes and questions have been asked about the propriety of such attendance. Members and the Council could be challenged where they have expressed their opinion of proposals during or after such meetings, or in advance of Committee consideration.

The administrative system by which planning applications are determined in accordance with the law, and as necessary in a democratic society, would be brought into disrepute if it became evident that decisions favourable to an applicant or an objector could be obtained by lobbying members outside the procedural framework. On the other hand, members may be said to have a duty, particularly as Ward Councillors, to inform themselves of proposals which affect their wards and to be alive to public opinion. Members can play a constructive role in listening to and objectively gathering and reporting such views to the Councillors who will determine the application.

With these points in mind, it is suggested that the following guidelines may be helpful to members when considering whether to accept an invitation to a meeting.

1. Where members accept invitations to meetings from prospective developers or objectors when an application for planning permission has been received, even if the invitation is made to them ostensibly as a Ward Councillor, they should avoid expressing any fixed view of the matter.

2. Councillors must not make any commitment to determine a matter in a particular way, for any reason

3. Ward Councillors (subject to paragraphs 1 and 2 above) should not accept invitations to meetings from prospective developers or objectors unless it is clear to them that the meeting is either a public meeting or one to which

residents or other persons with an interest in the potential development have also been invited. If a Ward Councillor attends such a meeting in the belief that others have been invited but finds that no other persons are present, apart from the developer , s/he should decline to take part in any discussion of the scheme. There is no reason to distinguish between meetings in neutral premises and meetings in the prospective developer's or objector's own premises.

4. There is nothing to stop members inspecting a site from the public highway if they choose to do so in order to better acquaint themselves with the details, but members should be aware of the risk of contact with the applicant or objector and inferences, which might be made. If access to a site is required, a formal site visit should be sought through the planning Case Officer.

5. There is nothing to stop members responding to invitations to a meeting if properly convened through the Chief Executive or by officers in the planning service to which all relevant members (but not members of the public) have been invited, provided that if the merits and problems of the application are discussed Councillors make it clear that they have no fixed view of the matter at that stage.

It will, of course, remain open for the Council to sanction a departure from these guidelines in special circumstances.

The Decision Making Process and Decisions Contrary to Officer Recommendations and/or the Local Plan

All Committee decisions are made by a simple majority.

In discussing, and determining a planning application or other planning matter, Councillors should try to confine their discussion to the policies of the Development Plan, and to those material considerations that should influence their decision. The reasons for making a final decision should be clear, convincing and supported by material considerations and the planning merits.

However, it is acknowledged that deputations by applicants or members of the public may refer to matters that should not properly be part of the reasoning of the members' decision. On such occasions, it may be difficult for members of the Planning Committee to confine their comments to the appropriate planning issues without appearing to disregard expressed concerns. Where it appears that the clarity of the decision-making process may be undermined, the Committee Chairman and officers may give guidance on any elements of the discussions that refer to irrelevant or immaterial considerations, and any elements that should be disregarded by the Committee in formulating its decision. Officers will clarify the weight to be given to the details of reports, or information that comes forward during deputations or in the course of debate.

If Councillors wish to refuse an application against officer advice, to impose additional conditions on a planning permission, or to approve an application contrary to officer recommendation, an officer should explain the implications of such action.

In circumstances where it seems likely that a planning application is likely to be refused against the officer's recommendation, the Chairman should consider whether it would be appropriate to require an adjournment of the meeting or even a deferral of that item to the next Planning Committee meeting to allow further discussions to be had. This is both to ensure that any potential reasons for refusal would be defensible at appeal and to give opportunity for any amendments that may overcome the potential ground for refusal.

Where they do not accord with the officer's recommendation, the Committee's reasons to grant an application or to refuse it or any additional conditions to be applied must be clearly stated by the member making the proposal.

