

# Public Document Pack



**EPSOM & EWELL**

**TOWN HALL**

**EPSOM**

6 February 2017

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, 14TH FEBRUARY, 2017 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.

Head of Legal and Democratic Services

## **COUNCIL**

**Tuesday 14 February 2017**

**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](mailto: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 13 December 2016.

### **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 8 February 2017 (17.00 hours on the third clear working day before the meeting).**

**5. APPOINTMENT OF INTERIM CHIEF EXECUTIVE AND ASSOCIATED MATTERS** (Pages 11 - 16)

This report requests that the Council appointments an interim Chief Executive, the Electoral Registration Officer, Returning Officer (and other associated roles).

**6. BUDGET AND COUNCIL TAX 2017/18** (Pages 17 - 98)

This report fulfils the statutory requirement to agree a budget for 2017/18, 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 £4.95 per annum (Band D property) an equivalent of 2.7% increase. Financial Policy Panel made no recommendation to Council but requested that the report include three options for Council Tax (a freeze, an increase of 1.98% and an increase of £4.95)

**7. INCREASING THE COMMERCIAL PROPERTY ACQUISITION FUND** (Pages 99 - 118)

This report outlines and recommends an increase to the Commercial Property Acquisition Fund ("the Fund") of a further £60m to be funded from Prudential Borrowing.

At its 21 November 2016 meeting, Council agreed the creation of a Commercial Property Acquisition Fund with a fund limit of £20m financed from Prudential Borrowing. Following the successful completion of two recent commercial property acquisitions, the Fund is almost exhausted and leaves no capacity to assess, consider and negotiate future opportunities from 2017/18.

An increase to the Fund will enable the Council to acquire additional commercial property investments located within the Borough with a view to generating revenue income streams. These will assist in supporting the delivery of future Council services and strengthen its long term financial stability.

The acquisitions will form part of a balanced property portfolio which also takes into consideration the social and economic wellbeing within the Borough.

**8. STATEMENT OF COMMUNITY INVOLVEMENT IN PLANNING POLICY AND DEVELOPMENT MANAGEMENT** (Pages 119 - 144)

The Council is invited to approve and adopt a revised Statement of Community Involvement as part of maintaining an update to date suite of planning documents in relation to the operation of the planning function, in accordance with the recommendations of the Licensing & Policy Committee

**9. MOTIONS TO COUNCIL**

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

**Note: The deadline for Notice of Motions was 5.00pm on 1 February 2017 (17.00 hours on the eighth clear working day before the meeting)**



## EPSOM AND EWELL

### Minutes of the Meeting of the COUNCIL of the BOROUGH OF EPSOM AND EWELL held at the Council Chamber - Epsom Town Hall on 13 December 2016

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#### PRESENT -

The Mayor (Councillor George Crawford); The Deputy Mayor (Councillor Liz Frost); Councillors Chris Frost, Michael Arthur, Tony Axelrod, Richard Baker, Kate Chinn, Alex Clarke, Lucie Dallen, Neil Dallen, Graham Dudley, Rob Geleit, Eber Kington, Omer Kokou-Tchri, Jan Mason, Tina Mountain, Barry Nash, Martin Olney, Keith Partridge, Jane Race, David Reeve, Humphrey Reynolds, Vince Romagnuolo, Clive Smitheram, Alan Sursham, Mike Teasdale, Peter Webb, David Wood, Clive Woodbridge and Tella Wormington

Absent: Councillors Rekha Bansil, Hannah Dalton, Robert Foote, Peter O'Donovan, Guy Robbins, and Jean Steer

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

#### 27 DECLARATIONS OF INTEREST

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

#### 28 MINUTES

The Minutes of the Ordinary and Special Meetings of the Council held on 19 July 2016, and, subject to amendments notified to members prior to and at the meeting, the Minutes of the Meeting of the Council held on 21 November 2016, were agreed as a true record and signed by the Mayor.

**29 MAYORAL COMMUNICATIONS/BUSINESS**

The Mayor reminded members that at the weekend he would be leading Christmas Carols in the Ashley Centre. The Mayor gave details of a charity event to be held in Ewell Village on Boxing Day, with the Ewell St Mary's Morris Men.

The Mayor also noted that at this time last year, the Council offered its thanks to, and support for, all the members of the armed forces who will not be home with their families this Christmas, and acknowledged that whilst it is hard at any time of the year, at Christmas it is especially so. The Mayor offered the Council's thanks in similar terms again this year and also recognised the work of other public services, emergency services, charities and others at this time.

**30 QUESTIONS FROM COUNCILLORS**

Seven questions had been addressed to Committee Chairmen, and written answers had been provided and published.

**31 COMMUNITY INFRASTRUCTURE LEVY - CHARGING SCHEDULE**

Council received a report from the Head of Place Development regarding the Community Infrastructure Levy Charging Schedule.

Councillor Eber Kington moved, and Councillor Neil Dallen seconded the recommendations in the report. Upon being put the recommendations were CARRIED.

**RESOLVED****That Council:**

- (1) endorsed the Charging Schedule set out in Annexe 1 to the Report, which had been issued and published by the Council**
- (2) agreed that £79,660.62 be repaid forthwith to Edificio Headley Limited in respect of the CIL charged in connection with planning permission reference 14/00606/FUL**
- (3) Noted the proposed review of the Charging Schedule, and requested the Licensing & Planning Policy Committee to initiate the review at the earliest opportunity.**

**32 APPOINTMENT OF EXTERNAL AUDITOR**

Council received a report from the Director of Finance & Resources which set out proposals for appointing the external auditor to the Council for the 2018/19 accounts and beyond.

**RESOLVED**

**That the Public Sector Audit Appointments Limited's (PSAA) invitation, to 'opt in' to the sector led option for the appointment of external auditors for five financial years commencing 1 April 2018, be accepted.**

**33 CALENDAR OF MEETINGS 2017/18**

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 Neil Dallen seconded the recommendation in the report, subject to the following changes:

- The briefing evening proposed for 19 April 2018 was to be deleted, as it would clash with the Audit, Crime & Disorder and Scrutiny meeting the same evening, and to be replaced with a date "To be advised"
- The briefing evening proposed for 29 March 2018 was to be deleted, as it was scheduled for Maundy Thursday, and be replaced with a date "To be advised".
- Tuesday and Wednesday were to be deleted from the "day" column for Licensing & Planning Policy Committee.
- Wednesday was to be deleted from the "day" column for the Planning Committee.
- Local Committee dates would be added to the published version.

Upon being put the recommendation was CARRIED.

**RESOLVED**

**that the Calendar of Meetings for 2017/2018 be approved.**

**34 MOTIONS TO COUNCIL**

Pursuant to FCR 79, Councillor Eber Kington **MOVED** and Councillor Jan Mason **SECONDED**, the following Motion:

*“This Council agrees, as part of the Public Realm Improvements, to the construction of a permanent dais with attached utilities, in the Market Square to be used for civic events, performance art and other community uses.”*

Following consideration of advice given by the Chief Executive, and representations from the mover of the motion, the Council **RESOLVED** to debate the motion.

Upon the motion being put, it was **LOST**, there being 8 Members in favour and the majority against, with 1 abstention, and with the Mayor and Deputy Mayor not voting.

### **35 APPOINTMENT OF RECRUITMENT PANEL**

In the opinion of the Mayor, by reason of the following special circumstances, an item be considered regarding the appointment of a Panel to oversee the recruitment of a new Chief Executive, be considered as a matter of urgency.

The Chief Executive has given notice of her intention to resign as Head of Paid Service of the Council. The Chief Executive is required under her contract of employment to give 3 months' notice, and her last day of service is expected to be 2 April 2017.

A Panel is required to be appointed to undertake various tasks relating to the recruitment of a new Chief Executive. The Panel would ordinarily be appointed by Strategy & Resources Committee. In view of the need to ensure that the recruitment exercise can start early in the new-year, it is necessary that the Panel be appointed at the earliest opportunity.

Council received a report from the Chief Executive regarding the appointment of the necessary Panel.

Councillor Eber Kington moved, and Councillor Neil Dallen seconded the recommendations in the report.

Upon being put the recommendations were **CARRIED**.

#### **RESOLVED**

- (1) That the costs associated with the recruitment of a new Chief Executive be met from the Corporate Projects Reserve, capped at £20,000 without further authority.**
- (2) That a Panel be appointed for the purposes of recruiting a new Chief Executive, to undertake the roles set out in the Council's Officer Employment Procedure Rules and comprising:**



- **Councillor Eber Kington (Chairman of Strategy & Resources Committee)**
- **Councillor Alex Clarke**
- **Councillor Hannah Dalton**
- **Councillor Chris Frost**
- **Councillor Clive Woodbridge**

**36 EXCLUSION OF PRESS AND PUBLIC**

The Council resolved to exclude the Press and Public from the meeting in accordance with Section 100A(4) of the Local Government Act 1972 on the grounds that the business involved the likely disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

**37 MINUTE OF PREVIOUS MEETING - COMMERCIAL PROPERTY ACQUISITION**

The detailed Minutes of the Extraordinary Meeting of the Council on 21 November 2016 (considered exempt from publication) were agreed as a true record and signed by the Mayor.

The meeting began at 7.30 pm and ended at 8.35 pm

GEORGE CRAWFORD  
MAYOR

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**INTERIM ARRANGEMENTS TO COVER THE ROLE OF THE CHIEF EXECUTIVE,  
ELECTORAL REGISTRATION OFFICER, RETURNING OFFICER AND ACTING  
DIRECTOR OF FINANCE & RESOURCES**

<u>Report of the:</u>	Head of HR & Organisational Development
<u>Contact:</u>	Shona Mason
Urgent Decision?(yes/no)	N/A
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices (attached):</u>	None
<u>Other available papers (not attached):</u>	None

**REPORT SUMMARY**

**This report requests that the Council appointments an interim Chief Executive, the Electoral Registration Officer, Returning Officer (and other associated roles).**

**RECOMMENDATION (S)**

**That**

- (1) Kathryn Beldon be appointed as Electoral Registration Officer and Returning Officer (and other associated roles) with immediate effect.**
- (2) Kathryn Beldon be appointed as the interim Chief Executive to take effect from the last date of the current Chief Executive's contract of employment until such point as a new permanent Chief Executive's appointment takes effect following the recruitment process due to take place in February 2017 (should this be necessary).**
- (3) The Head of HR & Organisational Development be authorised to issue an interim contract of employment to Kathryn Beldon for the role of Chief Executive in line with the Council's terms and conditions of employment for the role of Chief Executive.**
- (4) The Council notes that the interim Chief Executive will automatically serve as Clerk to Epsom & Walton Downs Conservators and Nonsuch Park Joint Management Committee.**

*Notes*

**(5) Lee Duffy be appointed as Acting Director of Finance & Resources until such a point as when a new permanent Chief Executive is appointed.**

**(6) The Head of HR & Organisational Development be authorised to issue an acting contract of employment to Lee Duffy for the role of Director of Finance & Resources in line with the Council's terms and conditions of employment for the role of Director of Finance & Resources**

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

1.1 The Council employs staff to give advice, implement decisions and manage the day-to-day delivery of its services. The management structure set out in the Council's Constitution envisages that the organisation will be headed by a Chief Executive.

## **2 Background**

2.1 The Chief Executive undertakes a number of "Proper Officer" roles within the authority. The role of "Proper Officer" is an appointment that a local authority is required to make giving responsibility for a specific statutory duty to a named officer. In the absence of an alternative appointment the "proper officer" roles which currently attach to the Chief Executive will attach to the Interim Chief Executive.

2.2 The Chief Executive also undertakes some roles unique to the Borough either by law or agreement in the form of Clerk to the Epsom & Walton Downs Conservators, and Nonsuch Park Joint Management Committee respectively.

## **3 Head of Paid Service**

3.1 By virtue of section 4 of the Local Government and Housing Act 1989, the Council is required to designate one of the Council's officers as Head of Paid Service. Under the Council's Constitution, the Chief Executive is designated as the Head of Paid Service. The Head of Paid Service is responsible for reporting to the Council on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of officers proposed for the discharge of functions and the organisation of officers.

## **4 Electoral Registration Officer and Returning Officer**

4.1 Two roles required under the Representation of the People Act 1983 (as amended) are the roles of Electoral Registration Officer and Returning Officer.

- 4.2 The main duty of the Electoral Registration Officer relates to the preparation and publication of the Council's Register of Electors. The ERO is also the signatory to certain notices and is required to comply with any general or specific directions that may be given by the Secretary of State.
- 4.3 The main duty of the Returning Officer is to ensure the proper conduct of Borough Council elections. There are a number of other related roles, such as the (Acting) Returning Officer in relation to UK Parliamentary elections, the Local Returning Officer at Police & Crime Commissioner and European Parliamentary Elections, and Counting Officer in the case of certain Referendums. In the case of County Council and, the Returning Officer is ordinarily appointed as the "lead" Deputy Returning Officer. The duties of Returning Officer are separate from his or her duties as a local government officer and she is personally liable for the conduct of the election.
- 4.4 County Council elections will be held in May 2017, and, at the time of writing, a referendum on the Council Tax rise proposed by Surrey County Council. It is therefore considered sensible to confirm the responsibility of Returning Officer now.
- 4.5 The Council has an experienced Electoral Registration Administrator, Kerry Blundell, who undertakes the day-to-day administration of the Electoral Register. Kerry is also appointed as a Deputy Returning Officer (or equivalent) in respect of all elections and referendums, and is joined in that capacity by the Head of Legal & Democratic Services and Democratic Services Manager, all of whom have many years' experience of managing elections. It is considered important, because of the personal liability attached to the role, that the Returning Officer is sufficiently senior and apart from the day-to-day management to have an overview of the whole process.
- 4.6 It seems appropriate for the role to follow the proposed appointment of the Interim Chief Executive. However, it is an appointment which it is considered should be made now, to ensure, so far as possible, continuity of role throughout the forthcoming electoral process(es).

