

BUDGET AND COUNCIL TAX REPORT 2020-21

Head of Service/Contact:	Lee Duffy, Chief Finance Officer
Urgent Decision?(yes/no)	Yes
If yes, reason urgent decision required:	Statutory Requirement to Set Council Tax
Annexes/Appendices (attached):	See List of Annexes at end of report
Other available papers (not attached):	2020-21 Budget Book Policy committee budget reports 2020-21

Report summary

This report fulfils the statutory requirement to agree a budget for 2020/21, comprising both revenue and capital expenditure plans, and to set a Council Tax for the year.

The council tax recommendation as supported by the Financial Policy Panel is for an increase of £4.95 per annum (Band D property), an equivalent increase of 2.5%.

The report also recommends the approval of the Medium Term Financial Plan for 2020-24, including a new Medium Term Financial Strategy

Recommendation (s)

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See (1) to (11) below

- 1 That it be noted that, under delegated powers, the Chief Finance Officer calculated the amount of the Council Tax Base as 33,019.91 (Band 'D' equivalent properties) for the year 2020/21 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 2019/20 and the revenue estimates for 2020/21.**

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- b. The capital programme for 2020/21 and the provisional programme for 2021 to 2023, as summarised in the capital strategy statement.**
- 3 That the fees and charges recommended by the Policy Committees be approved for 2020/21.**
- 4 That the Council Tax Requirement for the Council's own purposes for 2020/21 is £6,713,278.**
- 5 That the Council receives the budget risk assessment at Annexe 7 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 9.**
- 7 That the Council agrees the Prudential Indicators and Authorised Limits for 2020/21 as set out in Annexe 12 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 2020/21 in accordance with sections 31 to 36 of the Act:**
 - a. £55,456,707 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(2) of the Act.**
 - b. £48,743,429 being the aggregate of the amounts which the Council estimates for the items set out in section 31(A)3 of the Act.**
 - c. £6,713,278 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. £203.31 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.**

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- 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	1,007.64	1,175.58	1,343.52	1,511.46	1,847.34	2,183.22	2,519.10	3,022.92

SURREY POLICE AUTHORITY

Band :	A £	B £	C £	D £	E £	F £	G £	H £
Amount	180.38	210.44	240.51	270.57	330.70	390.82	450.95	541.14

- 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 2020/21 for each of the categories of dwellings.

EPSOM AND EWELL BOROUGH COUNCIL

Band :	A £	B £	C £	D £	E £	F £	G £	H £
Amount	135.54	158.13	180.72	203.31	248.49	293.67	338.85	406.62

AGGREGATES OF COUNCIL TAX REQUIREMENTS

Band :	A £	B £	C £	D £	E £	F £	G £	H £
Amount	1,323.56	1,544.15	1,764.75	1,985.34	2,426.53	2,867.71	3,308.90	3,970.68

- 11 That the Council agrees the Medium Term Financial Plan for 2020-24, including a new Medium Term Financial Strategy.

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1 Introduction

- 1.1 The Council is required to agree a budget for 2020/21 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 2020/21 and future years as a basis for determining council tax.
- 1.5 The budget report is based on the Financial Policy Panel's recommended increase of £4.95 per annum, or 2.5% (for band d property) in council tax reflecting the final grant settlement figures received after the Financial Policy Panel meeting, which allowed district councils to increase council tax by up to £5 or 2% whichever provided the higher increase in income.
- 1.6 All options are consistent with the council tax policy of ensuring that council tax stays below the average of the Surrey Districts.

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

- 2.1 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.

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- 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 2020, 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 2019/20

	Published Policy Book 2019/20	Mid-Year Forecast 2019/20	Variance
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Strategy & Resources Committee	833	(221)	
Asset Rents (Landlord Account)	(2,669)	(2,669)	
Environment Committee	2,189	2,700	
Community & Wellbeing Committee	6,034	6,610	
Total	6,387	6,420	+33

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

Favourable:

- Additional income from Epsom & Ewell Property Investment Company.
- Improved recovery rate on housing benefits.
- Corporate contingencies for services not fully spent.

