



FINANCIAL POLICY PANEL

Tuesday 6 February 2018 at 7.30 pm

Committee Room 1 - Epsom Town Hall

The members listed below are summoned to attend the Financial Policy Panel meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Councillor Eber Kington (Chairman)
Councillor Richard Baker
Councillor John Beckett
Councillor Neil Dallen

Councillor Graham Dudley
Councillor Omer Kokou-Tchri
Councillor Barry Nash
Councillor Vince Romagnuolo

Yours sincerely

Chief Executive

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

AGENDA

1. DECLARATIONS OF INTEREST

Members are asked to declare the existence and nature of any Disclosable Pecuniary Interests in respect of any item of business to be considered at the meeting

2. 2018/19 BUDGET AND COUNCIL TAX REPORT PRESENTATION (Pages 3 - 24)

This report provides an update on the preparation of the budget for 2018/19, following the announcement of the provisional local government finance settlement. The report seeks any final guidance from the Panel prior to the preparation of the 2018/19 Budget and Council Tax report for the Council meeting on 20 February 2018.

3. MINUTES

The Panel is asked to confirm the Minutes of the Meeting of the Panel held on 5 December 2017 (to follow) and to authorise the Chairman to sign them.

2018/19 Budget and Council Tax Report Presentation

Report of the:	Chief Finance Officer
Contact:	Lee Duffy
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	Annexe 1: Overview of 2017/18 Estimates Annexe 2: Updated Four Year Financial Plan Annexe 3: Updated Efficiency Plan
Other available papers (not attached):	2018/19 Budget Book Policy Committee Budget Reports 2018/19

Report Summary

This report provides an update on the preparation of the budget for 2018/19, following the announcement of the provisional local government finance settlement. The report seeks any final guidance from the Panel prior to the preparation of the 2018/19 Budget and Council Tax report for the Council meeting on 20 February 2018.

Recommendation (s)

That the Panel:

- (1) Provides the Chief Finance Officer with any final guidance needed to finalise the 2018/19 Budget and Council Tax report;
- (2) Notes the provisional Government financial settlement;
- (3) Notes that Epsom & Ewell Borough Council has been successful as part of a Surrey bid to become a Pilot for retained business rates and the potential funding available for 2018/19;
- (4) Confirms support that there will be no use of working balances (revenue reserves) in the 2018/2019 Budget;
- (5) Agrees to support a recommendation to Council of a council tax increase of 2.98%;

- (6) Supports the contribution being made from the Council's Commercial Property Company (EPPIC) to support funding of services and capital projects within the budget for 2018/19;
- (7) Notes the updated four year Financial Plan and Efficiency Plan (Cost Reduction Plan).

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

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

Council Tax

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

Budget Position

- 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.

2. Introduction

- 2.1. Service estimate reports have been prepared for each of the three policy committees. The estimates are contained in the draft Budget Book 2018/19 which has been issued to all Councillors.
- 2.2. The overall budget target for 2018/19 was 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 3.0% 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 seek to limit schemes included within the capital expenditure programme to enable the retention of agreed minimum level of capital reserves.
- 2.3. The estimates were prepared on the basis of budget guidelines agreed by the Council last September, except for the pay budget which includes a pay award provision of £246,000 agreed by Strategy & Resources Committee on 28 November 2017.
- 2.4. The funding of the capital programme was agreed in December, subject to schemes being supported by the policy committees in the January Committee cycle and £540,000 of financing of the programme switched from capital reserves to revenue.
- 2.5. Subject to the decisions of the policy committees, the proposed increases to discretionary fees and charges are estimated to generate £248,000 in 2018/19.
- 2.6. The policy committees have also received detailed service estimates and proposals for fees and charges. All of these proposals are reflected in the Budget Book 2018/19 which has been made available in the Members Room. The Panel will be advised if there are any changes recommended to the estimates presented and the impact on the overall budget position.
- 2.7. The general fund summary position as contained in the 2018/19 Budget Book reflects the draft service estimates with no use of working balances. There are, however, external financing income levels that still need to be finalised:-
- The 2018/19 final local government finance settlement.
 - In the Final Settlement there are expected changes to Business Rates Baseline due to errors made by the VOA on the treatment of certain properties.
 - The Budget Book incorporates retained business rates at the anticipated level included within the Council's MTFS, however, the level of income is expected to increase as a result of the successful Surrey Pilot bid.
 - Revenue from council tax depends on the level of any increase for next year.
- 2.8. This report:-
- provides details of the provisional 2018/19 local government finance settlement.