## **5 Clerk to Epsom & Walton Downs Conservators and Nonsuch Park Joint Management Committee**

- 5.1 The role of Clerk to the Conservators and Nonsuch Park Joint Management Committee will automatically fall to the interim Chief Executive by dint of the wording of the respective legislation and management agreement which state that this shall be fulfilled by "the town clerk and chief executive for the time being" of the Council.

## **6 Financial and Manpower Implications; Equalities and Legal Implications**

- 6.1 The council's constitution incorporates the Local Authorities (Standing Orders) (England) Regulations 2001 (as amended) that require the appointment of a Head of the Paid Service to be a decision of the full council. The council's constitution further provides for a chief executive to be the Head of the Paid Service and for the Council to make the appointment of the recommendation of a properly constituted appointments panel which must include appropriate minority group representation.
- 6.2 Frances Rutter is due to leave the Council on 2 April 2017 however her last day in the office will be Friday 17 March therefore it is necessary for the Council to consider appropriate interim arrangements that provide for the proper discharge of the council's legal obligations, and effective management of the officer structure.
- 6.3 The role of Chief Executive has been advertised and applications closed on 6 February. The Appointments Panel will be undertaking the shortlisting with a view to conducting interviews on 22 and 23 February. Upon completion of the recruitment process it is envisaged that an appointment will be made to the permanent position of Chief Executive. Depending upon the outcome of this process the successful candidate could have between 0 and a 6 months' notice period. Therefore it is essential that the Council has adequate interim arrangements during the period when Frances Rutter leaves and the successful candidate joining the Council.
- 6.4 Kathryn Beldon currently holds the position of Director of Finance & Resources and the statutory role of S151 Chief Finance Officer. As the second in charge Kathryn Beldon would be the go to person to cover the role of Chief Executive during periods of absence Frances may have i.e. annual leave/ sickness. Therefore Kathryn Beldon is the natural choice to take on the interim role to ensure continuity, stability and to provide an adequate handover from Frances Rutter.
- 6.5 It is recommended that Kathryn Beldon undertakes an Acting Chief Executive role from Monday 20 March 2017 through to 2 April 2017 when Frances Rutter leaves and then takes on the Interim Chief Executive from 3 April 2017 until the successful permanent appointment joins the Council. It should be noted that the interim arrangement may not be required depending on the outcome of the recruitment process.
- 6.6 It is recommended that Kathryn Beldon be paid the salary for the role of Chief Executive (£96,324 and associated allowances) on a temporary basis with effect from 3 April 2017 until an appointment is made.

- 6.7 Kathryn Beldon can hold both statutory roles of Head of Paid Service and s151 officer, however during the period of acting and interim Chief Executive the current Head of Finance, Lee Duffy can also undertake an acting arrangement and hold the acting Director of Finance & Resources to provide greater capacity within the senior roles across the Council.
- 6.8 It is also proposed that, if required, Lee Duffy, Head of Finance takes on the Acting Director of Finance & Resources with effect from 20 March 2017 and paid the appropriate rate of £76,818 (pro rata) on a temporary basis until the appointment of Chief Executive is made.

## **7 Sustainability Policy and Community Safety Implications; Partnerships**

- 7.1 There are no implications for the purposes of this report.

## **8 Risk Assessment, Conclusions and Recommendations**

- 8.1 Plainly the council must fulfil its obligation to appoint one of its officers as the Head of the Paid Service, Electoral Registration Officer and Returning Officer. With Frances Rutter's resignation imminent, the recruitment process due to be completed by late February / early March and with the real possibility of the a 3-6 month notice period before any successful applicant commences employment it is essential for the Council to have interim arrangements in place.
- 8.2 It is recommended that members agree to Kathryn Beldon being appointed interim Chief Executive as outlined within this report and to Lee Duffy being appointed to acting Director of Finance and Resources.

**WARD(S) AFFECTED: N/A**

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**BUDGET AND COUNCIL TAX 2017/18**

<u>Report of the:</u>	Director of Finance and Resources
<u>Contact:</u>	Lee Duffy
Urgent Decision?(yes/no)	Yes
If yes, reason urgent decision required:	Statutory Requirement to Set Council Tax
<u>Annexes/Appendices</u> (attached):	<b>See List of Appendices</b>
<u>Other available papers</u> (not attached):	Estimate files held in Finance Directorate

**REPORT SUMMARY**

- This report fulfils the statutory requirement to agree a budget for 2017/18, 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 £4.95 per annum (Band D property) an equivalent of 2.7% increase.
- Financial Policy Panel made no recommendation to Council but requested that the report includes three options for Council Tax (a freeze, an increase of 1.98% and an increase of £4.95)

**RECOMMENDATIONS**

See (1) to (10) below

*Notes*

1. That it be noted that, under delegated powers, the Director of Finance and Resources calculated the amount of the Council Tax Base as 32,324.01 (Band 'D' equivalent properties) for the year 2017/18 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 2016/17 and the revenue estimates for 2017/18
  - (b) The capital programme for 2017/18 and the provisional programme for 2018 to 2020, as summarised in the capital strategy statement.

3. That the fees and charges recommended by the policy committees be approved for 2017/18.
4. That the Council Tax Requirement for the Council's own purposes for 2017/18 is £6,045,236.
5. That the Council receives the budget risk assessment at Appendix 6 and notes the conclusion of the Director of Finance and Resources that these budget proposals are robust and sustainable as concluded in this report.
6. That the Council receives the Director of Finance & Resources' Statement on the Reserves as attached at Appendix 8.
7. That the Council agrees the Prudential Indicators and Authorised Limits for 2017/18 as set out in Appendix 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 2017/18 in accordance with sections 31 to 36 of the Act:
  - (a) £53,806,686 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(2) of the Act
  - (b) £47,761,450 being the aggregate of the amounts which the Council estimates for the items set out in section 31(A)3 of the Act
  - (c) £6,045,236 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) £187.02 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 (PROVISIONAL)**

<b>Band:</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
	£	£	£	£	£	£	£	£
<b>Amount</b>	<b>972.30</b>	<b>1,134.35</b>	<b>1,296.40</b>	<b>1,458.45</b>	<b>1,782.55</b>	<b>2,106.55</b>	<b>2,430.75</b>	<b>2,916.90</b>

**SURREY POLICE AUTHORITY**

<b>Band:</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
	£	£	£	£	£	£	£	£
<b>Amount</b>	<b>149.71</b>	<b>174.67</b>	<b>199.62</b>	<b>224.57</b>	<b>274.47</b>	<b>324.38</b>	<b>374.28</b>	<b>449.14</b>

**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 2017/18 for each of the categories of dwellings.**

**EPSOM AND EWELL BOROUGH COUNCIL**

<b>Band:</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
	£	£	£	£	£	£	£	£
<b>Amount</b>	<b>124.68</b>	<b>145.46</b>	<b>166.24</b>	<b>187.02</b>	<b>228.58</b>	<b>270.14</b>	<b>311.70</b>	<b>374.04</b>

**AGGREGATE OF COUNCIL TAX REQUIREMENTS**

<b>Band:</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
	£	£	£	£	£	£	£	£
<b>Amount</b>	<b>1,246.69</b>	<b>1,454.48</b>	<b>1,662.26</b>	<b>1,870.04</b>	<b>2,285.60</b>	<b>2,701.17</b>	<b>3,116.73</b>	<b>3,740.08</b>

**11. Delegated authority is granted to the Chair of Strategy & Resources Committee and the Director of Finance & Resources to adjust the aggregate amounts of Council Tax in the event of the Referendum being unsuccessfully in supporting the increase proposed to Surrey County Council's element of the total Council Tax bill.**

## 1 Introduction

- 1.1 The Council is required to agree a budget for 2017/18 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 2017/18 and future years as a basis for determining council tax.
- 1.5 The Financial Policy Panel on 2 February 2017 recommended that budget options based on a council tax increase of 0% (freeze), 1.98% and up to £5 per annum on band d equivalent property. These options are shown in the report.
- 1.6 The budget report is based on a recommended increase of £4.95 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:-

### 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.

**3 Current Year Position**

3.1 The 'probable outturn' comprises a revised forecast for the current year ending 31 March 2017, 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 2016/17**

	<b>Published Policy Book 2016/17</b>	<b>Mid-Year Forecast 2016/17</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Strategy & Resources Committee	2,348	2,235	
Asset Rents (Landlord Account)	(2,879)	(2,879)	
Environment Committee	1,990	2,051	
Community & Wellbeing Committee	6,268	6,226	
<b>Total</b>	<b>7,727</b>	<b>7,633</b>	<b>-94</b>

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

Favourable:

- Salaries savings arising from vacant posts
- Homelessness costs reduced
- Increased income from car parking

- Additional income from acquisition of new investment property
- Higher than anticipated returns from treasury management

Adverse:

- Planning income
- Cemetery income

- 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 2016/17 the Council will make a contribution back to working balances of £94,000.
- 3.4 The working balance carried forward at 31 March 2016 was £3.2 million. Using the service income and expenditure position as recently reported to the policy committees, the forecast working balance for 31 March 2017 is £3.3 million.
- 3.5 Members will note that the Council planned to use £500,000 of New Homes Bonus to fund services in 2016/17 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 2017/18. 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 2017/18 revenue budget and the capital investment programme comprise the Council's spending plans for the forthcoming year.
- 4.2 The Budget Targets for 2017/18 were agreed at Strategy & Resources Committee on 27 September 2016 as follows:-
- Estimates are prepared including options to reduce organisational costs by £556,000, to minimise the use of working balances and maintain a minimum working balance of £2.5m 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 2017/18.
  - That a provision for 2017/18 pay award is made of £180,000 which represents 1% pay increase and 0.6% for progression.

- That further efficiencies be identified to address the anticipated budget shortfall of £220,000 in 2017/18.
- 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 2016: Review of local taxation level and budget targets (including efficiency savings, efficiency plan, staffing and income levels):
- October 2016: treasury management, an update of funds held on s106 and CIL :
- December 2016: capital programme and capital reserves:
- February 2017: business rate retention

## 5 2017/18 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 following papers have been made available in the Members' Room:-
- The fees and charges for all policy committees
  - The capital programme proposals
- 5.3 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 **Appendix 1** to this report.
- 5.4 The main year-on-year changes in the cost of service provision are detailed in **Appendix 2** to this report.
- 5.5 The comparison to the 2016/17 published budget is also shown in the table below at committee total level:-

**POLICY COMMITTEE BUDGETS 2017/18**

	<b>2016/17 Published Budget</b>	<b>2017/18 Recommended Budget</b>	<b>Varianc e</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Strategy & Resources Committee	2,348	2,403	
Asset Rents (Landlord Account)	(2,879)	(2,879)	
Environment Committee	1,990	1,877	
Community & Wellbeing Committee	6,268	6,244	
<b>Total</b>	<b>7,727</b>	<b>7,645</b>	<b>- 82</b>
External Funding (Council Tax, Revenue support Grant, retained Business Rates)	(7,727)	(7,645)	82
<b>Shortfall of income to cover planned expenditure &amp; required use of Working Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

Staff Budget

- 5.6 A total of £11.2 million of staff costs, staff on-costs and agency costs have been included in the policy committee estimates compared to £11.5 million in 2016/17. This will form the salary control total for budget monitoring purposes, subject to adjustments needed where service changes are agreed by the Council.
- 5.7 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.
- 5.8 The Strategy and Resources Committee agreed a 1.5% pay award for April 2017.
- 5.9 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

- 5.10 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 2017/18. 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 2017/18. 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 £198,000 is attached at **Appendix 3**.

## **7 Economic Indicators**

- 7.1 The latest Treasury economic indicators (December 2016) are shown at **Appendix 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 **Appendix 6**.
- 9.2 The highest service financial risks remain the demands for housing and homelessness prevention
- 9.3 **Appendix 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 2017/18 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 announcement of a four year settlement last year has provided a clearer picture of the levels of core funding for this Council until 2020. However, this year the Government undertook a review of funding for Councils from New Homes Bonus and this has resulted in significant cuts to this source of income for Epsom and Ewell Borough Council. As a result of the reduced levels of funding available from New Homes Bonus the updated Financial Plan makes provision for the reduction in allocation of grant to finance services over the next 3 years.
- 9.6 Government intends to further review the method of awarding New Homes Bonus grant funding for 2018/19 and this could result in a further reduction allocation for future years.
- 9.7 There continues to be doubts over whether growth in business rates income can be achieved. The Council operates in a difficult financial environment and risks remain high in the long term.