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Adverse:

- Parking income
- Homelessness costs of temporary accommodation

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 2019/20 the Council will require a contribution from working balances of £33,000.

3.4 The working balance carried forward at 31 March 2019 was £3.42 million. Using the service income and expenditure position as recently reported to the policy committees, the forecast working balance for 31 March 2020 is £3.39 million.

3.5 Variations from budget as identified during the year have been taken into account in preparing estimates for 2020/21. Areas of significant concern have also been reported to the relevant policy committee so that a plan of action can be agreed.

4 Medium Term Financial Plan 2020 -2024

4.1 Budget decisions should be taken in the context of longer term plans as set out in the Corporate and Financial Plans.

4.2 The draft Financial Plan 2020-2024 includes a new Medium Term Financial Strategy (MTFS). The Financial Plan is attached at Appendix 1 to this report.

4.3 The Financial Policy Panel has recommended approval of the plan and the new Medium Term Financial Strategy.

4.4 The plan provides a detailed analysis of the Council's current finances and projected financial outlook. To prevent duplication, reference is made in this report to the relevant section of the Financial Plan.

4.5 The Financial Plan also provides a summary of the economic environment and resource forecasts taking into account legislative and other changes after next year including:-

- Assumed reductions to Retained Business Rates income following the conclusion of the Government's 'Fair Funding Review' from 2021/22.
- Increased levels of homelessness.
- Loss of income from Surrey County Council for Venues.
- Pension Fund valuation.

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5 Budget Strategy

- 5.1 The 2020/21 revenue budget and the capital investment programme comprise the Council's spending plans for the forthcoming year.
- 5.2 The overall budget target for 2020/21 was agreed at Strategy & Resources Committee on 24 September 2019 as follows:-
- Estimates are prepared including options to reduce organisational costs by £544,000 subject to government grant announcement, to minimise the use of working balances and maintain a minimum working balance of £2.5million in accordance with the Medium Term Financial Strategy.
 - That at least £290,000 additional revenue is generated from an increase in discretionary fees and charges, based on a minimum overall increase in yield of 3.0%, with the exception of car parking which is set at 6.0% as these charges are adjusted every two years.
 - That a provision for pay award is made of £400,000 that allows for a 2% cost of living increase.
 - That further savings are identified for inclusion within the medium term financial strategy for 2020-24 to reduce the Council's net operating costs by a minimum of £1,825,000 over the period 2020/21 to 2023/24.
- 5.3 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 2019: Review of reserves, local taxation level and budget targets (including efficiency savings, cost reduction plan, staffing and income levels).
 - December 2019: Treasury management, capital programme, capital reserves, section 106 funds and CIL.
 - January 2020: Government financial settlement, council tax and business rate retention.

6 2020/21 Revenue Budget

- 6.1 The draft Budget Book was issued to all Councillors via Members' Update on 10 January and was available prior to when the estimates were considered by the policy committees.

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- 6.2 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 2 to this report.
- 6.3 The main year-on-year changes in the cost of service provision are detailed in Annexe 3 to this report.
- 6.4 The comparison to the 2019/20 published budget is also shown in the table below at committee total level:-

POLICY COMMITTEES' BUDGETS 2020/21

	Published Budget 2019/20	Recommended Budget 2020/21	Variance
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Strategy & Resources Committee	833	3,819	
Asset Rents (Landlord Account)	(2,669)	(2,669)	
Environment Committee	2,189	2,154	
Community & Wellbeing Committee	6,034	6,439	
Total	6,387	9,743	+3,356
External Funding (council tax and retained business rates)	(6,387)	(9,743)	-3,356
Shortfall of income to cover planned expenditure & required use of Working Balance	0	0	0

Staff Budget

- 6.5 A total of £12.4 million of staff costs, staff on-costs and agency costs have been included in the policy committee estimates compared to £11.9 million in 2019/20. This will form the salary control total for budget monitoring purposes, subject to adjustments needed where service changes are agreed by the Council.