- provides analysis on the current position of business rates
- suggests council tax options for inclusion in the budget report
- provides analysis of funding budgeted to be received from the Council's Commercial Property Company and supports use of funds to finance services and schemes within capital programme

3. Provisional Government Funding Proposals

- 3.1. 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-out in the settlement.
- 3.2. The Council agreed to accept the offer of the four year settlement and the production of an Efficiency Plan (previously named the Cost Reduction Plan).
- 3.3. Details of the provisional local government finance settlement for 2018/19 were sent by e-mail to all councillors on 20 December 2017.
- 3.4. The following table shows the provisional settlement figures:-

2018/19 SETTLEMENT FUNDING ASSESSMENT	Revenue Support Grant	Transitional Grant	Baseline Funding (Business Rates)	Total
	£'000	£'000	£'000	£'000
Total	0	0	1,366	1,366

- 3.5. The following table compares the provisional 2018/19 settlement funding with the current year (2017/18) final settlement figures:-

Reduction in Funding	£'000	Change £'000
2017/18 Funding Settlement	1,409	
2018/19 Provisional Assessment	1,366	- 43 (- 3.1%)

- 3.6. 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.
- 3.7. 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
<u>Provisional Settlement</u>				
Revenue Support Grant	417	0	0	0
Retained Business Rates – Baseline	1,300	1,326	1,366	1,396
Tariff Adjustment	0	0	0	(625)
Government Baseline Funding	1,717	1,326	1,366	771
Transitional Grant	93	83	0	0
Government Settlement Funding Assessment	1,810	1,409	1,366	771

		2018/19 £'000	2019/20 £'000
<u>Projections within Financial Plan</u>			
Retained Business Rates – Baseline		1,364	1,408
Tariff Adjustment		0	(625)
Total Funding		1,364	783
Changes in Funding		+ 2	- 12

4. Core Spending Power

- 4.1. 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
<u>Grants</u>		
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
Other Funding	7,603	7,135
Core Spending Power	9,012	8,502

*figure from provisional financial settlement

- 4.2. Nationally there is an increase in spending power for 2018/19 of 1.5%. However, for Epsom and Ewell Borough Council's spending power will reduce by £510,000 or 5.7% and it will also reduce by a further 7% in 2019/20.
- 4.3. The reductions in Core Spending Power has been especially severe in the last couple of years where we have seen a greater decline in resources for District Councils when compared to other types of Local Authorities.
- 4.4. The figures are important because it indicates the level of funding that Government estimates a Local Authority requires to support services.

5. Retained Business Rates

- 5.1. Funding retained by the Council from business rates relates to levels of income collectable in year. However, the Government sets a level of business rates that should be collectable by the local authority and then determines how much of this can be retained by the Council based on a formula.
- 5.2. The following table shows an overview of central government's calculation for retained business rates and compares that to those included within the 2017/18 budget and the latest forecast.

2017/18	Gov't Baseline	EEBC Budget	EEBC Latest Forecast	
	£'000	£'000	£'000	
Rates Collectable	24,392	24,675	24,915	
Less: Payable to Government	12,196	-12,338	-12,458	
Less: Payable to SCC	2,439	-2,467	-2,491	
Epsom & Ewell Share (NNDR Baseline)	9,757	9,870	9,966	
Less 'Tariff' (Payable to Government)	-8,431	-8,431	-8,431	
	1,326	1,439	1,535	
Add Small Business Rate Relief Grant	0	290	302	Grant funding for reliefs
EEBC Gross Share of Income prior to Levy	1,326	1,729	1,837	
Baseline Funding	1,326	1,326	1,326	Set by central government
Estimated growth above baseline	0	403	511	
50% Retained	0	201	255	
Net Retained Business Rates by EEBC	1,326	1,527	1,581	