If members cannot give sound and clear-cut reasons for a decision which may override the recommendations of the officers, it is not appropriate to require, or expect that officers can, explain such decisions to applicants, objectors or a planning inspector. When the Committee has made such a decision, the Chairman will allow brief discussion to ensure that officers have understood the intentions and reasons of the Committee. All conditions, including ones that the Committee may wish to impose on a planning permission, must be necessary, relevant to planning and to the development to be permitted, enforceable, precise and reasonable in all other respects.

If the report of the Head of Place Development recommends approval of a departure from the Local Plan, the full justification for that recommended departure will be included in the report.

Lobbying

Lobbying is a normal part of the planning process and may not be restricted to members of the Planning Committee. If a Member, who is not on the Planning Committee wishes to support a particular viewpoint then that Member has a right to appear at Planning Committee and seek permission to address the meeting. This approach is recommended to protect the integrity of the members of planning committee against accusations of bias and/or predetermination as the public perception could be that the member added more weight to, or was swayed by views, of a colleague.

Since lobbying can lead to the impartiality and integrity of a Member being called into question it is clear that care, and all parties involved should exercise common sense. It is therefore important that Members protect their impartiality and integrity in planning matters. Planning Committee Members will not breach the Code by listening to or receiving viewpoints from residents or other interested parties as long as they make it clear that they are keeping an open mind. However expressing an intention to vote one way or another before a Planning Committee meeting would prejudice impartiality.

Councillor “Call-In” Procedure

Most planning applications are determined by Planning Officers in line with the Council’s Scheme of Delegation. However even when the Scheme of Delegation authorises Officers to determine the application a Planning Committee Member or a member representing the Ward in which development is proposed, may wish for a planning application to be considered by the Planning Committee . In these circumstances, the following rules must be complied with. Failure to do so entitles Officers to refuse to put the application to committee and determine it under delegated authority.

- A “call-in” request must be received within **28 calendar** days following the date of public notification by the Planning Services. This gives the Councillors enough time to read the comments being received from other parties (who have 21 days to comment).

- The request must be in writing (email is acceptable) to the Case Officer, copied to the Head of Place Development and Planning Development Manager asking that an item be referred to, “called-in” to the Planning Committee,

- the request must be on **relevant planning grounds** or **merit** intervention to have the application placed before the Planning Committee.

It is not the case that just because a member of the public requests call-in of an application on their behalf, that this should be actioned. It is the responsibility of members to explain to their electorate that a call-in cannot be justified as there are no planning grounds for doing so.

All “call-ins” made by Councillors stating **material planning grounds** and within **28 days** will be valid.

Where the “call in” is not made on material planning grounds the “call-in” will be i**nvalid**, the decision of whether the grounds are justifiable will be at the discretion of the Head of Place Development, in consultation with the Chairman of Planning and the members concerned.

A Member who has a Disclosable Pecuniary Interest should **NOT** ask for an item to be called in or if there is a risk of the Member being seen as biased: for example if the Member has a very strong connection through a non-pecuniary interest.

Members who have asked for a call-in must ensure that they attend the committee to which the item is being discussed to explain the planning reasons why the application merits consideration by the Planning Committee

Planning Applications made by Members and Officers

When a planning application is submitted by a Member or by a close relative of a Member, the Member will:

- Advise the Monitoring Officer of the application
- Take no part in the processing and determination of the application

All such applications will be reported to the Planning Committee and determined by Committee and not by an officer under delegated power.

The same considerations shall apply to planning applications submitted by Chief Executive, Chief Operating Officer or Heads of Service, including the Head of Place Development, Planning Development Manager or Planning Policy Manager

Officers and Members must not act as agents for people pursuing matters within Epsom & Ewell Borough

Late Representations

Late representations by the applicant or objectors regarding applications being presented to Committee will be considered up until midday on the Monday immediately before the Planning Committee meeting (Thursday) and will be summarised by the Case Officer and sent to the Planning Committee Members at least one day before the meeting on the Thursday.

Comments or any other information received after the deadline will only be taken into consideration in exceptional circumstances at the discretion of the Head of Place Development. This process ensures the Planning Committee Members have sufficient time to read any additional papers.

No material will be handed out at committee by anyone other than the officers presenting the item before committee.