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- 6.6 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.
- 6.7 The Strategy and Resources Committee agreed a Pay & Reward procedure for 2020 to 2024 and an annual pay award of 1.7% for 2020/21 in November 2019.
- 6.8 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

- 6.9 Following the 2019 pension fund valuation there is an increase to the level of employer's pension on-cost rate from 15.4% to 17.4% to meet the deficit on the fund, which results in an increase to employer contributions of £150,000 per annum. The next valuation will be based on the Surrey Pension Fund position at 31 March 2022.

7 Fees and Charges

- 7.1 Each policy committee has received a report on fees and charges for 2020/21. Income from the recommended charges has been included in the committee estimates.
- 7.2 A summary of the additional income from increases in discretionary charges included in the budgets recommended by the Committees, totalling £353,000 is attached at Annexe 4.

8 Economic Indicators

- 8.1 The latest Treasury economic indicators (January 2020) are shown at Annexe 6.

9 Equalities Implications

- 9.1 The Council will fulfil its statutory obligations and comply with its policy on equalities.
- 9.2 The budget proposals where they involve a reduction in service to users will require an equalities assessment.
- 9.3 Assessments will be required for service changes where identified in service plans.

10 Risk Management

- 10.1 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 7.

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- 10.2 The highest service financial risks remain the demands for housing and homelessness prevention
- 10.3 Annexe 7 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 2020/21 is deemed to be medium.
- 10.4 A higher risk remains with the financial outlook beyond 2020/21 due to the uncertainty on the outcome on the Government's 'Fair Funding' Review and the possibility of further cuts in core funding for Epsom and Ewell Borough Council in the 2021/22 settlement.
- 10.5 It is anticipated that the 'Fair Funding Review', the mechanism used to determine individual authority settlements will be used to reduce funding for District Councils.

11 Revenue Budget Overview 2020/21

- 11.1 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.
- 11.2 The budget requirement comprises gross expenditure on services, less gross income from services, less the planned use of revenue reserves.
- 11.3 The Budget Requirement in 2019/20 was £6,387,000. The budget requirement for 2020/21 is calculated as follows:-

Net Expenditure on Services	£000	External Finance	£000
Gross Expenditure	46,319	Revenue Support Grant	0
		Retained Business Rate Income	972
Gross Income	- 36,576	Business Rate Relief (Section 31) Grants	645
		Collection Fund Surplus (business rates)	1,402
		Collection Fund Surplus (council tax)	11
Net Expenditure	9,743	External Finance	3,030
T/F from Working Balance	0	Council Tax Income	6,713
Budget Requirement	9,743	Income from grant and Council Tax	9,743

- 11.4 The increase in the Budget Requirement (net spending) is 52.5%.

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- 11.5 In April 2012 central government brought in a new measurement of spending defined as 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.
- 11.6 The Council Tax Requirement for 2020/21 is £6,713,278 subject to any budget changes made at the Council meeting.
- 11.7 The Council tax requirement will change each year due to:-
- Increases/decreases in domestic properties.
 - Increases/decreases in council tax.

12 Local Government Finance Settlement

- 12.1 Details of the provisional local government finance settlement were sent by e-mail to all councillors on 24 December 2019.
- 12.2 The following table shows the final settlement figures for 2020/21, these are unchanged from the provisional settlement:-

	2019/20	2020/21
	£'000	£'000
Revenue Support Grant	0	0
Retained Business Rates – Baseline	1,397	1,420
Settlement Funding Assessment	1,397	1,420

- 12.3 As announced by the Chancellor in September the Government has delayed the 'Fair Funding Review', 'Business Rates Review' and business rates reset until 2021/22.
- 12.4 The impact on Council funding from delaying the business rates reset results in the Council retaining its surplus levels of business rates income above its baseline for one more year than expected. This is estimated to be worth £197,000 to this Council for 2020/21.
- 12.5 The delay on the two Government Reviews means that the Council maintains its level of core funding for 2020/21 increasing by £23,000 or 1.6% on 2019/20. However, the anticipated changes from the Fair Funding Review are expected to reduce funding significantly as Negative RSG payments, removed by Government within the last two financial settlements are likely to feature as part of the new settlement for 2021/22.