- 5.3. The Council is expecting to make a surplus on retained business rate income for 2017/18 when compared to budget, however this only partially offsets a deficit on the collection fund carried forward from 2016/17 and reduces the Council's share of the overall deficit carried forward into 2018/19 down to £180,000.
- 5.4. At the time of writing this report the Council has been informed that in the Final Settlement to expect changes to Business Rates Baseline due to errors made by the VOA nationally on the treatment of certain types of properties. However, for Epsom and Ewell Borough Council these changes are not expected to be significant

- 5.5. The Budget Book currently shows retained business rates income for 2018/19 at the same level included within the Financial Plan. Using the original method of redistribution the latest forecasts provides the Council with £1,527,000 of 'Net Retained Business Rates', however this will change as a result of being successful in a Surrey wide bid to become a pilot for retained business rates.

Business Rates Pilot

- 5.6. 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.
- 5.7. In agreeing to be part of the Pilot this Council 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
- 5.8. The Budget Book does not reflect any additional funding receivable due to being successful in becoming a Pilot as at the time of writing of this report this information was not yet available.
- 5.9. However, it can be anticipated that this Council will benefit from a one-off amount of at least £0.5 million through its participation in the pilot in 2018/19.
- 5.10. Details on the funding retained under the Pilot are unlikely to be available in time for agreeing the 2018/19 budget. Therefore, the Budget Report to Council will be based on the original method of redistribution of business rates income.
- 5.11. 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.

6. New Homes Bonus

- 6.1. 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.

- 6.2. 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.

	2018/19 £'000	2019/20 £'000	2020/21 £'000
2015/16	411		
2016/17	158	158	
2017/18	45	45	45
2018/19	219	219	219
2019/20		50	50
2020/21			50
Projected Grant	833	472	364

- 6.3. The provisional payment for 2018/19 is £833,000, which compares favourably to the forecast included within the Financial Plan of £665,000.
- 6.4. 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.
- 6.5. 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.
- 6.6. 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.

7. Funding Received from Commercial Property Investment Company (EEPIC)

- 7.1. 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.
- 7.2. Since the inception of the Company (EEPIC), the company has acquired two properties outside the Borough and these are expected to deliver a benefit to the Council's General Fund for 2018/19 of £805,000.

- 7.3. 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 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.
- 7.4. 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	Income	MRP	Net Total
	£'000	£'000	£'000	£'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	1,558	-3,482	618	-1,306
Budgeted contribution to PIE reserve				501
Net income in 2018/19 budget reports				805

- 7.5. 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.
- 7.6. 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. At this stage it is unclear what will be the final outcome of the consultation but there is likely to be some changes around the application of MRP.
- 7.7. 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
- 7.8. The Council's MRP policy for existing commercial property acquisitions has been set at 50 years; there is likely to be pressure to change this more in line with the draft guidance, which proposes a maximum of 50 years for land, 40 years for property and 20 years for equity.

- 7.9. The funding made to EEPIC to acquire properties has been made up of 40% equity and 60% loan.
- 7.10. If forced to implement these proposed maximum terms, there would be an adverse annual impact on the General Fund, estimated at £876,000 for 2018/19. Officers consider a more plausible scenario could see the Council forced to amend its MRP policy to a maximum of 50 years for land and 40 years for property (and not implement the maximum of 20 years for equity), which would have an adverse annual impact on the General Fund of £256,000 in 2018/19. It is also possible that the Council will not be forced to make any changes to its MRP policy for existing properties, which would evidently have a no impact on the General Fund.
- 7.11. Officers will continue to monitor the proposals and, once formalised by the DCLG, any changes will be incorporated into the Treasury Management Strategy presented to S&R Committee in April.
- 7.12. Therefore 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, it is proposed to utilise £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.
- 7.13. 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.

8. Capital Programme and Level of Capital Reserves

- 8.1. The Draft Capital Programme for 2018/19 recommended by FPP in December totalled £1,813,000 with the majority of schemes funded by £1,225,000 from capital reserves. If the Programme is to be funded in this way it will reduce the level of uncommitted capital reserves down to £1.9 million by the end of 2018/19. The Council agreed within its Medium Term Financial Strategy to maintain a minimum level of capital reserves of £1 million. Therefore, based on previous usage of these reserves the Council is very likely to be close to breaching the £1 million by 2019/20.
- 8.2. Strategy & Resources Committee received a report on the 1st February recommending the use £540,000 income from EEPIC to finance the proposed capital programme rather than use capital reserves.
- 8.3. The application of these monies enables the level of capital reserves to be retained above £2 million and ensures additional time for the Council to identify long term solution for funding of the future capital programme.