Public Speaking at Planning Committee

Certain members of the public or organisations that have a planning related interest or could be affected directly by the matter under consideration will be entitled to speak at the Planning Committee.

These individuals/organisations fall into the following categories:

- applicants or their agents
- local groups
- neighbouring occupiers or

- owners of any premises which is the subject of an enforcement report
- Ward councillors who are not members of the planning committee

and may either support or oppose the application.

An individual or representative of a local group/organisation who wishes to speak at a Planning Committee must register their wish to do so between 6pm and 7pm on the evening of the meeting at the Town Hall reception desk.

Normally, in addition to the applicant/agent, only one member of the public may speak for or against a single application. Registration will normally be on a first come first served basis but an individual may choose to waive this right in favour of an individual who attempted to register at a later time. Alternatively, several members of the public may appoint one person to speak on their behalf provided they can reach agreement to this amongst themselves.

Speakers shall be called in the order of (1) objector (2) supporter (3) applicant/agent

A speaker shall have a maximum of three minutes to address the Committee and must confine their remarks to the application upon which they requested to speak. The applicant/agent shall be given an amount of time equal to the amount of time allocated to the all the objectors. The address shall be in the form of a statement, not attempts to question the applicant or other person but may address issues raised by other speakers.

Speakers should only raise issues concerning planning matters such as;

- appearance and character of the application
- traffic issues, highway safety and parking
- layout and density of buildings
- loss of light overshadowing and loss of privacy
- noise, disturbance and other loss of privacy
- other relevant planning considerations

There will be no opportunity for displaying any materials, such as maps, photographs or circulate any other materials or ask any questions of anyone at the meeting.
If the Chair considers that any remarks made are defamatory, no further representation will be allowed. Individuals or organisations will be invited to address the Committee following the presentation of the item by the officer. The order of speakers will be:

- Ward councillors wishing to speak

- Objector
- Supporter
- Applicant or their agent

Monitoring and Review of Decisions

Planning Committee Members should play an active part in regularly reviewing the outcome of planning decisions so that lessons can be learned and the future consideration and determination of planning applications can be improved as part of a broader commitment to continuous improvement.

Arrangements will be made for Members to visit a sample of implemented planning permissions, so that a regular review of the quality of planning decisions can be undertaken.

The outcome of the review will be considered by the Planning Committee and may lead to the possible amendments to existing policies or practices.

Training

No Member (or member substituting on a Planning Committee) may attend a Planning Committee meeting without first having received appropriate mandatory training as set out below.

The validity of this training will expire if the Member has not attended a meeting of the Planning Committee within 12 months of receiving it, or has had a gap in membership from the Committee of more than 6 months. Where the validity of the training has expired, the Member may not sit on the Planning Committee until they have received further training.

Given the complex legislative framework for determining planning applications and the constant reforms and changes within the planning system, the Head of Place Development will provide a Planning Committee Training Programme to include:

- an annual training session that will provide an overview of the key role of planning and the role Members play in the planning process. This training will usually be held once the membership of the Planning Committee has been confirmed at Annual Council and should be attended by both new and continuing Members of the Committee. However, all members of the Council will be encouraged to attend to help them understand planning issues. If Members are appointed to the Planning Committee after the training has been held and have not received the necessary training, or act as a substitute for a Planning Committee Member, they will receive separate training.
- A six month mandatory refresher session

- Further training sessions as necessary on new Council and Central Government policy and legislation or other planning issues that are requested by Members or Officers. Again, all members of the Council will be encouraged to attend such sessions.

It is expected that Members will be available to attend training sessions and it will be the responsibility of each Member to ensure they have attended at least the annual training and the six-month refresher to enable them to sit on the Planning Committee. Democratic Services will maintain a register of Members who have received this training.

Complaints

A complaint that a Member or Officer has breached this Code should be made in writing to the Monitoring Officer for investigation and determination
There is a specific right of appeal for applicants who are not satisfied with a planning decision. In all other cases, a complaint made in writing regarding the determination of a planning application or a related planning matter would be investigated by the Head of Place Development and dealt with in accordance with the Council's complaints procedure.