13 Core Spending Power

- 13.1 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.

	2019/20 £'000	2020/21 £'000
Grants		
Retained Business Rates	1,397	1,420
Total Grant Funding	1,397	1,420
New Homes Bonus	444	386
Council Tax *	6,558	6,762
Other Funding	7,002	7,148
Core Spending Power	8,399	8,568

* figure from provisional financial settlement

- 13.2 Nationally there is an increase in spending power for 2020/21 of 6.3%. However, for Epsom and Ewell Borough Council's spending power will increase by £169,000 or 2.0%.

14 New Homes Bonus Grant

- 14.1 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.
- 14.2 The methodology for this grant allocation was changed in 2017/18 by Government which resulted in a significant reduction in funding allocations from 2018/19. Originally the Council received a rolling 6 years of individual allocations; this was reduced down to 4 years in 2018/19 alongside a further reduction by only awarding funding for growth in homes above the 0.4% per annum baseline.
- 14.3 As part of the provisional settlement for 2020/21 it was announced that from 2021/22 funding methodology would change again for new homes bonus grant and legacy payments would be removed from the annual award by 2023/24.

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- 14.4 The budget for 2019/20 removed any reliance on New Homes Bonus Grant as a source of funding to support on-going services and all New Homes Bonus Grant funding is transferred to the Corporate Project Reserve to fund one off projects.

	2019/20 £'000	2020/21 £'000
2016/17	158	
2017/18	46	46
2018/19	219	219
2019/20	21	21
2020/21		100
	444	386

- 14.5 The amount of funding available from New Homes Bonus has diminished substantially over the last few years, in 2016/17 the Council received in excess of £2 million, this will reduce to £386,000 for 2020/21.

15 Business Rates Retention

- 15.1 The 2020/21 government settlement includes £1,420,000 for this Council as a 'settlement funding assessment' which is solely from Business Rates Baseline funding.
- 15.2 Under the local business rates retention scheme, Councils can enjoy gains or suffer losses if the actual level of business rates collected varies from expected level of rates collectible in the year, whether due to changes in collection rates or more/fewer businesses.
- 15.3 For 2020/21, Epsom and Ewell Borough Council will be included within a pooling arrangement with Surrey County Council and other Surrey district councils, on the terms that this Council gets to retain a share of the levy payments it currently has to pay to Central Government. The financial benefit from this pooling arrangement will be known at the end of 2020/21.
- 15.4 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 2019/20	EEBC Budget 2019/20 (NDR1)	EEBC Latest Forecast 2019/20	EEBC Budget 2020/21 (NDR1)

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	Gov't Baseline 2019/20 £000	EEBC Budget 2019/20 (NNDR1) £000	EEBC Latest Forecast 2019/20 £000	EEBC Budget 2020/21 (NNDR1) £000	
Rates Collectable	25,482	24,919	25,031	25,274	
Less: payable to central government	-12,741	-12,459	-12,515	-12,637	50%
Less: payable to SCC	-2,548	-2,492	-2,503	-2,528	20% of local share
NNDR Baseline	10,193	9,968	10,013	10,109	Rates kept before tariff
Less 'Tariff'	-8,796	-8,796	-8,796	-8,939	Tariff set by govt to go to 'top-up authorities'
Retained Business Rates	1,397	1,172	1,217	1,170	
Less: Levy (share of growth)		-189	-211	-198	
Est. of Retained Business Rates	1,397	983	1,006	972	
Add back: Small Business Rate Relief Grant		602	602	645	Separate grant funding for extension of SBRR
EEBC Income including relief grants	1,397	1,585	1,608	1,617	

15.5 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.