9. Budget Overview

- 9.1. The service estimates, as recommended to the policy committees, are contained in the Budget Book 2018/19.

- 9.2. The Budget Book currently shows no use of working balances and incorporates the use of £500,000 of New Homes Bonus to fund services and £540,000 of revenue funding to finance part of the Council's capital programme for 2018/19.
- 9.3. The Budget Book does not reflect any additional funding receivable from the Retained Business Rates Pilot, as at the time of writing of this report the detailed level of funding expected from the Pilot was not yet available.
- 9.4. There are a number of risks arising from unsettled budget items:-
- 9.5. The council tax decision
- 9.6. Budget assumes that savings from disposal of interest in the Ebbisham Centre will be achieved as set out in the report to Strategy & Resources Committee.
- 9.7. The Government enforces changes to the Council's current MRP Policy and results in higher charges being made to the General Fund for recently acquired properties made by EEPIC.
- 9.8. Income from EEPIC could be adversely impacted by negative movements in the value of commercial property.

10. Council Tax Options

- 10.1. As part of the Government provisional settlement for 2018/19 it allowed a relaxation of the capping limits for council tax increases, allowing District Councils to increase their council tax by either £5 per annum (property D equivalent) or up to 3% (previously 2%) before needing to hold a referendum.
- 10.2. For financial planning purposes, the Medium Term Financial Strategy and Budget Book include an annual council tax increase of 2.98%, which equates to an additional £5.58 per annum or 11 pence per week for a band D equivalent property.
- 10.3. To the average band 'D' council tax payer (those not receiving discounts or support), the charge for borough services is would increase from £187.02 to £192.60 per property.
- 10.4. For the Council's finances, revenue from council tax provides critical income to pay for services, assisting in replacing funding lost from government revenue support grant.
- 10.5. The Panel may feel it appropriate for options of 0% and 2.98% to be included in the budget report to full Council, as set out in the following table:

Increase	0% (Freeze)	2.98%
Council Tax (Band D)	£187.02	£192.60
Increase per annum	£0	£5.58
Increase per week	0p	11p
Additional Income Generated 2018/19	£0	£182,000
Adjustment needed to Draft Budget Book	£182,000 adverse	£0
On-going Income received in Future Years	£0	£182,000

- 10.6. **Annexe 1** comprises an overview of the draft budget for 2018/19 showing the impact of different council tax options, with increases shown of 0% and 2.98%.
- 10.7. Surrey County Council's cabinet has proposed a 5.99% council tax increase to help their future funding position. The Surrey County Council and Surrey Police Authority charges (precepts) will be determined early in February.

11. Financial Outlook as a Context for Council Tax and Budget Decisions

- 11.1. The Financial Plan 2016-2020 was approved by the Council in February 2016 and contains a detailed four year financial forecast.
- 11.2. The Council's Medium Term Financial Strategy, also approved in February 2016, reflected the public spending figures in central government's four year settlement. The strategy anticipated that savings of £3.2 million will be required between 2016 and 2020.
- 11.3. The four year Plan also assumed the following:-
- 11.4. The forecast covers existing services plus makes contingencies for government reforms
- £500,000 of New Homes Bonus receipts are used to fund revenue services.
 - Council tax charges increase by £5 per annum for a band D property and other charges by 3% per annum
- 11.5. The four year forecasts have been updated and are shown below. Figures will need further revision once the final grant settlement figures are available and to take account of latest forecasts of retained business rates receivable under the new Pilot.