## 10 Revenue Budget Overview 2017/18

- 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 2016/17 was £7,727,000. The budget requirement for 2017/18 is calculated as follows:-

<b>Net Expenditure on Services</b>	<b>£000</b>	<b>External Finance</b>	<b>£000</b>
<b>Gross Expenditure</b>	46,440	Revenue Support Grant	0
		Transitional Grant	83
		Retained Business Rate Income	1,237
<b>Gross Income</b>	- 38,795	Small Business Rate Relief Grant	290
		Collection Fund Deficit (business rates)	-111
		Collection Fund Surplus (council tax)	101
<b>Net Expenditure</b>	7,645	External Finance	1,600
<b>Transfer from Working Balance</b>	0	Council Tax Income	6,045
<b>Budget Requirement</b>	7,645	Income from grant and Council Tax	7,645

- 10.2 The reduction in the Budget Requirement (net spending) is 1.1%.

- 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 2017/18 is £6,045,236 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.
- 11.3 The following table shows the spending assessment figures announced for 2017/18.

<b>GOVERNMENT FUNDING</b>	<b>2016/17 Actual</b>	<b>2017/18 Final Settlement</b>
	<i>£000</i>	<i>£000</i>
Formula Grant Funding (Revenue Support Grant)	417	0
Business Rates Baseline Funding	1,300	1,324
Transitional Grant	93	83
<b>Government Settlement Funding Assessment</b>	<b>1,810</b>	<b>1,407 (- £403k, -22%)</b>

- 11.4 The government's funding assessment was reduced by £403,000 or 22% in 2017/18.
- 11.5 The latest settlement figures received show that there are only minor changes to the four year settlement provided in February 2016. The latest settlement includes a tariff adjustment of £624,000 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
<b>Final Settlement</b>				
Revenue Support Grant	417	0	0	0
Retained Business Rates - Baseline	1,300	1,324	1,364	1,407
<b>Government Baseline Funding</b>	<b>1,717</b>	<b>1,324</b>	<b>1,364</b>	<b>1,407</b>
Transitional Grant	93	83	0	0
Tariff Adjustment	0	0	0	-624
<b>Government Settlement Total</b>	<b>1,810</b>	<b>1,407</b>	<b>1,364</b>	<b>783</b>

11.6 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 £783,000 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 Department of Communities and Local Government (DCLG) 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.

	2016/17 £'000	2017/18 £'000
Grants		
Revenue Support Grant	417	0
Transitional Grant	93	83
Retained Business Rates	1,300	1,326
<b>Total Grant Funding</b>	<b>1,810</b>	<b>1,409</b>
New Homes Bonus	2,120	1,558
Council Tax*	5,829	6,066
	<b>7,949</b>	<b>7,624</b>
<b>Core Spending Power</b>	<b>9,759</b>	<b>9,033</b>

\*figure from provisional financial settlement

- 12.2 Nationally the reduction in spending power for 2017/18 is 1.1%. Epsom and Ewell Borough Council's spending power will reduce by 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 The level of grant awarded has steadily increased from when it was introduced in 2011/12, with the council receiving £2.1 million in 2016/17.

<b>Grant allocation</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
2011/12	108	108	108	108	108	108
2012/13		500	500	500	500	500
2013/14			344	344	344	344
2014/15				595	595	595
2015/16					411	411
2016/17						158
<b>Total Grant</b>	<b>108</b>	<b>608</b>	<b>952</b>	<b>1,547</b>	<b>1,958</b>	<b>2,116</b>

- 13.3 As expected for 2017/18 New Homes Bonus allocations and details of the consultation on the future of the scheme have been announced. The number of years that the scheme will be based upon (currently 6 years' in 2016/17) will reduce to 5 years in 2017/18 and 4 years from 2018/19 onwards. The scheme will now also only reward growth in homes above 0.4% per annum.

- 13.4 The changes have resulted in a significant reduction in the overall award with this grant falling by nearly £700,000 for 2017/18 and by even more for 2018/19.

	<b>Award under original scheme £'000</b>	<b>Award under revised scheme £'000</b>
2012/13	500	0
2013/14	344	344
2014/15	596	596
2015/16	411	411
2016/17	158	158
2017/18	212	45
<b>Grant Award</b>	<b>2,221</b>	<b>1,554</b>

- 13.5 The provisional payment for 2017/18 is £1,554,000 and compares to the forecast included within the Financial Plan of £2,116,000.
- 13.6 Under the New Homes Bonus protocol, £500,000 of this grant has been allocated to help fund services in 2017/18 and the balance of £1,054,000 will be made available for capital investment or corporate projects.
- 13.7 Further significant reductions in funding available from New Homes Bonus are expected for 2018/19 through to 2019/20 and the latest projections show that by 2019/20 there will be insufficient New Homes Bonus available to fund services as agreed under the protocol.

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
2015/16	411	0	0
2016/178	158	158	0
2017/18	45	45	45
2018/19*	50	50	50
2019/20*		50	50
2020/21*			50
<b>Projected Grant</b>	<b>664</b>	<b>303</b>	<b>195</b>

\* forecast

- 13.8 The reduced levels of grant for New Homes Bonus need to be incorporated into the updated Financial Plan with funding available to fund services reduced to levels of expected from grant for 2019/20 and 2020/21.
- 13.9 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 2017/18 government settlement includes £1,407,000 for this Council as a 'settlement funding assessment' comprising £1,324,000 Business Rates Baseline funding and £83,000 transitional grant.
- 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:

	<b>Gov't Baseline 2016/17 £000</b>	<b>EEBC Budget 2016/17 (NNDR1) £000</b>	<b>EEBC Latest Forecast 2016/17 £000</b>	<b>EEBC Budget 2017/18 (NNDR1) £000</b>	
Rates Collectable	23,894	24,025	23,884	24,675	
Less: payable to central government	-11,947	-12,013	-11,942	-12,338	50%
Less: payable to SCC	-2,389	-2,402	-2,388	-2,467	20% of local share
<b>NNDR Baseline</b>	<b>9,558</b>	<b>9,610</b>	<b>9,554</b>	<b>9,870</b>	<b>Rates kept before tariff</b>
Less 'Tariff'	-8,258	-8,258	-8,258	-8,431	Tariff set by govt to go to 'top-up authorities'
Retained Business Rates	1,300	1,352	1,296	1,439	
Less: loss of 50% of underlying growth		-136	-110	-202	
Est. of Retained Business Rates	1,300	1,216	1,186	1,237	
Add back: Small Business Rate Relief Grant		219	223	290	Separate grant funding for extension of SBRR
<b>EEBC Income including relief grants</b>	<b>1,300</b>	<b>1,435</b>	<b>1,409</b>	<b>1,527</b>	

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 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:-

<b>Business Rate Equalisation Reserve Forecast</b>	<b>£000</b>
<b>Balance 31 March 2016</b>	<b>684</b>
Planned use to partially offset 2016/17 deficit and levy payment	-164
<b>Forecast balance 31 March 2017</b>	<b>520</b>
Planned use to partially offset Prior Year Deficit (2015/16 deficit £80k & 2016/17 deficit £31k)	-69
<b>Forecast balance 31 March 2018</b>	<b>451</b>

14.7 Central Government has again set the Safety Net on individual council levy rates at 92.5% of baseline funding. The safety net for 2017/18 is £1,226,000 compared to the budget forecast of £1,527,000 (including section 31 business relief grants) providing a worst case loss of business rates compared to the budget of £301,000 next year.

## 15 Reserves

15.1 The reserves as contained in the audited financial statements at 31 March 2016 may be summarised as follows:-

	<b>Balance 31 March 2015 £000</b>	<b>Balance 31 March 2016 £000</b>	
Capital Receipt Reserves	4,082	4,968	Receipts from the sale of assets earmarked for capital programme commitments and invested under the Treasury Management policy. Includes £580k earmarked Hospital Cluster Receipt.
Community Infrastructure Levy	612	2,526	Receipts available for funding of infrastructure improvements
Earmarked Strategic Reserves	6,347	7,287	Provisions for future expenditure or against identified liabilities
Working Balance	3,333	3,171	General Fund working balance



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

15.3 The levels of revenue reserves are set out in **Appendix 7**.

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

	<b>Capital Reserves</b> <b>£'000</b>
<b>Balance brought forward at 1 April 2016 *</b>	<b>4,388</b>
Earmarked for Property Acquisition	- 275
Estimated use to fund 2016/17 capital expenditure	- 1,751
<b>Estimated Balance at 31 March 2017</b>	<b>2,362</b>
Planned use for 2017/18 programme	- 643
Allowance for Receipts in Year	0
Note: excludes allowance for programme slippage	
<b>Estimated Balance at 31 March 2018</b>	<b>1,719</b>

*\* Excludes £580,000 earmarked for Horton Chapel / Hospital Cluster*

15.5 The Council is required to consider the level of its reserves in setting its budget. The Director of Finance's statement of the adequacy of the financial reserves is attached at **Appendix 8**.

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

- No use of the General Fund Working Balance to fund services
- £643,000 of capital reserves to fund the capital programme (including spend to save schemes subject to approval of business case)

## **16 Financial Forecast**

16.1 The following financial forecast comprises an update of the forecast in the Financial Plan 2016-2020 to take account of the 2017/18 budget proposals and central government public sector spending plans.

	<b>2017/18 Budget £000</b>	<b>2018/19 Forecast £000</b>	<b>2019/20 Forecast £000</b>	<b>2020/21 Forecast £000</b>
Cost of Service b/f	8,581	8,365	8,566	8,383
Pay & Prices Increases	+ 380	+ 370	+ 370	+ 370
Contingency for Service Changes and Pressures	+ 471	+ 395	+ 174	+ 100
Increases in Fees & Charges	- 200	- 200	- 200	- 210
Contributions from reserves/provisions	- 225	+ 225	0	0
Star Chamber / Service Savings	- 642	- 589	- 527	0
<b>Forecast Net Cost of Services</b>	<b>8,365</b>	<b>8,566</b>	<b>8,383</b>	<b>8,643</b>
Interest on Balances	- 220	- 220	- 220	- 220
Use of New Homes Bonus	- 500	- 500	- 303	- 196
<i>Funding Shortfall</i>	<i>0</i>	<i>- 37</i>	<i>- 436</i>	<i>- 559</i>
Transfer from Working Balance	0	0	0	0
<b>Forecast Net Expenditure</b>	<b>7,645</b>	<b>7,809</b>	<b>7,424</b>	<b>7,668</b>
Formula Grant Forecast	0	0	0	0
Transitional Grant	83	0	0	0
Business Rates Forecast	1,527	1,558	1,589	1,620
Tariff Adjustment	0	0	- 625	- 625
Council Tax Income Forecast	6,045	6,251	6,460	6,673
Collection Fund Surplus / (Deficit)	- 10	0	0	0
<b>Collection Fund Income</b>	<b>7,645</b>	<b>7,809</b>	<b>7,424</b>	<b>7,668</b>

16.2 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 2017/18 and 2018/19 but is expected to reduce to £303,000 in 2019/20.
- Council tax charges have been increased by £4.95 for a band D equivalent property per annum and other charges by 3% per annum

- Savings and the development of new income streams have been identified of £2,707,000 over the four years (2016/17 to 2019/20) as part of the budget process.
- Further savings of around £400,000 will need to be found between 2018 and 2020 if a balanced budget is to be achieved at the end of this period.

16.3 The Council needs to deliver a total of over £2.2 million over the next three years if it is to achieve a balanced budget by 2020 and a programme of reviews has been implemented to deliver the necessary savings over this period.

## **17 Capital Programme**

17.1 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 2016.

17.2 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.

17.3 The updated capital strategy statement is attached at **Appendix 10** and includes a summary of proposed investment for 2017-2020.

17.4 A capital investment programme of £1,249,000 is recommended for 2017/18 and the following funding is required to allow the schemes in this programme to be completed:-

17.5 Use of Capital Reserves for the core programme and for spend to save schemes, subject to policy committee approval to business cases: £622,000

17.6 Use of central government grant: £535,000

17.7 Use of revenue reserves: £25,000

17.8 Schemes will also be carried forward from the 2016/17 programme where not completed by 31 March 2017.

## **18 Prudential Indicators and Authorised Limits for 2017/18**

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

18.2 The Council has been debt free since 1994 However on 21 November 2016, the Council granted approval for borrowing to finance a Commercial Property Acquisition Fund.

18.3 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 2017/18.

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

## 19 Council Tax Options

19.1 The current Surrey District Council Tax levels are shown at **Appendix 12**.

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

19.3 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 2% before needing to hold a referendum. The recommendation in the budget report is for an increase of £4.95 per annum, which represents a 2.72% increase.

19.4 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.

19.5 A range of council tax increases are illustrated at **Appendix 13**. All options are based on the service estimates in the Budget Book 2017/18 and the estimate reports presented to the policy committees in January 2017.

19.6 Council tax for the £4.95 increase and the other options requested by the Financial Policy Panel are shown in the table below.