In order that planning procedures are undertaken properly and that any complaints can be fully investigated, record keeping will be complete and accurate. Every planning application file will contain an accurate account of events throughout its life, particularly the outcomes of meetings, significant telephone conversations and any declarations of interest by Councillors.

The same principles of good record keeping will be observed in relation to all enforcement and planning policy matters. The monitoring of record keeping will be undertaken regularly by the Planning Development Manager.

A complaint may be made to the Local Government Ombudsman in the event that the complainant was not satisfied with the result of the investigation under the Council's complaints procedure. This must be done directly to the Local Government Ombudsman

Site Visits

Members and Officers must remember, in conducting a site visit anything said or done by them should be restricted to relevant planning considerations and should remain open minded.
The purpose of an organised Council site visit is for Councillors to gain knowledge of the development proposal, the application site and its relationship to adjacent sites. The potential benefit of attending the site should be sufficient to justify the administrative expense and any consequential delay to determining the application.

The decision to hold a site visit prior to the Committee meeting is to be made by the Head of Place Development in consultation with Chairman

The purposes of a formal site visit prior to the Committee meeting are:

- to view the setting of the application,
- to consider any other matters seen on site which may be material to consideration of the application, and
- to find facts, especially when the application site is not visible from public land.

During a site visit members and officers should avoid any appearance of impropriety, and must not accept gifts or hospitality. Comments should be restricted to planning matters, and questions should be put through the planning officers attending the site visit. Officers and members must refrain from making comments that might be construed as supporting or opposing a particular view, and from making any personal comments.

The purpose of a formal site visit is not to receive or allow representations to be made outside the formal Committee meeting. If, on a site visit, Members and Officers are approached by persons wishing to speak about the application, Officers will explain that any representations may be made to the Committee at the meeting, and explain the procedure.

Site visits should be requested by Members prior to the application being reported to Committee. Councillors should only request a site visit when the application has reached the determination stage if they consider it essential to clarify an issue that cannot be understood without such a visit, and which could not have been considered earlier. The Committee may decide to visit a site because particular factors to be seen on site are significant in terms of the weight to be afforded to them in determining the application and because, following discussion in Committee, members have reduced confidence that such factors can be fairly considered in the absence of a site visit to assess such details. In proposing a site visit, the member who wishes the Committee to have additional opportunity to do so should specify the factors to be noted if the site visit is agreed.

Members with a pecuniary interest in a planning application should not make representations seeking a site visit in respect of an application. Members with a pecuniary interest in a particular application or agenda item must not attend any related site visit.

Development proposed by the Council

Parliament has decided that local planning authorities are, in the majority of circumstances, the appropriate body for determining planning applications affecting the area, including where the Council itself submits a planning application. There are separate statutory requirements for the Council in determining applications to develop its own land, or to develop it jointly with another body.

Members and Officers involved in reaching a determination of the application should treat proposals for the Council's own development (or development involving the

Council and another party) in the same way as those by private developers. This means that not all applications on Council owned land need to be considered by Committee. However, the planning decisions must be made strictly on planning merits and without regard to any financial or other gain that may accrue to the Council if the development is permitted. It is important that the Council be seen to be treating such applications on an equal footing with all other applications, as well as actually doing so.

Member/Officer Relations and Planning Decisions

The Head of Place Development or the Planning Development Manager will always attend meetings of the Planning Committee to ensure that procedures have been properly followed and planning issues properly addressed.

Other senior officers with appropriate professional and technical experience will also be present when an application has aspects relating to their professional expertise. Where the Council's professional experts, such as environmental health officers or highway engineers, attend Committee to ensure that appropriate advice can be given and discussed with their assistance, members must give due weight to such advice. It is the obligation of such officers to give considered and independent advice for the benefit of the Council

Review of Protocol

This Code will be reviewed as necessary and at least every four years to take account of:

- new planning legislation
- changes to national codes of conduct
- emerging examples of good practice

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