15.6 The safety net threshold for 2020/21 is set at £1,313,000 compared to £1,617,000 used for the 2020/21 estimates, this limits the exposure to losses to £304,000.

Business Rates Equalisation Reserve

15.7 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 2019	3,066

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Business Rate Equalisation Reserve Forecast	£000
Planned use to partially offset 2018/19 deficit and levy payment	-1,804
Transfer to other reserves	-221
Forecast balance 31 March 2020	1,041
Surplus from Prior Year	1,380
Forecast balance 31 March 2021	2,421

16 Funding Received from Commercial Property Investment Company (EEPIC)

- 16.1 Council agreed on 19th September 2017 to set up Epsom & Ewell Property Investment Company Ltd, with one of its primary objectives to enable the acquisition of investment properties outside the Borough that will generate additional income for the Council.
- 16.2 Since the company's inception, it has acquired two properties outside the Borough and these are expected to deliver a benefit to the Council's General Fund for 2020/21 of £905,000.
- 16.3 From 01 April 2018, new Statutory Guidance on Local Government Investments was introduced by MHCLG. The new guidance means that future acquisitions that are funded by borrowing and where the intention is purely to profit from the investment, would not meet the requirements of the guidance in terms of borrowing.
- 16.4 This does not impact on the two out-of-Borough purchases already made through EEPIC in 2017, since they occurred before the new guidance took effect this financial year.

17 Reserves

- 17.1 The reserves as contained in the audited financial statements at 31 March 2019 may be summarised as follows:-

	Balance 31 March 2018 £000	Balance 31 March 2019 £000	
Capital Receipt Reserves	4,889	4,947	Receipts from the sale of assets earmarked for capital programme commitments and invested under the Treasury Management policy. Includes £580k

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			earmarked Hospital Cluster Receipt.
Community Infrastructure Levy	5,036	5,389	Receipts available for funding of infrastructure improvements
Earmarked Strategic Reserves	12,851	15,230	Provisions for future expenditure or against identified liabilities
Working Balance	3,348	3,416	General Fund working balance

17.2 A review of revenue and capital reserves and provisions was reported to the Financial Policy Panel in September 2019.

17.3 The policies for the reserves are contained in Section 3 of the Medium Term Financial Plan 2020 - 2024 (Annexe 1).

17.4 The levels of revenue reserves are set out in Annexe 8.

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

	Capital Reserves <i>£'000</i>
Balance brought forward at 1 April 2019	4,367
Anticipated receipts in 2019/20	60
Estimated use to fund 2019/20 capital expenditure	- 1,621
Estimated Balance at 31 March 2020	2,806
Planned use for 2020/21 programme	- 651
Allowance for Receipts in Year	0
Note: excludes allowance for programme slippage	
Estimated Balance at 31 March 2021	2,155

17.6 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 9.

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

17.8 No use of the General Fund Working Balance to fund services

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17.9 £651,000 of capital reserves and £200,000 of revenue to fund the capital programme (including spend to save schemes subject to approval of business case).

18 Financial Forecast

18.1 The following financial forecast comprises an update of the forecast to take account of the 2020/21 budget proposals and central government public sector spending plans.