<b>Increase:</b>	<b>0%</b>	<b>1.98%</b>	<b>£4.95 Recommendation</b>
Council Tax	£182.07	£185.67	<b>187.02</b>
Increase per annum	£0	£3.60	<b>£4.95</b>
Increase per week	0p	7p	<b>10p</b>
Income Generated 2017/18	£0	£116,000	<b>£160,000</b>
Adjustment needed to Draft Budget Book	£160,000 adverse	£44,000 adverse	<b>£0</b>
Income Generated Future Years Council Tax Base	0	£116,000	<b>£160,000</b>

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

## **20 Consultation with Non-Domestic Ratepayers**

20.1 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 2017/18 budget will be identified at the meeting.

## **21 Collection Fund**

21.1 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.

21.2 Where a deficit or surplus in the 2016/17 Collection Fund is estimated in respect of Council Tax items, the amount is to be apportioned in 2017/18 between authorities that precept on the collection fund in accordance with the ratio of their 2016/17 precepts.

21.3 The calculation of the estimated position on the Council's 2016/17 Collection Fund in respect of Council Tax items is detailed at **Appendix 14**.

21.4 A surplus of £100,580 is forecast for this Council and will be credited to the General Fund Revenue Account for 2017/18.

21.5 The business rates retention scheme was introduced under the 2012 Local Government Finance Act and requires the allocation of estimated surpluses and deficits for 2016/17 in 2017/18. A deficit of £110,647 is forecast for this Council and will be charged to the General Fund Revenue Account for 2017/18. The calculation is shown in **Appendix 14**.

## **22 Precepts**

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

22.2 A schedule of precept dates has been agreed with the precepting authorities, details of which are attached at **Appendix 15**.

## **23 Council Tax Referendum for Surrey County Council**

23.1 Delegated authority is sought for the Chair of Strategy & Resources Committee and the Director of Finance & Resources to adjust the aggregate amounts of Council Tax in the event of the Referendum being unsuccessfully in supporting the increase proposed to Surrey County Council's element of the total Council Tax bill.

## 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 a £4.95 increase per annum in council tax (band D equivalent), which represents an increase of 2.72%.
- 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:-

<b>Council Tax Requirement 2017/18</b>	<b>£</b>	<b>£</b>
Budget Requirement		7,644,974
Revenue Support Grant	0	
Transitional Grant	82,624	
Non Domestic Rates retained	1,237,674	
Small Business Rate Relief Grant	289,507	
External Support:		(1,609,805)
Sub-Total		6,035,169
Add: Collection Fund Deficit (business rates)		110,647
Less: Collection Fund Surplus (council tax)		(100,580)
<b>Council Tax Requirement</b>		<b>6,045,236</b>

- 24.4 Precepts have been recommended as follows:-

<b>Awaiting confirmation</b>	<b>£</b>	<b>%</b>
Surrey County Council	47,142,952	78
Surrey Police	7,259,003	12
Epsom and Ewell Borough Council	6,045,236	10
<b>Total</b>	<b>60,447,191</b>	

- 24.5 In accordance with Regulation 3 of the local authorities (Calculation of Tax Base) Regulations 2012, the Council calculated the amount of 32,324.01 as its Council Tax base for the year 2017/18. This represents the number of Band D equivalent properties.

24.6 The requirements which are to be placed upon the Collection Fund, translated into a Council Tax for each property band are detailed at **Appendix 15**. This covers options of 0%, 1.98% and £4.95 per annum (Band D equivalent).

24.1 Based on the recommendation in this report, the change in the council tax levy per Band D equivalent dwelling, when compared to 2016/17 would be as follows:-

Recommendations	2016/17 £	2017/18 £	Variation	
			£	%
Surrey County Council	1,268.28	1,458.45	190.17	14.99
Surrey Police Authority	220.19	224.57	4.38	1.99
Epsom & Ewell Borough Council	182.07	187.02	4.95	2.72
<b>Total</b>	<b>1,670.54</b>	<b>1,870.04</b>	<b>199.50</b>	<b>11.94</b>

## 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 Director of Finance and Resources as 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 2017/18 and have also received assessments on the main financial risks.

25.3 It is the Director of Finance and Resources' 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.

- 25.4 A corporate budget risk assessment is appended to this report (**Appendix 6**), as is a statement on the level of reserves (**Appendix 8**).
- 25.1 The Director of Finance and Resources considers that the budget proposals for 2017/18 are robust and sustainable.
- 25.2 The updated financial forecast (**Appendix 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 at least £2.2 million by 2019/20. Given the withdrawal of grant funding from central government in 2017/18, and the uncertainty over business rate retention forecasts, the Council will need to update the financial forecast and review its spending plans as part of the 2018/19 budget review process.
- 25.3 The major challenge in the Financial Plan over the next three years is the delivery of the £1.8 million of savings already identified and finding a further £400,000 reduction in the Council's net expenditure by 2020.

## 26 Conclusions

- 26.1 Last year the Council reviewed its financial position and agreed a new four year financial plan. This provided an estimate of the resources available for services compared to the cost of those services over the next four years.
- 26.2 The priorities in the Corporate Plan will guide the allocation of resources through service plans and annual service targets.
- 26.3 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 government grant funding. The budget also includes the full year effect of savings made last year and new efficiency savings for 2017/18.
- 26.4 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.
- 26.5 The settlement removes RSG funding for this Council and from 2017/18 and the Council will only receive funding through either its share of retained business rates and new homes bonus. However, Government announced as part of the provisional settlement, changes to the award of New Homes Bonus grant, the changes result in a significant reduction in the allocation of funding for this Council, with this Council losing out on £700,000 grant for 2017/18 with further reductions anticipated in the future.



- 26.6 There is still a risk to the Council's finances that the Government could still reduce New Homes Bonus grant and our share of business rates that we can retain and therefore increase the funding gap to achieve a balanced budget for these years.
- 26.7 It remains a priority to review identified savings included within the updated Four Year Cost Reduction Plan totalling £2,707,000 and where feasible expedite the delivery of any of the savings in to 2017/18.
- 26.8 The Council has been able to prepare a balanced budget through a range of changes to services, increases to income and an increased use of new homes bonus. Revenue reserves are sufficient to manage further variations in income and expenditure.
- 26.9 The major challenge for this Council is the delivery of the £1.8 million of savings identified in the Cost Reduction Plan over the next 3 years (2017/18 to 2019/20) and whether of any of these can be brought forward to match the cuts in Government funding and the need to identify further savings of around £400,000 by 2019/20.
- 26.10 Budget and Council Tax decisions for 2017/18 should be consistent with the draft Medium Term Financial Strategy and the Financial Plan for 2016 – 2020.
- 26.11 The main financial risks identified for next year's budget are set out in **Appendix 6** to this report.
- 26.12 The draft budget is based on a £4.95 annual increase (Band D equivalent) in council tax with options of 0% and 1.98%. The proposed budget will still require cost reduction but the increase would help to maintain the resources needed for service delivery in the medium term.
- 26.13 The Council will maintain its council tax policy under any of the option presented with the tax being below the Surrey average.

**WARD(S) AFFECTED: (All Wards);**

## BUDGET AND COUNCIL TAX REPORT 2017/18

### LIST OF APPENDICES

<b>Appendix 1</b>	Policy Committee Budgets 2017/18
<b>Appendix 2</b>	Main Changes to Service Budgets for 2017/18
<b>Appendix 3</b>	Income from increases to discretionary Fees and Charges
<b>Appendix 4</b>	Updated Four Year Efficiency Plan 2016/17 to 2019/20
<b>Appendix 5</b>	HM Treasury Economic Indicators
<b>Appendix 6</b>	Risk Assessment
<b>Appendix 7</b>	Reserves (Revenue and Capital)
<b>Appendix 8</b>	Director Of Finance & Resources' Statement on Robustness of Estimates and Adequacy of Reserves
<b>Appendix 9</b>	Financial Forecast 2017 – 2021
<b>Appendix 10</b>	Capital Strategy Statement
<b>Appendix 11</b>	Prudential Indicators & Authorised Limits
<b>Appendix 12</b>	Surrey District Council Tax levels 2016/17
<b>Appendix 13</b>	Council Tax Calculation 2017/18
<b>Appendix 14</b>	Council Tax Collection Fund & Business Rate Collection Fund
<b>Appendix 15</b>	Council Tax Precepts 2017/18 (options) <b>(TO FOLLOW)</b>

**BUDGETS RECOMMENDED BY THE POLICY COMMITTEES**

<b>BUDGET SUMMARY</b>	<b>2015/16 Actual</b>	<b>2016/17 Budget</b>	<b>2016/17 Revised Estimates</b>	<b>2017/18 Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>GROSS EXPENDITURE</b>				
STRATEGY AND RESOURCES COMMITTEE	27,981,214	28,181,853	25,643,588	25,485,682
ENVIRONMENT COMMITTEE	9,469,119	9,688,600	9,616,873	9,639,572
COMMUNITY AND WELLBEING COMMITTEE	11,158,660	10,248,560	10,255,447	10,049,101
<b>TOTAL GROSS EXPENDITURE</b>	<b>48,608,993</b>	<b>48,119,013</b>	<b>45,515,908</b>	<b>45,174,355</b>
<b>GROSS INCOME</b>				
STRATEGY AND RESOURCES COMMITTEE	(28,160,580)	(27,167,390)	(24,535,048)	(24,527,488)
ENVIRONMENT COMMITTEE	(7,118,538)	(7,617,772)	(7,481,300)	(7,680,977)
COMMUNITY AND WELLBEING COMMITTEE	(4,390,569)	(3,808,971)	(3,772,422)	(3,707,029)
Less ASSET RENTS (Internal Recharges)	(2,879,244)	(2,879,470)	(2,879,470)	(2,879,470)
<b>TOTAL GROSS INCOME</b>	<b>(42,548,931)</b>	<b>(41,473,603)</b>	<b>(38,668,240)</b>	<b>(38,794,964)</b>
<b>CONTRIBUTION TO / (FROM) STRATEGIC RESERVES</b>	<b>1,847,375</b>	<b>1,081,107</b>	<b>785,587</b>	<b>1,265,583</b>
<b>NET EXPENDITURE</b>	<b>7,907,437</b>	<b>7,726,517</b>	<b>7,633,255</b>	<b>7,644,974</b>
CONTRIBUTION TO / (FROM) GENERAL RESERVE FOR YEAR	(162,736)	0	93,262	0
<b>NET BUDGET REQUIREMENT</b>	<b>7,744,701</b>	<b>7,726,517</b>	<b>7,726,517</b>	<b>7,644,974</b>

<b>COMMITTEE TOTALS</b>	<b>2015/16 Actual</b>	<b>2016/17 Budget</b>	<b>2016/17 Revised Estimates</b>	<b>2017/18 Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
STRATEGY AND RESOURCES COMMITTEE	1,940,575	2,348,123	2,235,180	2,403,330
ENVIRONMENT COMMITTEE	2,273,559	1,989,668	2,051,413	1,877,435
COMMUNITY AND WELLBEING COMMITTEE	6,572,547	6,268,196	6,226,132	6,243,679
ASSET RENTS (Internal Recharges)	(2,879,244)	(2,879,470)	(2,879,470)	(2,879,470)
CONTRIBUTION TO / (FROM) GENERAL RESERVE FOR YEAR	(162,736)	0	93,262	0
<b>TOTAL</b>	<b>7,744,701</b>	<b>7,726,517</b>	<b>7,726,517</b>	<b>7,644,974</b>

<b>FUNDED BY</b>	<b>2015/16 Actual</b>	<b>2016/17 Budget</b>	<b>2016/17 Revised Estimates</b>	<b>2017/18 Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
COUNCIL TAX PRECEPT	5,581,317	5,828,698	5,828,698	6,045,236
REVENUE SUPPORT GRANT	1,006,433	416,850	416,850	0
TRANSITIONAL GRANT	0	92,965	92,965	82,624
NNDR	964,897	1,216,123	1,216,123	1,237,674
SMALL BUSINESS RATE RELIEF GRANT	196,421	0	0	0
LOCALISM RELIEF GRANT	212,667	218,811	218,811	289,507
COLLECTION FUND SURPLUS - COUNCIL TAX	83,138	74,193	74,193	100,580
COLLECTION FUND DEFICIT - BUSINESS RATES	(300,172)	(121,123)	(121,123)	(110,647)
<b>TOTAL</b>	<b>7,744,701</b>	<b>7,726,517</b>	<b>7,726,517</b>	<b>7,644,974</b>

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**MAIN SERVICE BUDGET CHANGES 2015/16 TO 2016/17**