	2017/18 Budget	2018/19 Draft Budget	2019/20 Forecast	2020/21 Forecast
	£'000	£'000	£'000	£'000
Cost of Services b/f		8,634	7,928	8,142
Pay & Price Increases		476	450	490
Contingency for Service Changes and Pressures		555	215	250
Increase in Fees & Charges		-200	-200	-210
Changes to External Funding		53	155	24
Star Chamber / Service Savings		-1,590	-406	0
Forecast Net Cost of Services	8,634	7,928	8,142	8,696
Interest on Balances	-220	-120	-150	-188
Use of New Homes Bonus	-500	-500	-473	-185
Contributions to/ from Reserves	-269	470	0	0
Transfer from Working Balance	0	0	0	0
Forecast Net Expenditure	7,645	7,778	7,519	8,323

Funded by:

Transitional Grant	83	0	0	0
Tariff Adjustment (Negative RSG)	0	0	-625	-653
Business Rates Forecast	1,527	1,527	1,558	1,589
Council Tax Income Forecast	6,045	6,290	6,526	6,771
Collection Fund Net Surplus / (Deficit)	-10	-39	0	0
Total External Funding	7,645	7,778	7,459	7,707
Funding Shortfall	0	0	60	616

- 11.6. Although significant progress has been made to reduce the level of unidentified savings required to balance the budget, the MTFS latest projection shows that £616,000 of savings are still need to be identified to meet the objective of setting a balanced budget with no use of reserves in 2020/21.

12. Updated Efficiency Plan

- 12.1. The Efficiency Plan submitted to Council in February 2017 showed identified savings of £588,000 for 2018/19. The Efficiency Plan has been updated and can be found on Annexe 3. The most significant change to the Plan reported last year is a reduction in homelessness costs of £230,000 being realised a year earlier than expected. This saving was previously in the Plan for 2019/20 at £122,000.

13. Local Government Settlement

- 13.1. Any changes in the finalised local government finance settlement will be made available to the Panel, once they have been issued or reported to all councillors if not available for the meeting.

14. Financial and Manpower Implications

- 14.1. The forecast budget position for 2018/19 is summarised in this report.
- 14.2. The planned transfers to reserves are as follows:-
- 14.3. Approximately £333,000 of New Homes Bonus transferred to the Corporate Project Reserve for funding capital or corporate projects.
- 14.4. £540,000 of revenue income from EEPIC is used to finance schemes within the draft capital programme for 2018/19 previously being financed from capital reserves.
- 14.5. The revenue budget incorporates £70,000 use of the Business Rates Equalisation Reserve and no contribution from working balances to fund service expenditure;
- 14.6. The draft budget includes £40,000 of funding from the Corporate Projects Reserve for a marketing post to assist in the delivery of income generation from projects to be identified in the Income Generation Plan.
- 14.7. The draft Capital Programme for 2018/19 recommends using approximately £685,000 of capital reserves to fund capital schemes, this has been reduced down from £1.2 million reported previously to FPP in December due to £540,000 of revenue funding replacing the use of diminishing capital receipts.

15. Proposals

- 15.1. It is requested that the Panel provides the Chief Finance Officer with any final guidance needed to finalise the 2018/19 budget and council tax report and specifically on the following proposal:-
- 15.2. The Budget report includes the Council tax options as contained in this report

- 15.3. Supports the use of income receivable from the Property Investment Company to finance schemes with the capital programme for 2018/19 subject to there being no enforced changes to the Council's MRP Policy.
- 15.4. That additional retained business rates income due as being part of a Pilot for 2018/19 is earmarked for future use in assisting to meet the funding deficits identified for the next three years.

16. Risk Assessment and Conclusions

- 16.1. The Council is providing services during a period of sustained significant cuts to public spending that provide a higher than normal level of risk to Council finances and services.
- 16.2. Financial forecasting is particularly difficult over the next four years due to predicting the impact of any further financial reforms on services provided by the Council.