	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>
	<u>Budget</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cost of Service b/f	8,328	8,609	8,811	8,720
Pay & Prices Increases	+ 507	+ 598	+ 606	+ 618
Contingency for Service Changes and Pressures	+ 732	+ 150	+ 150	+ 250
Increases in Fees & Charges	- 353	- 210	- 210	- 216
Reduced contributions to the Property income Equalisation Reserve	0	0	- 500	0
Changes to External Funding	+ 80	0	0	0
Star Chamber / Service Savings	- 685	- 336	- 137	- 215
Forecast Net Cost of Services	8,609	8,811	8,720	9,157
Interest on Balances	- 130	- 175	- 240	- 270
Contributions to / (from) reserves	+ 1,264	- 200	- 150	- 100
Forecast Net Expenditure	9,743	8,436	8,330	8,787
Business Rates Forecast	1,617	893	925	959
Council Tax Income Forecast	6,713	6,934	7,158	7,385
Collection Tax Surplus	11	0	0	0
Retained Business Rates Surplus	1,402	0	0	0
Collection Fund Income	9,743	7,827	8,083	8,344
<i>Funding Shortfall</i>	<i>0</i>	<i>- 609</i>	<i>- 247</i>	<i>- 443</i>

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

- The forecast covers existing services plus makes contingencies for changes to funding of services.

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- Council tax have been increased annually by £5 for a Band D equivalent property.
- Annual pay increase in line with CPI of 2% per annum from 2021/22.
- The forecast assumes increased rental income from the acquisition of one new commercial property.
- Annual contributions from revenue to the Property Income Equalisation reserve will reduce from 2022/23 when the target level of earmarked funds of c£5million is expected to be achieved.
- Revenue funding towards the financing of a sustainable capital programme is included within the forecast, with £200,000 of the 2020/21 programme being funded from revenue and this increases to £500,000 by 2023/24.
- With the forthcoming Government reviews on Fair Funding and the Redistribution of Retained Business Rates the forecast reduces the reliance on external funding with business rates income expecting to reduce by c£700,000 in 2021/22.
- With the continued uncertainty on what the Council funding levels will be from 2021/22 onwards and the significant risks posed by the Government reviews, the latest forecast anticipates that savings of c£1.8 million will be needed by 2023/24 to achieve a balanced budget at the end of this period. Of this sum, £1.4m savings have already been identified, and £443,000 savings remain to be identified.

19 Capital Programme

- 19.1 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 2019 and January 2020.
- 19.2 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.
- 19.3 The updated capital strategy statement is attached at Annexe 11 and includes a summary of proposed investment for 2020-2023.
- 19.4 A capital investment programme of £1,508,000 is recommended for 2020/21 and the following funding is required to allow the schemes in this programme to be completed:-
- 19.4.1 Use of Capital Reserves for the core programme is £651,000
- 19.4.2 Use of central government grant: £600,000

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- 19.4.3 Use of revenue income: £200,000
- 19.4.4 Use of other funding (S106 and revenue reserves): £57,000
- 19.4.5 Schemes will also be carried forward from the 2019/20 programme where not completed by 31 March 2020.

20 Prudential Indicators and Authorised Limits for 2020/21

- 20.1 The Local Government Act 2003 introduced a system of capital controls for local authorities. Details of the regulations are set out in Annexe 12 to this report.
- 20.2 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.
- 20.3 From 01 April 2018, new Statutory Guidance on Local Government Investments was introduced by MHCLG. The new guidance means that future acquisitions that are funded by borrowing and where the intention is purely to profit from the investment, would not meet the requirements of the guidance in terms of borrowing.
- 20.4 Due to the provisions of MCHLG's Statutory Investment Guidance, it is now considered appropriate for the Council to formally close the £300m Fund for future acquisitions (ie the remaining £239.7m will not be spent).
- 20.5 However, considering the Council's remaining projected budget deficit in this MTFS 2020-2024, and given that under the Statutory Investment Guidance there remain circumstances where commercial property investments funded by borrowing are still acceptable, it is considered appropriate to keep the the original £80m Fund, which has a remaining balance of £55.6m, open for future potential acquisitions within (or close to) the Borough's boundary in the period 2020-2024.
- 20.6 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 2020/21.
- 20.7 Prudential Indicators and Authorised Limits have been proposed in Annexe 12 on this basis and on the basis of the capital strategy recommended to the Council.