	<u>Budget</u> <u>Savings</u> <u>£'000</u>	<u>Budget</u> <u>Costs</u> <u>£'000</u>
<b><u>STRATEGY &amp; RESOURCES</u></b>		
Increased government funding for housing benefit		2,814
Increased housing benefit payments	(2,819)	
Reduced income from land search fees		63
Reduced New Homes Bonus Grant		563
Reduced transfer of New Homes Bonus to Corporate Projects Reserve	(430)	
One off contribution of admin element of s106 funding	(100)	
Net increase in contingencies (benefits, property works & recycling payments)		175
Changes to Business Rates and Utilities for Epsom & Ewell owned properties		238
Increased income from investment properties	(281)	
Changes to tree maintenance contract	(66)	
<b><u>ENVIRONMENT</u></b>		
Reduced recycling charges and fee expenditure	(67)	
Reduced income from SCC for highways maintenance		65
Reduced income from recycling		92
<b><u>COMMUNITY &amp; WELLBEING</u></b>		
Withdrawal of one-off funding for Social Centres from the Corporate Projects Reserve		70
Reduction in homelessness net cost of temporary accommodation	(118)	
<b><u>All Committees</u></b>		
Reduction in salaries & other overheads including changes to vacancy provision	(241)	
Additional income from increase in Fees and Charges (budget proposals)	(198)	
All other service budget changes (changes all below £60,000)		158
	<b><u>(4,320)</u></b>	<b><u>4,238</u></b>
<b>Policy Committee Budget Reduction</b>		<b><u>(82)</u></b>

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**ADDITIONAL INCOME FROM INCREASING  
FEES AND CHARGES FROM APRIL 2017**

	£'000	£'000
<b><u>ENVIRONMENT</u></b>		
Car Parks	95	
Refuse Collection / Recycling	36	
Markets	3	
Development & Building Control	11	
Cemetery	14	
Licensing & Environmental Health	6	
	<hr/>	<b>165</b>
<b><u>COMMUNITY AND WELLBEING</u></b>		
Social Centres	3	
Community Services	7	
Bourne Hall	4	
Ebbisham Centre	4	
Ewell Court House	3	
Epsom Playhouse	5	
Allotments	1	
Parks & Open Spaces	6	
	<hr/>	<b>33</b>
<b>TOTAL</b>		<hr/> <b>198</b> <hr/>

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**FOUR YEAR EFFICIENCY PLAN - 2016/17 to 2019/20**

	Saving				Total £'000
	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	
Operational efficiencies and income generation	253	237	405	324	1,219
<b>Strategy &amp; Resources Committee</b>					
Reduce hardship fund	5				5
Alternative payroll provision		10			10
Acquisition of investment properties		172			172
Restructuring of Senior Management Team			60		
<b>Environment Committee</b>					
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
Reduce cost of highway verge maintenance		52			52
<b>Community and Wellbeing Committee</b>					
Allotments – introduce water charging	8				8
Allotments – self management			4		4
Extend Housing Act charges	4				4
Cease extended out of hours service	24				24
Reduction of homelessness costs through delivery of new properties		75		122	197
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
Issuing of licences for professional users of parks			10		10
Advertising on litter bins	2				2
Review of operation of parks				77	77
Introduce vending in parks			5	5	10
Venues Service Review		52	52		104
<b>Total Identified Savings</b>	<b>949</b>	<b>642</b>	<b>588</b>	<b>528</b>	<b>2,707</b>
<b>Unidentified savings Target</b>	<b>-</b>	<b>-</b>	<b>37</b>	<b>399</b>	<b>436</b>
<b>Forecast Total Savings Required to Deliver Balanced Budget</b>	<b>949</b>	<b>642</b>	<b>625</b>	<b>927</b>	<b>3,143</b>

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**H M TREASURY ECONOMIC INDICATORS**

<b>LATEST UK INDICATORS (23rd December 2016)</b>		
% change on a year earlier unless otherwise stated		
<b>Activity</b>		
GDP (QoQ)	16Q3	0.6
Service sector output (MoM)	Oct	0.2
Industrial production (MoM)	Oct	-1.3
Manufacturing output (MoM)	Oct	-0.9
GfK Consumer Confidence	Dec	-7
Retail sales volumes (3MoY)	Nov	5.7
Investment (QoQ)	16Q3	0.9
Goods exports (volumes) (MoM)	Oct	4.3
Goods imports (volumes) (MoM)	Oct	-7.1
Current account balance, £bn	16Q3	-25.5
Business Investment (QoQ)	16Q3	0.4
<b>Labour market &amp; earnings</b>		
Unemployment, mn	3m to Oct	1.6
Unemployment rate, %	3m to Oct	4.8
Claimant count, mn	Nov	0.81
Claimant count, %	Nov	2.3
LFS total in employment, mn	3m to Oct	31.8
LFS employment rate, %	3m to Oct	74.4
Workforce jobs, mn	Q3	34.6
Average earnings growth, % <sup>1</sup>	3m to Oct	2.5
<b>Inflation &amp; prices</b>		
CPI (YoY)	Nov	1.2
RPI (YoY)	Nov	2.2
Producer output prices (nsa) (YoY)	Nov	2.3
Producer input prices (nsa) (YoY)	Nov	12.9
Halifax house prices <sup>2</sup> (3MoY)	Nov	6.2
Nationwide house prices (MoY)	Nov	4.4
<b>Public finances</b>		
Public sector current budget deficit, £bn <sup>3</sup>	Nov	9.9
Public sector net borrowing, £bn <sup>3</sup>	Nov	12.6
Public sector net debt, % of GDP <sup>3,4</sup>	Nov	84.5
<b>Monetary</b>		
M4 deposits (ex.intermediate OFCs) (YoY)	Oct	6.6
Exchange rate index (2005=100)	Latest <sup>5</sup>	77.5
£/\$	Latest <sup>5</sup>	1.23
£/€	Latest <sup>5</sup>	1.18
Bank Rate, %	Latest <sup>5</sup>	0.25
Long-term interest rates, %	Nov	1.38
<sup>1</sup> Including bonuses <sup>2</sup> Halifax report annual change as 3m on 3m a year earlier <sup>3</sup> Excluding public sector banks <sup>4</sup> Amount outstanding as a % of GDP, at market prices <sup>5</sup> 22 December		

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REVENUE BUDGET 2016/17 - RISK ASSESSMENT

STRATEGY & RESOURCES COMMITTEE						
Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
<b>Reducing projected net expenditure</b>	All	<b>High</b>	Fail to deliver reducing projected expenditure by £3.3 million over 4 years by March 2020. Further efficiencies to be identified in 17/18	Delivery of the MTFS and the Efficiency Plan Reduce organisational costs by £556,000	Delivery of the MTFS delivering further efficiency savings and cost reductions	L1
<b>External Funding</b>	0 (RSG) 1.5 (New Homes Bonus)	<b>Medium</b>	Diminishing government grants reduced in year.	Not all New Homes Bonus committed in year 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

STRATEGY & RESOURCES COMMITTEE						
Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
<b>Failure to control Salaries Costs</b>	11.4	<b>High</b>	<p>Not achieving 2% vacancy margin.</p> <p>Additional costs of agency/temporary staffing.</p> <p>Service or project pressures.</p>	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
<b>Increasing potential prudential borrowing</b>	80	<b>High</b>	<p>Over borrowing at incorrect rates</p> <p>Investment with poor returns</p> <p>Cost of borrowing increases</p>	<p>Borrowing to invest decisions</p> <p>Robust business cases</p> <p>Agree governance arrangements and robust reporting</p> <p>Borrow through the PWLB</p>	Delivery of the MTFS delivering further efficiency savings and cost reductions	L8

STRATEGY & RESOURCES COMMITTEE						
Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
<b>Increasing net revenue streams</b>	1.2	<b>High</b>	Failure to achieve the required rental returns from newly acquired commercial property investments funded by borrowing	To establish a working group to evaluate the options for establishing one or more companies to acquire, hold and trade in property and ensure governance arrangements are in place.	Delivery of the MTFS delivering further efficiency savings and cost reductions	L2
<b>Maintain secure investment of reserves and cash balance through the Treasury Management: Strategy</b>	0.2	<b>Low</b>	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	Delivery of the MTFS delivering further efficiency savings and cost reductions	L1

STRATEGY & RESOURCES COMMITTEE						
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				Review of market risks using treasury management advisers		
Effect of Welfare Changes	1.8	High	<p>Increased demand for benefit payments due to welfare changes</p> <p>Adverse impact on recovery of housing benefit overpayments due to transfer to Universal Credit</p> <p>Homelessness number are decreasing but have a high impact on costs</p>	<p>Monthly monitoring of benefit performance indicators</p> <p>Quarterly monitoring of subsidy position</p> <p>Increasing bad debt provision for claimant arrears</p> <p>Continue to implement projects to reduce homelessness costs</p>	Delivery of the MTFS delivering further efficiency savings and cost reductions	n/a



STRATEGY & RESOURCES COMMITTEE						
Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
<b>Pension funds</b>	28.1 (Deficit as at 31 March 2017)	<b>Med</b>	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
<b>Asset Management</b>	0.6 (exp) 1.3 (inc)	<b>High</b>	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 Property maintenance and prioritised repairs programme Monitor tenant requirements and rent levels Reviewing the Planned Maintenance Programme and Prioritised Backlog Maintenance Programme with a need to fund works from revenue and not capital	Maximising returns from properties Increasing returns on investment properties by £50k	L8

<b>STRATEGY &amp; RESOURCES COMMITTEE</b>						
<b>Risk</b>	<b>Budget (£M)</b>	<b>Rating</b>	<b>Key Risks</b>	<b>Action</b>	<b>Ref to proposed Key Priorities and Targets</b>	<b>Ref to Leadership Risk Register</b>
<b>Retained Business Rates</b>	1.4	<b>High</b>	Valuation Officer appeals backlog Increase in Business Rates Reliefs Collection Rate Increase in tariff payable to Central Government	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
<b>Land Charges</b>	0.2	<b>Med</b>	Economy impacting on local land charge income Legal restrictions on local land charges Transfer of land charges to Central Government	Annual review of charges Monthly monitoring of income Monitor and respond to government proposals / regulation Management of claims	n/a	n/a

STRATEGY & RESOURCES COMMITTEE						
Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
<b>Housing Benefit Subsidy</b>	22.1	<b>Med</b>	<p>Reduced recovery rate on benefits paid out</p> <p>Increased demand for benefit payments due to recession</p> <p>Staff retention/ recruitment</p> <p>Welfare benefit changes</p> <p>Move to Universal Credit</p>	<p>Additional staffing resources from Corporate Project Reserve</p> <p>Monthly monitoring of benefit performance indicators</p> <p>Quarterly monitoring of subsidy position</p> <p>Recruitment and retention programme</p> <p>Increasing bad debt provision for claimant arrears</p>	<p>Processing of new benefit claims in 22 days and change in circumstances in 11 days</p>	n/a
<b>Council Tax Income</b>	5.6 (EEBC element)	<b>Med</b>	<p>Collection rates due to economy &amp; changes to council tax benefits</p> <p>Cash flow</p>	<p>Billing &amp; recovery arrangements designed to support collection targets, additional resource for local council tax support scheme</p>	<p>98.40% of Council Tax collected</p>	n/a

STRATEGY & RESOURCES COMMITTEE						
Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
<b>Council Tax Income</b>				Collection performance reported to Directors monthly. Collection Fund separately managed on behalf of precept authorities (SCC & SP)		
<b>Failure to obtain best value in purchasing goods and services</b>	9.0	<b>High</b>	Poor value for money in goods and services purchased and contracts.	New guidelines and procedures for project management, procurement and contract management. All Key Projects to be monitored by Leadership Team Introduction of e-tendering	Reviewed by Leadership Team	L2

ENVIRONMENT COMMITTEE						
Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
<b>Off Street Parking Income</b>	3.8	<b>Med to High</b>	Income from off streetcar 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
<b>Domestic and Trade Waste Collection</b>	1.7	<b>Med to High</b>	Income from waste recycling fees is exposed to changes in market prices and is therefore susceptible to sudden changes.	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	L7
<b>Highways</b>	0.1	<b>Low</b>	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

ENVIRONMENT COMMITTEE						
Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
<b>Building Control</b>	0.3	<b>Med - Low</b>	<p>Changes to economy further impacting on planning and building control income</p> <p>Private competition on Building Control Service has impacted adversely in recent years with the market is difficult to predict</p>	<p>Annual review of charges</p> <p>Monthly monitoring of income</p> <p>A review of building control is being undertaken to consider options for future provision of the service</p>	n/a	n/a
<b>Place Development</b>	0.4	<b>Med-Low</b>	<p>Single large applications can impact significantly on income. New fees and charges so volume based on estimate</p>	<p>Monthly monitoring including work analysing income against target.</p>	<p>Supporting developers to bring forward the development of town centre sites</p>	L9

COMMUNITY AND WELL BEING						
Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
Homelessness	£1.48	Med	Increase in number of households requiring temporary accommodation	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

COMMUNITY AND WELL BEING						
Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
Homelessness	£0.5	Med	Reduced rental income following benefit changes and introduction of Universal Credit	Frequent monitoring of rent account to identify arrears promptly. Early identification of households likely to be affected by changes	As above	L10
Venues Income	0.99	Med	Not reaching budgeted level of letting income from venue	Promotion of venue hire. Close monitoring of lettings and income.	Membership of the Epsom Centre to increase to at least 120 members	L1