Ward(s) Affected: (All Wards);

BUDGET OVERVIEW FOR 2018/19		figures may be subject to minor rounding errors		
BASED ON SERVICE ESTIMATES RECOMMENDED TO POLICY COMMITTEES (policy committee estimates rounded to £000)				
	2017/18	2018/19	2018/19	
Illustrated Council Tax Increase:		0.00%	2.98%	
	£000	£000	£000	
Strategy & Resources Committee	2,403	2,692	2,692	
Environment Committee	1,877	1,948	1,948	
Community and Wellbeing	6,244	6,017	6,017	
Less: Internal Asset Rents	-2,879	-2,879	-2,879	
Policy Committee Net Expenditure	7,645	7,778	7,778	
Use of Working Balance	0	182	0	
Net Expenditure	7,645	7,596	7,778	
Business Rate Income	1,527	1,527	1,527	
Revenue Support Grant	0	0	0	
Transitional Grant	83	0	0	
Council Tax Surplus	101	141	141	
Business Rates Deficit	-111	-180	-180	
Sub-Total	1,600	1,488	1,488	
Council Tax Income	6,045	6,108	6,290	
External Funding Income	7,645	7,596	7,778	
Council Tax Base (Band D Equiv. Properties) (reduced due to Localisation of Council Tax Support)	32,324.01	32,658.06	32,658.06	
Basic Amount of Council Tax	£187.02	£187.02	£192.60	
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
EPSOM & EWELL BOROUGH COUNCIL - CHANGES				
2017/18 Council Tax at Band D = £187.02				
Increase in Council Tax (per annum)	£0.00	£0.00	£5.58	
Increase in Council Tax (%)	0.00%	0.00%	2.98%	
Increase in Council Tax (per month)	£0.00	£0.00	£0.46	
Increase in Council Tax (per week)	£0.00	£0.00	£0.11	
Income Generated from Council Tax Increase	£0	£0	£182,232	
Use of Working Balance	£0	£182,000	£0	
Equivalent Council Tax support from use of working balance (per Council Tax payer)	£0.00	£5.57	£0.00	
Note: Budget Requirement	7,645	7,596	7,778	
Change		-49	133	
% Change in Budget Requirement		-0.6%	1.7%	
Note: Council Tax Requirement	6,045	6,108	6,290	
Change (includes tax increase and property number increase)		62	245	
% Change in Council Tax Requirement		1.0%	3.9%	

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REVENUE BUDGET FOUR YEAR FORECAST

Forecasts					
FOUR YEAR BUDGET PROFILES	2017/18	2018/19	2019/20	2020/21	2021/22
	Budget	Proposed	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000
NET SPEND B/F FROM PREVIOUS YEAR		7,645	7,778	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	-470	-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
General Inflation pay bill base		+246	+260	+300	+300
Other		+40			
Prices Increases net of Increased Fees & Charges		+476	+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)		+67	+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		+53	+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
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		-70			
		+470	+100	+100	+100

FOUR YEAR BUDGET PROFILES	2017/18	2018/19	2019/20	2020/21	2021/22
	Budget	Proposed	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000
Fees and Charges					
Increased yield on discretionary Fees and Charges		-200	-200	-210	-210
		-200	-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)		+476	+450	+490	+490
Legislation Impacts		+555	+115	+250	+150
Changes to External Funding		+53	+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		+470	+100	+100	+100
Fees and Charges		-200	-200	-210	-210
Interest credited to General Fund to Finance Services	-220	-120	-150	-188	-225
Forecast Net Cost of Services	7,645	7,778	7,519	8,323	8,901
SETTLEMENT ASSESSMENT FUNDING FORECAST					
RSG	+0	+0	+0	+0	+0
Transitional Grant	+83	+0	+0	+0	+0
Tariff Adjustment	0	0	-625	-653	-681
Retained Business Rates	1,238	1,198	1,558	1,589	1,620
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	1,527	933	936	939
Base Income from Council Tax		6,108	6,290	6,526	6,771
Increase in council tax base			+47	+49	+51
	6,045	6,108	6,337	6,575	6,822
Forecast for increase of 3% in Council Tax income		+182	+189	+196	+203
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	7,778	7,459	7,707	7,964
Forecast Budget Shortfall (required use of working balance)	0	0	60	616	937
GENERAL FUND WORKING BALANCE PROJECTION: AFTER SERVICE COST REDUCTION					
Estimated Working Balance b/f	3,334	3,334	3,334	3,274	2,658
Resulting Working Balance c/f	3,334	3,334	3,274	2,658	1,721

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	-	-	-	60	60
Forecast Total Savings Required to Deliver Balanced Budget	949	694	1,590	466	3,699

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