21 Council Tax Options

- 21.1 The current Surrey District Council Tax levels are shown at Annexe 13.
- 21.2 The policy in the Medium Term Financial Strategy is to ensure that Council Tax stays below the average of the Surrey Districts.

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- 21.3 The final Government Grant settlement announced capping limits for council tax, allowing District Councils to increase their council tax by either £5 per annum (property D equivalent) or 2% before needing to hold a referendum. This represents an adverse change in funding terms from 2019/20 where Councils were able to increase council tax by up to 3% before triggering the referendum limit.
- 21.4 For financial planning purposes, the new Medium Term Financial Strategy and Budget Book include an annual council tax increase of 2.5%, which equates to an additional £4.95 per annum or 9½ pence per week for a band D equivalent property.
- 21.5 The recommendation in the budget report is for an increase of 2.5%, which represents an increase of £4.95 per annum on a Band D equivalent property.
- 21.6 To the average band 'D' council tax payer (those not receiving discounts or support), the charge for borough services would increase from £198.36 to £203.31 per property.
- 21.7 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.
- 21.8 Council tax for the 2.5% increase and a freeze are shown in the table below.

Increase:	0%	2.5% Increase Recommendation
Council Tax	£198.36	£203.31
Increase per annum	£0	£4.95
Increase per week	0p	9½p
Income Generated 2020/21	£0	£163,000
Adjustment needed to Draft Budget Book	£163,000 adverse	£0
Income Generated Future Years Council Tax Base	0	£163,000

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

22 Consultation with Non-Domestic Ratepayers

- 22.1 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 2020/21 budget will be identified at the meeting.

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23 Collection Fund

- 23.1 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.
- 23.2 Where a deficit or surplus in the 2019/20 Collection Fund is estimated in respect of Council Tax or Business Rates, the amount is to be apportioned in 2020/21 between authorities that precept on the collection fund in accordance with the ratio of their 2019/20 precepts.
- 23.3 The calculation of the estimated position on the Council's 2019/20 Collection Fund in respect of Council Tax items is detailed at Annexe 15 and this shows a surplus on the Fund of £10,570 is forecast for this Council and will be credited to the General Fund Revenue Account for 2020/21.
- 23.4 The business rates retention scheme was introduced under the 2012 Local Government Finance Act and requires the allocation of estimated surpluses and deficits for 2019/20 in 2020/21. A surplus of £1,402,281 is forecast for this Council and will be charged to the General Fund Revenue Account for 2020/21. The calculation is shown in Annexe 15.

24 Precepts

- 24.1 Precepts have been issued by Surrey County Council and Surrey Police Authority upon Epsom and Ewell Borough Council, as the billing authority.
- 24.2 A schedule of precept dates has been agreed with the precepting authorities.

25 Council Tax Recommendation

- 25.1 The budget target included an increase of 2.5 percent in Council Tax.
- 25.2 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 2.5%.
- 25.3 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 2020/21	£	£
Budget Requirement		9,743,490

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Council Tax Requirement 2020/21	£	£
Non Domestic Rates retained	972,615	
Small Business Rate Relief Grant	644,746	
External Support:		(1,617,361)
Sub-Total		8,126,129
Less: Collection Fund Surplus (business rates)		(1,402,281)
Less: Collection Fund Surplus (council tax)		(10,570)
Council Tax Requirement		6,713,278

25.4 Precepts have been recommended as follows:-

Awaiting confirmation	£	%
Surrey County Council	49,908,273	76
Surrey Police	8,934,197	14
Epsom and Ewell Borough Council	6,713,278	10
Total	65,555,748	

25.5 In accordance with Regulation 3 of the local authorities (Calculation of Tax Base) Regulations 2012, the Council calculated the amount of 33,019.91 as its Council Tax base for the year 2020/21. This represents the number of Band D equivalent properties.