**REVENUE RESERVES FORECAST 2016-2017**

	<b>Balance at 31 March 2016</b>	<b>Forecast Transfers</b>	<b>Forecast Balance at 31 March 2017*</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Current Balances</b>			
General Fund	3,171	0	3,171
Collection Fund Adjustment Account	-81	47	-34
<b>Total Current Balances</b>	<b>3,090</b>	<b>47</b>	<b>3,137</b>
<b>Strategic Reserves</b>			
Insurance	473	-54	419
Repairs and Renewals	448	-131	317
Interest Equalisation	631	0	631
VAT Reserve	216	-11	205
Housing & Planning Delivery Grant	176	-15	161
Property Maintenance	239	-189	50
Commuted Sums	1,965	0	1,965
Hospital Cluster Interest	228	0	228
Corporate Project Reserve	1,816	-740	1,076
Community Safety	88	-8	80
Historic Buildings	3	0	3
Partnerships (ex yell young people and local partnerships)	28	0	28
Training Reserve	12	-12	0
PPP Reserve	260	-75	185
Civic Investment Reserve	15	-15	0
Business Rate Equalisation Reserve	684	-164	520
HIA Hardship Fund	6	0	6
Hardship Fund	3	0	3
<b>Total Strategic Reserves</b>	<b>7,291</b>	<b>-1,414</b>	<b>5,877</b>
<b>Total Revenue Reserves</b>	<b>10,381</b>	<b>-1,367</b>	<b>9,014</b>

**CAPITAL RESERVES 2015-2020**

	Actual <b>2015/16</b> £000	Original Estimate <b>2016/17</b> £000	Carry Forward £000	Approved Schemes £000	Revised Programme <b>2016/17</b> £000	Draft Bids <b>2017/18</b> £000	Draft Bids <b>2018/19</b> £000	Draft Bids <b>2019/20</b> £000
<b><u>CAPITAL RECEIPTS</u></b>								
Unapplied capital reserves b/f at year start	3,498				4,388	2,362	1,719	1,278
New Disposals	989				-	-	-	-
Transfer to Property Acquisition Fund	-				275	-	-	-
Capital Receipt/Repayment	653				-	-	-	-
<b>Capital Reserves before funding capital programme</b>	<b>5,139</b>	<b>-</b>	<b>-</b>		<b>4,113</b>	<b>2,362</b>	<b>1,719</b>	<b>1,278</b>
<b><u>CAPITAL PROGRAMME FUNDING</u></b>								
<b>Capital programme as per policy book</b>	<b>4,400</b>							
Increased Capital Expenditure	704							
Carry forward of programme into 2015/16	3,136							
<u>Additional Funded Schemes 2015/16</u>	<b>1,828</b>							
Slippage into 2016/17	2,065		2,065		2,065			
<b>Capital programme - 2016/17 Bids</b>		1,031			1,031			
<u>Projects Approved In Year</u>								
PlanE				312	312			
Lower Mill Wier				25	25			
Blenheim Road Refurbishment				227	227			
ICT - Datacentre				140	140			
Purchase of 24 South Street				475	475			
<b>Draft Capital Programme 2017/18-2019/20 - Bids Supported by Capital Member Group</b>						<b>1,249</b>	<b>976</b>	<b>535</b>
<b>Sub Total</b>	<b>2,939</b>	<b>1,031</b>	<b>2,065</b>	<b>1,178</b>	<b>4,274</b>	<b>1,249</b>	<b>976</b>	<b>535</b>
Section 106 Receipts & private contributions	408		836	538	1,375	46	-	-
Property Acquisition Fund	-		-	475	475	-	-	-
Government Grants - Disabled Facility Grant	273	286	68		354	535	535	535
From other public bodies/organisations	1,088		259		259	-	-	-
Revenue	419	50	10		60	25	-	-
Sub-Total	2,188	336	1,173	1,013	2,522	606	535	535
<b>Estimated Use of Capital Reserves</b>	<b>751</b>	<b>695</b>	<b>892</b>	<b>165</b>	<b>1,752</b>	<b>643</b>	<b>441</b>	<b>-</b>
<b>Estimated Capital Reserves at year end</b>	<b>4,388</b>				<b>2,362</b>	<b>1,719</b>	<b>1,278</b>	<b>1,278</b>

## 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 2017/18, the following observations are made:

Preparation of the 2017/18 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 2017/18 are included within next year's budget after assessing whether they are achievable, deliverable and acceptable. The Policy Committees in October 2016 considered savings or income generating items included within the Efficiency Plan, scheduled to be delivered in 2017/18. The 2017/18 budget incorporates £642,000 of savings identified from the Efficiency Plan.

The process for determining the 2017/18 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 2017/18 pay

award proposed by the Joint Staff Consultative Committee was agreed by Strategy and Resources Committee in January 2017 and a 1.5% pay award has been incorporated within the estimates for 2017/18.

The Council lost its debt free status this year when it was agreed to acquire commercial properties funded by 50 year PWLB loans. The benefits to this Council of these investment decisions has resulted in General Fund Services benefitting by £172,000 of net income. 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 2017/18 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 2017/18 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 2017/18 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 2017/18 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 Council's 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 regard to future years, the initial projections which will be refined over the coming months are as follows:

Financial Year	Annual Saving Required £'000	Cumulative Savings Required £'000
2018/2019	37	37
2019//2020	399	436

The above figures assumes an increase in Council Tax in 2017/18 of £4.95 (band d equivalent) and the same level of increase for 2018/19 and 2019/20, it also anticipates the achievement of the savings identified in Efficiency Plan which totals £1.8m over the next three years.

In conclusion, the 2017/18 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 2017/18. 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 June 2015, when the financial statements for 2014/15 were reported, and in September 2015, when the budget targets were agreed for 2016/17. A detailed review of the reserves was carried out by the Financial Policy Panel in September 2015. 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 £3.2 million at 31 March 2018. The projections assume no further withdrawals from the General Fund Balance.

The unallocated capital receipts are anticipated to be just under £1.3 million at 31 March 2020. 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 should 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 2017/18 it is believed that the Council is operating at an acceptable level of reserves.

Kathryn Beldon  
Director of Finance & Resources



## REVENUE BUDGET FOUR YEAR FORECAST

Status: Financial Planning Based on 2017/18 Budget

FOUR YEAR BUDGET PROFILES	Forecasts				BASE £000	Assumptions			
	2017/18	2018/19	2019/20	2020/21		2017/18	2018/19	2019/20	2020/21
	Budget £000	Forecast £000	Forecast £000	Forecast £000		Budget	Forecast	Forecast	Forecast
<b>NET SPEND B/F FROM PREVIOUS YEAR</b>		7,645	7,847	7,859					
add back: Use of New Homes Bonus in Previous Year		500	500	304					
add back: Interest on Balances as credited to the revenue account in previous year		220	220	220					
add back: Use of Reserves/Provisions in previous years budget		225	0	0					
<b>Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)</b>	<b>8,365</b>	<b>8,590</b>	<b>8,567</b>	<b>8,383</b>					
<b>Allowance for Pay and Price Inflation</b>									
General Inflation - price base		+190	+190	+190	9,500	2.00%	2.00%	2.00%	
General Inflation pay bill base		+180	+180	+180	11,000	1.60%	1.60%	1.60%	
<b>Prices Increases net of Increased Fees &amp; Charges</b>		<b>+370</b>	<b>+370</b>	<b>+370</b>					
<b>Regulation &amp; Legislative Changes</b>									
Pension Fund Valuation 2016				+100					
IT and bin replacement programmes transferred from capital		+200							
Loss of Housing Benefit Admin Grant		+45	+24						
Increase in provision for property maintenance		+50	+50						
Provision for impact on services of latest benefit reforms		+100	+100						
<b>Legislation Impacts</b>		<b>+395</b>	<b>+174</b>	<b>+100</b>					
<b>New Home Bonus</b>									
Estimated New Homes Bonus	-1,554	-665	-304	-196					
Transfer to Corporate Project Reserve	+1,054	+165	+0	+0					
<b>NHB Funding used to support General Fund services</b>	<b>-500</b>	<b>-500</b>	<b>-304</b>	<b>-196</b>					
<b>Cost Reduction Plan</b>									
Savings from Reviews and Star Chamber Exercise		-476	-406						
Restructuring of Senior Management Team		-60							
Disposal of Ebbisham Centre		-52							
Reduction in homelessness costs through new properties			-122						
<b>Cost Reduction Plan</b>		<b>-588</b>	<b>-528</b>	<b>+0</b>					
<b>Fees and Charges</b>									
Increased yield on discretionary Fees and Charges		-200	-200	-210	-6,600	3.0%	3.0%	3.0%	
		<b>-200</b>	<b>-200</b>	<b>-210</b>					
<b>Interest on Balances (excludes interest credited to strategic reserves)</b>									
Capital Reserves	1,719	1,278	1,000	1,000		-441	-278	0	
Working Balance	5,877	5,277	4,627	4,577		-600	-650	-50	
Section 106	1,500	500	0	0		-1,000	0	0	
Other Balances	3,750	800	500	500		-3,250	0	0	
Investments (average)	12,846	7,855	6,127	6,077					
Interest rate used (supplemented by interest equalisation reserve)	1.00%	1.25%	1.50%	2.00%		1.00%	1.25%	1.50%	
Interest on Reserves	-128	-98	-92	-122					
Interest on Cash Flow / Tax Collection credited to General Fund	-40	-50	-60	-80	-40	1.00%	1.25%	1.50%	

FOUR YEAR BUDGET PROFILES	2017/18	2018/19	2019/20	2020/21		2017/18	2018/19	2019/20	2020/21
	Budget	Forecast	Forecast	Forecast	BASE	Budget	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000				
Total Interest Forecast	-168	-148	-152	-202					
Interest separately allocated to Strategic Reserves									
Add: Use of interest equalisation reserve	-52	-72	-68	-18					
<b>Interest credited to General Fund to Finance Services</b>	<b>-220</b>	<b>-220</b>	<b>-220</b>	<b>-220</b>					
<b>SUMMARY OF FORECASTS</b>									
<b>Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)</b>	<b>8,365</b>	<b>8,590</b>	<b>8,567</b>	<b>8,383</b>					
Price Increases (inflation)		+370	+370	+370					
Legislation Impacts		+395	+174	+100					
NHB Funding used to support General Fund services	-500	-500	-304	-196					
Cost Reduction Plan		-588	-528	+0					
Fees and Charges		-200	-200	-210					
Interest credited to General Fund to Finance Services	-220	-220	-220	-220					
<b>Forecast Net Cost of Services</b>	<b>7,645</b>	<b>7,847</b>	<b>7,859</b>	<b>8,227</b>					
<b>SETTLEMENT ASSESSMENT FUNDING FORECAST</b>									
RSG	+0	+0	+0	+0			0	0	0
Tariff Adjustment	+0	+0	-625	-625					
Transitional Grant	+83	+0	+0	+0					
<b>Retained Business Rates</b>	<b>1,238</b>	<b>1,558</b>	<b>1,589</b>	<b>1,620</b>		based on high level forecast subject to review after			
Small Business Rate Relief Grant	289	included above							
<b>Formula Grant / Business Rate Retention</b>	<b>1,610</b>	<b>1,558</b>	<b>964</b>	<b>995</b>			<b>-52</b>	<b>-594</b>	<b>31</b>
Base Income from Council Tax		6,045	6,251	6,460					
Increase in council tax base		+45	+47	+49	32,324		0.75%	0.75%	0.75%
Forecast for increase in Council Tax income	6,045	6,090	6,298	6,509					
		+161	+162	+164			£5 per annum (Band D)		
<b>Council Tax Income Forecast</b>	<b>6,045</b>	<b>6,251</b>	<b>6,460</b>	<b>6,673</b>					
Deficit on Retained Business Rates	-111								
Collection Fund Surplus	101	0	0	0					
<b>Assumed Collection Fund Income (Formula Grant + Council Tax)</b>	<b>7,645</b>	<b>7,809</b>	<b>7,424</b>	<b>7,668</b>					
<b>Forecast Budget Shortfall (required use of working balance)</b>	<b>0</b>	<b>38</b>	<b>435</b>	<b>559</b>					
<b>GENERAL FUND WORKING BALANCE PROJECTION: AFTER SERVICE COST REDUCTION</b>									
Estimated Working Balance b/f	3,171	3,171	3,133	2,698					
Resulting Working Balance c/f	3,171	3,133	2,698	2,139					



**EPSOM AND EWELL BOROUGH COUNCIL**

**CAPITAL STRATEGY STATEMENT  
February 2017**

Capital Investment 2017/18 to 2019/20

## **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 updated in February 2015 to reflect progress made on property and energy management.

The Council on the 21 November agreed a new strategy for Property Investment which included the creation of a Commercial Property Acquisition Fund with up to £20m financed from prudential borrowing. The approved additional capital expenditure for acquisition of investment properties within the Borough is intended to secure long term income streams for the Council. The approval of individual investments has been delegated to the Investment Property Group

Due to the current public sector funding environment the main capital programme 2017-2020 has been limited to the core capital programme which comprises 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 in future years.

## **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 by the Head of Financial Services and attended by the Director of Finance & Resources as appropriate. The Officer Capital Management Group (OCMG) is chaired by the Head of Financial Services and comprises representatives of the main service, operational, procurement and policy areas.

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 2017-20**

Based on the available capital resources and subject to external funding, including grants and developer contributions, and securing revenue savings, Council approved the following programme for 2017-20 in February 2017.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
LED Lighting Bourne Hall	21	0	0	21
Improvement Works (Depot Rd) & Pay Machines (Depot Rd & Upper High St) Car Parks	174	0	0	174
Waste Strategy containers (The Big Switch)	25	0	0	25
ICT programme of work	250	0	0	250
ICT Legal Case Management System	20	0	0	20
ICT Financial Management System Upgrade	0	67	0	67
Epsom Business Hub	0	30	0	30
Container and bin replacement	68	0	0	68
Ashley Centre Car Park-Upgrade levels 4a & 4b with deckshield waterproofing	0	184	0	184
Hope Lodge Car Park Extension	0	97	0	97
Disabled Facility Grants *	535	535	535	1,605
Rosebery Park Pond Refurbishment	110	0	0	110
St Mary's Church Wall repair	0	63	0	63
Alexander Recreation Ground - Tennis & Basketball Court Refurbishment	46	0	0	46
<b>Total</b>	<b>1,249</b>	<b>976</b>	<b>535</b>	<b>2,760</b>

\* Subject to revenue funding being identified and/or additional external funding

In addition schemes may be added where:-

- there is a carry forward from 2016/17 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.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Capital Reserves and Receipts	622	441	0	1,063
Government Grants	535	535	535	1,605
Section 106 Contributions	46	0	0	46
Revenue Reserves	25	0	0	25
Capital Reserves for Spend to Save Schemes	21	0	0	21
<b>Total</b>	<b>1,249</b>	<b>976</b>	<b>535</b>	<b>2,760</b>

#### 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 2018 is £2.0 million. This assumes full delivery of the 2017/18 capital programme and no new capital receipts.

#### 5. Capital Resources

Potential capital resources have been identified from

- capital reserves at the end of March 2018

- approved sales of property assets, subject to market recovery
- use of new homes bonus grant
- use of CIL
- external funding, including grants and commuted sums

The Council will use new receipts from developers for CIL to part finance Plan E and the potential Kiln Lane Link Road projects.

The Council needs to achieve additional receipts from sale of assets or other external funding if additional capital investments identified in future years are to proceed. 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 develop 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 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 directors 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 Officer Capital Management Group 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 four year 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 2016/17 the Council agreed to borrow up to £20 million to fund the acquisition of commercial property that provide the Council with a long term rental income. The Council may decide to increase this level of borrowing if new investment opportunities arise.

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, income generated from the new community infrastructure levy and uncommitted new homes bonus grant, 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 Officer Capital Management Group, overseen by Directors 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 Directors, 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 progress on capital receipts against income targets. 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 employ 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.

## **APPROVAL OF PRUDENTIAL INDICATORS AND AUTHORISED LIMITS FOR 2017/18**

### **1. Introduction**

The Local Government Act 2003 introduced a system of capital controls for Local Authorities, and came into effect from April 2004. The key principle of the system of controls is that local authorities have the freedom to borrow for capital investment purposes providing that they can demonstrate that borrowing is affordable, sustainable and prudent.

The previous system of credit approvals, Basic Credit Approvals (BCA) and Supplementary Credit Approvals (SCA), was abolished and there is no restriction on capital investment, subject to government reserving powers to restrict borrowing for national economic reasons. With the abolition of the BCA/SCA framework, capital investment is supported through supported capital expenditure (revenue) which is incorporated in the capital finance Formula Spending Share calculations in a similar way to that of credit approvals.

In addition the Act requires all local authorities to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code approved in September 2003 and updated in September 2004. The Code is a professional code that sets out a framework for self-regulation of capital spending. It sets out the approach that all authorities must take in undertaking integrated medium term revenue and capital budget planning and a set of indicators that must be considered and/or approved in order to demonstrate that annual capital investment and treasury management decisions are affordable, sustainable and prudent.

Members' involvement through the process is essential in order that the Council can demonstrate that capital expenditure plans are affordable, external borrowing is prudent and sustainable and that treasury decisions are taken in accordance with good practice. The structure and content of the budget report has been modified to comply with the requirements of the Code.

To facilitate the decision making process and support capital investment decisions the Prudential Code requires the Council to agree and monitor a minimum number of prudential indicators. These indicators are mandatory, but can be supplemented with local indicators if this aids interpretation and many will cover three years forward. The indicators cover affordability, prudence, capital expenditure, external debt and treasury management. These indicators will also form the basis of in year monitoring and reporting.

The indicators are purely for internal use by the Council and are not to be used as comparators between councils, as any comparisons will be meaningless. In addition the indicators should not be taken individually; rather the benefit from monitoring will arise from following the movement in indicators over time and the year on year changes.

This Annexe provides a commentary on each Prudential Indicator relevant to the Council and sets out the indicators for approval as part of the Council's budget setting for 2017/18.

## 2. Affordability Prudential Indicators

Prudential indicators are required to assess the affordability of the capital investment plans. These indicators provide an indication of the impact of the capital investment plans on the overall Council finances.

### Ratio of Financing Costs to Net Revenue Stream

This indicator has been calculated as debt interest, borrowing refinancing costs, minimum revenue provision and net of investment income and divided by the General Fund (GF) budget requirement for the GF element of costs.

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2016/17 Probable</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>
General Fund	-1%	11%	11%	11%

### Incremental Impact of Capital Investment Decisions on the Council Tax

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact looks at the loss of interest which could be generated on the funds being used to finance the proposed capital programme.

<b>Incremental Impact of Capital Investment Plans on Council Tax Band D</b>	<b>2016/17 Probable £'000</b>	<b>2017/18 Estimate £'000</b>	<b>2018/19 Estimate £'000</b>	<b>2019/20 Estimate £'000</b>
Proposed Capital Programme	24,274	1,249	976	535
Estimated Interest earned on short term investments	1.25%	1.50%	1.75%	2.00%
Estimated Tax Base	32,013	32,324	32,324	32,324
Incremental Impact on Band D Council Tax	£9.48	£0.58	£0.53	£0

(Note that the Council Tax base is still being assessed for 2017/18 onwards and therefore the 2016/17 base is used for this indicator – important to note that this indicator is for illustrative purposes as a worse-case scenario and does not actually mean an increase to Council Tax at that level for Epsom and Ewell Borough Council).

## 3. Capital Expenditure and the Capital Financing Requirement

The Prudential Code requires the calculation of the Council's Capital Financing Requirement (CFR). This figure represents the Council's underlying need to borrow for a capital purpose, and the change year on year will be influenced by the capital expenditure in each year and how it is financed. The expected movement in the CFR over the next

three years is dependent on the level of supported and unsupported capital expenditure decisions taken during the budgeting cycle.

The supported element of capital expenditure is that expenditure financed from existing reserves or capital receipts plus borrowing that is the supported capital expenditure under the previous capital controls regime. The unsupported element is the freedom allowed under the Prudential Code for capital expenditure financed from borrowing.

The Council's expectations for the CFR in the next three years are shown in the table below, with the associated expectation for funding for the movement. This forms one of the required prudential indicators. Included also is the related capital expenditure figures for each year, split between supported and unsupported spending, and the expected external debt for each year. Both these are also mandatory prudential indicators.

A key risk of the plan is that the level of government grant and other sources of funding have been estimated and are therefore subject to change.

The Council has been debt free since 1994. However on 21 November 2016, the Council granted approval for borrowing to finance a Commercial Property Acquisition Fund.

As a result, the CFR for the Council, which was previously nil, increases in 2016/17 to £20 million.

The Council is asked to approve the actual and estimated CFR and actual debt figures set out below.

	2015/16 Actual £'000	2016/17 Probable £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
<b>Capital Expenditure:</b>					
<b>Total Capital Expenditure</b>	<b>2,999</b>	<b>24,274</b>	<b>1,249</b>	<b>976</b>	<b>535</b>
<b>Capital Financing:</b>					
Capital reserves	756	1,752	643	441	-
Capital grants	273	354	535	535	535
Other capital contributions	1,495	2,108	46	-	-
Revenue	475	60	25	-	-
<b>Total Capital Financing</b>	<b>2,999</b>	<b>4,274</b>	<b>1,249</b>	<b>976</b>	<b>535</b>
<b>Capital Financing Requirement (CFR)</b>	<b>nil</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
<b>Movements in CFR</b>	<b>nil</b>	<b>20,000</b>	<b>nil</b>	<b>nil</b>	<b>nil</b>
<b>External Debt:</b>					
Borrowing	nil	20,000	nil	nil	nil
Other long term liabilities	nil	nil	nil	nil	nil
<b>Total External Debt at 31 March</b>	<b>nil</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>

#### 4. External Debt

A key control over the Council's activity is to ensure that over the medium term net borrowing will only be for a capital purpose. The Council needs to ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of additional capital financing requirement for the years 2015/16 to 2018/19.

The table below sets out the actual and estimated levels of borrowing and investment up to 2019/20.

	<b>2015/16 Actual £'000</b>	<b>2016/17 Probable £'000</b>	<b>2017/18 Estimate £'000</b>	<b>2018/19 Estimate £'000</b>	<b>2019/20 Estimate £'000</b>
Gross Borrowing at 31 March	-	20,000	20,000	20,000	20,000
Investments at 31 March	(27,860)	(26,108)	(25,465)	(25,024)	(25,024)
Net Borrowing at 31 March	(27,860)	(6,108)	(5,465)	(5,024)	(5,024)
<b>Capital Financing Requirement</b>	-	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>

The Director of Finance and Resources reports that the Council complied with the requirement to keep net borrowing below the relevant CFR in 2015/16 and no difficulties are envisaged for the current or future years. This view takes into account current commitments and plans in the budget report.

A further two Prudential Indicators control the overall level of borrowing. These are:

##### The Authorised Limit

This represents the limit beyond which borrowing is prohibited. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements.

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the absolute maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

##### The Operational Boundary

This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

In line with the Council's Financial Strategy and Capital Strategy which does not anticipate any borrowing over the four year period 2015-19 the operational boundary will be set at nil. An authorised limit has been set to take into account any potential short term borrowings which may arise during the year due to temporary cash flow shortfalls.

The Council is asked to approve the authorised and operational limits set out below.

	2015/16 Probable £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
<b><u>Authorised Limit for External Debt</u></b>					
Borrowing	5,000	25,000	25,000	25,000	25,000
Other long term liabilities	-	-	-	-	-
<b>Total Authorised Limit for External Debt</b>	<b>5,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>
<b><u>Operational Boundary for External Debt</u></b>					
Borrowing	-	20,000	20,000	20,000	20,000
Other long term liabilities	-	-	-	-	-
<b>Total Operational Boundary for External Debt</b>	<b>-</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>

## 5. Treasury Management Indicators

The purpose of the treasury management prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position. However if these are set to be too restrictive they will impair the opportunities to reduce costs or optimise investment income.

The treasury management service is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Prudential Code. It covers the borrowing and investment activities and the effective management of associated risks. Its activities are strictly regulated by statutory requirements and a professional code of practice, the CIPFA Code of Practice for Treasury Management in Local Authorities.

The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition at its meeting on 13 April 2012 and Strategy and Resources Committee approved a revised treasury management policy statement and procedures in March 2015.

The treasury management policy requires an annual strategy to be reported to Strategy and Resources Committee outlining the expected treasury activity for the forthcoming year. In line with the CIPFA Code of Practice, two reports are produced, an interim and a final end of year report to provide information on actual activity for the year. In line with Department of Communities and Local Government (DCLG) guidance it is expected that an Investment Strategy will also be prepared for approval at the beginning of each year.

To reflect the setting up of a prudential borrowing funded £20 million Commercial Property Acquisition Fund, updated Prudential Indicators were approved by the 21 November Extraordinary Council. An updated Treasury Management Strategy will be presented to the March 2017 Strategy and Resources Committee

The introduction of the Prudential Code sees the replacement of the s45 limits imposed by the Local Government and Housing Act 1989, with four new prudential indicators:

#### Upper Limits on Fixed Rate Exposure

This indicator identifies a maximum limit for the Council's exposure to fixed interest rates for borrowing based upon the debt position net of investments.

#### Upper Limits on Variable Rate Exposure

This indicator identifies a maximum limit for the Council's exposure to variable interest rates for borrowing based upon the debt position net of investments.

#### Maturity Structures of Borrowing

This indicator sets out these gross limits on borrowing which are set to limit the Council's exposure to large fixed rate sums falling due for refinancing.

#### Total Principal Funds Invested for Periods Longer Than 364 Days

This indicator limits the amount of long term investments which can be sold in each year, to reduce the need for early sale of an investment.

Following the 21 November 2016 approval of £20 million prudential borrowing to fund a Commercial Property Acquisition Fund, the limit on fixed borrowing was set at £20 million. The limit will be increased to £80 million subject to approval of a further request to agree to an additional £60 million of borrowing to fund new property acquisitions. However, the limit on variable borrowing will remain nil. The limits on gross borrowing and investments at fixed and variable rates will be set as part of the Annual Treasury Management Strategy reported to Strategy and Resources in March.

The November 2016 approved Property Investment Strategy anticipated borrowing, on a "case by case basis" from the PWLB, based on "Maturity repayment loans.

The limits on fund invested longer than 364 days is based on the forecast level of investments over the next three years.