25.6 Based on the recommendation in this report, the change in the council tax levy per Band D equivalent dwelling, when compared to 2019/20 would be as follows:-

Recommendations	2019/20	2020/21	Variation	
			£	%
Surrey County Council	1,453.50	1,511.46	57.96	3.99
Surrey Police Authority	260.57	270.57	10.00	3.84
Epsom & Ewell Borough Council	198.36	203.31	4.95	2.50
Total	1,912.43	1,985.34	72.91	3.81

26 Robustness of the Estimates

26.1 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.

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

- The Council received the 2018/19 financial statements in good time, with an unqualified audit opinion.

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- 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 service and financial planning leading to the preparation of the detailed service estimates.
- The policy committees have received detailed estimates of revenue and capital expenditures for 2020/21 and have also received risk assessments on the main financial risks.

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

26.4 A corporate budget risk assessment is appended to this report (Annexe 7), as is a statement on the level of reserves (Annexe 9).

26.5 The Chief Finance Officer considers that the budget proposals for 2020/21 are robust and sustainable.

26.6 The medium term forecasts identify 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 £1.8 million between 2020 and 2024.

26.7 Given the uncertainty over business rate retention forecasts, the Council will need to update the financial forecast and review its spending plans once it knows the outcome of Government's 'Fair Funding' and 'Retained Business Rates' Reviews, which are expected to be reflected in the 2021/22 settlement.

26.8 The major challenge in the Medium Term Financial Plan is the delivery of the £1.4 million of savings already identified and finding a further £443,000 reduction in the Council's net expenditure by 2024.

27 Conclusions

27.1 The Council has reviewed its financial position and prepared a new four year medium term financial plan. This provides a best estimate of the resources available for services compared to the cost of those services over the next four years.

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

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- 27.3 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 funding. The budget also includes the full year effect of savings made last year and new efficiency savings and increases in income for 2020/21.
- 27.4 The Council has been able to prepare a balanced budget through a range of efficiencies and increases to income especially from the acquisition of commercial property. Revenue reserves are sufficient to manage further variations in income and expenditure.
- 27.5 Albeit with uncertainty over the financial impact of 'Fair Funding Review', it is estimated that the financial forecast will need to be improved by c£443,000 to achieve a balanced budget by 2023/24. This level of savings will reduce the Council's exposure to future central government funding cuts.
- 27.6 The main financial risks are identified in Section 17 of the Medium Term Financial Plan 2020-2024. Service plans will need to include strategies to manage identified risks. The development of the new efficiency plan will be crucial to managing financial risks and achieving further budget savings.
- 27.7 Given the challenging financial environment including an increase in demand for housing services and the need for further savings in future years; the budget target anticipates a £5 increase for Band D equivalent properties in council tax to strengthen the Council's income base going forward.
- 27.8 The draft budget is based on a £4.95 increase for a Band D property, equivalent to an annual increase in council tax of 2.5%. 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.
- 27.9 The Council will maintain its council tax policy under any of the option presented with the tax being below the Surrey average.
- 27.10 For ease of reference, the Annexes attached are listed below:

Annexe 1	Medium Term Financial Plan 2020 to 2024
Annexe 2	Policy Committee Budgets 2020/21
Annexe 3	Main Changes to Service Budgets for 2020/21
Annexe 4	Income from increases to discretionary Fees and Charges
Annexe 5	Four Year Efficiency Plan 2020 - 2024

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Annexe 6	Economic Indicators
Annexe 7	Risk Assessment
Annexe 8	Reserves (Revenue and Capital)
Annexe 9	Chief Finance Officers' Statement on Robustness of Estimates and Adequacy of Reserves
Annexe 10	Financial Forecast 2020 – 2030
Annexe 11	Capital Strategy Statement
Annexe 12	Treasury Management Strategy, including Prudential Indicators & Authorised Limits
Annexe 13	Surrey District Council Tax levels 2019/20
Annexe 14	Council Tax Calculation 2020/21
Annexe 15	Council Tax Collection Fund
Annexe 16	Business Rate Collection Fund

Ward(s) Affected: (All Wards);