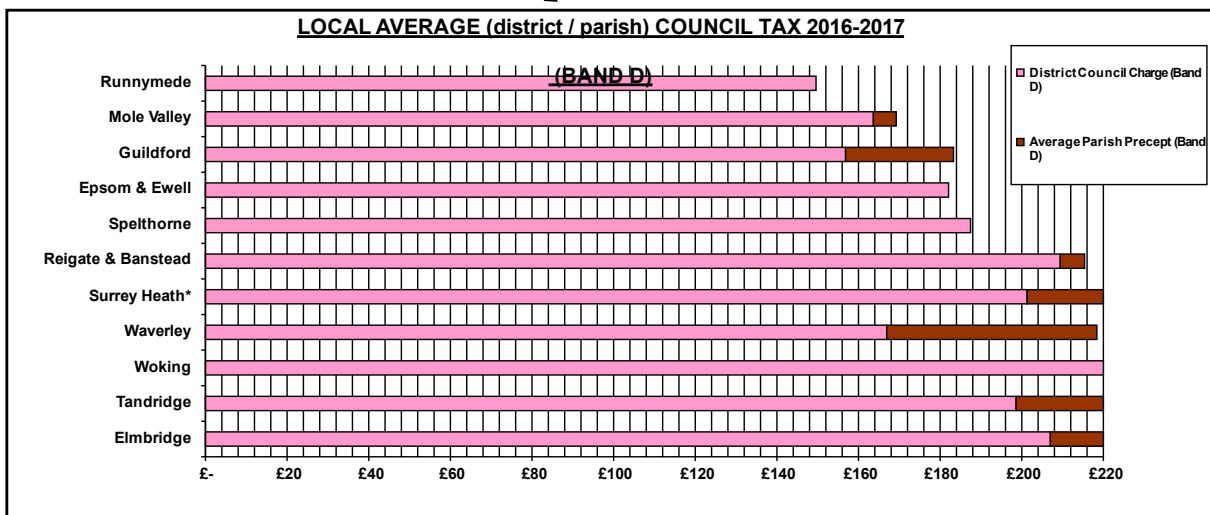
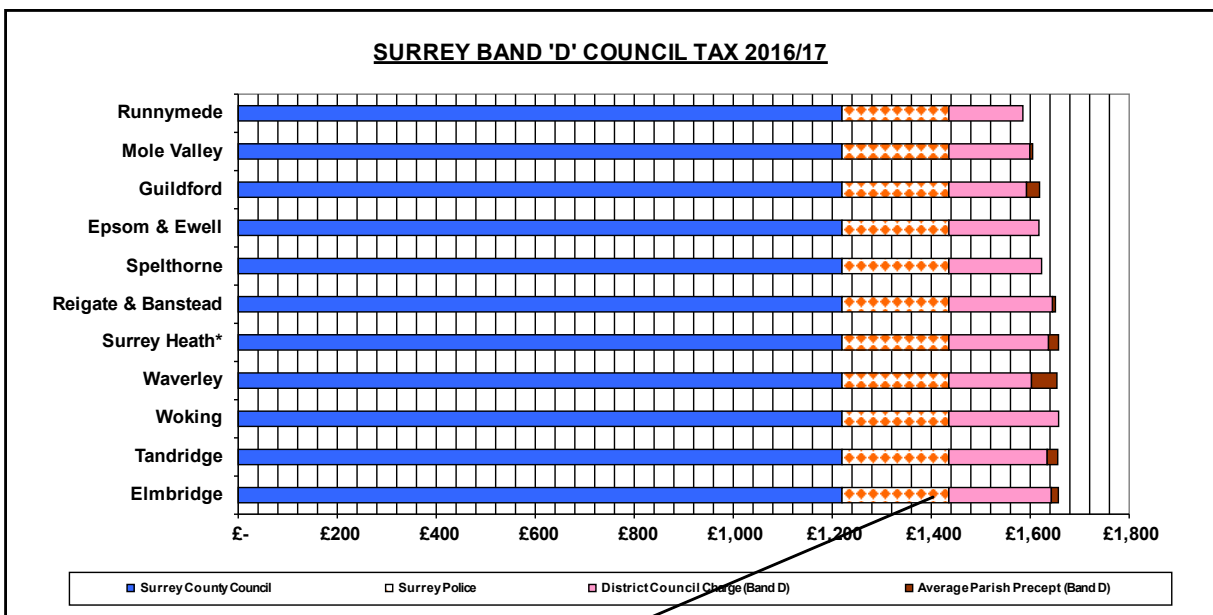
The Council is asked to approve the treasury management prudential indicators set out below:-



	<b>2016/17 Lower to Upper Limit £'000 or %</b>	<b>2017/18 Lower to Upper Limit £'000 or %</b>	<b>2018/19 Lower to Upper Limit £'000 or %</b>	<b>2019/20 Lower to Upper Limit £'000 or %</b>
<b>Limits on fixed interest rates borrowings</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
<b>Limits on variable interest rates borrowings</b>	-	-	-	-
<b><u>Maturity Structure of Fixed Borrowing</u></b>				
Under 12 months	-	-	-	-
12 months to 2 years	-	-	-	-
2 years to 5 years	-	-	-	-
5 years to 10 years	-	-	-	-
10 years and above	0 to 100%	0 to 100%	0 to 100%	0 to 100%
<b>Maximum Principal Sums Invested</b>	<b>0 to 8,000</b>	<b>0 to 8,000</b>	<b>0 to 8,000</b>	<b>0 to 8,000</b>

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2016-2017 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	£ 1,219.68	215.89	149.59	0.00	149.59	1,580.16	
Mole Valley	£ 1,219.68	215.89	163.65	5.59	169.24	1,600.64	
Guildford	£ 1,219.68	215.89	156.82	26.47	183.29	1,613.04	
<b>Epsom &amp; Ewell</b>	<b>£ 1,219.68</b>	<b>215.89</b>	<b>182.07</b>	<b>0.00</b>	<b>182.07</b>	<b>1,612.69</b>	
Spelthorne	£ 1,219.68	215.89	187.44	0.00	187.44	1,618.01	
Reigate & Banstead	£ 1,219.68	215.89	209.44	5.95	215.39	1,646.82	
Surrey Heath*	£ 1,219.68	215.89	201.30	20.34	221.64	1,650.71	
Waverley	£ 1,219.68	215.89	166.91	51.50	218.41	1,646.28	
Woking	£ 1,219.68	215.89	221.76	0.00	221.76	1,652.38	
Tandridge	£ 1,219.68	215.89	198.62	21.37	219.99	1,648.44	
Elmbridge	£ 1,219.68	215.89	207.00	14.15	221.15	1,652.79	



## BAND 'D' COUNCIL TAXES IN SURREY - 2016/17

### LOCAL SERVICES (including Parishes)

	<u>2015/16</u>	<u>2015/16</u>	<u>Rank</u>	<u>2016/17</u>	<u>2016/17</u>	<u>Rank</u>	<u>% increase</u>		
	<u>District + Parish Ave Precept</u>	<u>Council Tax (incl. Precepts)</u>	(1 = highest)	<u>District + Parish Ave Precept</u>	<u>Council Tax (incl. Precepts)</u>	(1 = highest)	<u>District Ave Precept</u>	<u>District + Parish Ave Precept</u>	<u>Council Tax (incl. Precepts)</u>
		£1,435.57			£1,488.47				
<b>Waverley</b>	<b>£210.71</b>	£1,646.28	<b>6</b>	<b>£218.41</b>	£1,706.88	<b>5</b>	<b>3.09%</b>	<b>3.65%</b>	3.68%
<b>Tandridge</b>	<b>£212.98</b>	£1,648.55	<b>4</b>	<b>£219.99</b>	£1,708.46	<b>4</b>	<b>2.58%</b>	<b>3.29%</b>	3.63%
<b>Elmbridge</b>	<b>£217.22</b>	£1,652.79	<b>1</b>	<b>£221.15</b>	£1,709.62	<b>3</b>	<b>1.94%</b>	<b>1.81%</b>	3.44%
<b>Woking</b>	<b>£216.81</b>	£1,652.38	<b>2</b>	<b>£221.76</b>	£1,710.23	<b>1</b>	<b>2.28%</b>	<b>2.28%</b>	3.50%
<b>Reigate &amp; Banstead</b>	<b>£211.25</b>	£1,646.82	<b>5</b>	<b>£215.39</b>	£1,703.86	<b>6</b>	<b>1.94%</b>	<b>1.96%</b>	3.46%
<b>Surrey Heath</b>	<b>£215.14</b>	£1,650.71	<b>3</b>	<b>£221.64</b>	£1,710.11	<b>2</b>	<b>2.55%</b>	<b>3.02%</b>	3.60%
<b>Guildford</b>	<b>£177.47</b>	£1,613.04	<b>8</b>	<b>£183.29</b>	£1,671.76	<b>8</b>	<b>3.29%</b>	<b>3.28%</b>	3.64%
<b>Spelthorne</b>	<b>£182.44</b>	£1,618.01	<b>7</b>	<b>£187.44</b>	£1,675.91	<b>7</b>	<b>2.74%</b>	<b>2.74%</b>	3.58%
<b>Epsom &amp; Ewell</b>	<b>£177.12</b>	£1,612.69	<b>9</b>	<b>£182.07</b>	£1,670.54	<b>9</b>	<b>2.79%</b>	<b>2.79%</b>	3.59%
<b>Mole Valley</b>	<b>£165.07</b>	£1,600.64	<b>10</b>	<b>£169.24</b>	£1,657.71	<b>10</b>	<b>1.95%</b>	<b>2.53%</b>	3.57%
<b>Runnymede</b>	<b>£144.59</b>	£1,580.16	<b>11</b>	<b>£149.59</b>	£1,638.06	<b>11</b>	<b>3.46%</b>	<b>3.46%</b>	3.66%

Source: individual authorities

**SURREY DISTRICTS - COUNCIL TAX 2015/16 to 2016/17**

	2015/16 Band D			Date of Council meeting  2016	2016/17 Band D			2016/17 % change		Status	
	Ave Excl'd Parishes	Ave Incl Parishes	Difference		Ave Excl'd Parishes	Ave Incl'd Parishes	Difference	Excl'd Parishes	Incl'd Parishes		
	£	£	£		£	£	£				
Elmbridge	203.07	217.22	14.15	24-Feb	207.00	221.15	14.15	<b>1.94%</b>	1.81%	Approved	As is
Epsom & Ewell	177.12	177.12	0.00	11-Feb	182.07	182.07	0.00	<b>2.79%</b>	2.79%	Approved	£4.95 increase
Guildford	151.82	177.47	25.65	10-Feb	156.82	183.29	26.47	<b>3.29%</b>	3.28%	Approved	£5 increase
Mole Valley	160.52	165.07	4.55	23-Feb	163.65	169.24	5.59	<b>1.95%</b>	2.53%	Approved	
Reigate & Banstead	205.45	211.25	5.80	11-Feb	209.44	215.39	5.95	<b>1.94%</b>	1.96%	Approved	As is
Runnymede	144.59	144.59	0.00	11-Feb	149.59	149.59	0.00	<b>3.46%</b>	3.46%	Approved	£5 increase
Spelthorne	182.44	182.44	0.00	25-Feb	187.44	187.44	0.00	<b>2.74%</b>	2.74%	Approved	£5 increase
Surrey Heath	196.30	215.14	18.84	24-Feb	201.30	221.64	20.34	<b>2.55%</b>	3.02%	Approved	
Tandridge	193.62	212.98	19.36	11-Feb	198.62	219.99	21.37	<b>2.58%</b>	3.29%	Approved	£5 increase
Waverley	161.91	210.71	48.80	16-Feb	166.91	218.41	51.50	<b>3.09%</b>	3.65%	Approved	£5 increase
Woking	216.81	216.81	0.00	11-Feb	221.76	221.76	0.00	<b>2.28%</b>	2.28%	Approved	4.95 increase
Surrey County Council	1,219.68	1,219.68	0.00	09-Feb	1,268.28	1,268.28	0.00	<b>3.98%</b>	3.98%	Approved	
Surrey Police	215.89	215.89	0.00	04-Feb	220.19	220.19	0.00	<b>1.99%</b>	1.99%	Approved	
District only average	181.24	193.71	12.47		185.87	199.09	13.22		2.56%		2.78%
Total CT average	1,616.81	1,629.28	12.47		1,674.34	1,687.56	13.22		3.56%		3.58%

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**COUNCIL TAX PROPOSAL: CALCULATION FOR 2017/18 BUDGET REPORT**  
**(Includes SPCC decision and SCC council tax proposals)**

		2016/17	2017/18	2017/18	2017/18
<b>EPSOM AND EWELL BOROUGH COUNCIL</b>		2.79%	0.00%	1.98%	£4.95
		£	£	£	£
					<i>Recommendation</i>
Gross Service Expenditure		48,119,013	45,174,355	45,174,355	45,174,355
Business Rate Tariff		8,258,343	8,430,981	8,430,981	8,430,981
Business Rate Estimated Levy		135,630	201,350	201,350	201,350
Gross Expenditure		56,512,986	53,806,686	53,806,686	53,806,686
Gross Income		40,392,496	37,689,384	37,572,695	37,529,381
Business Rate Income - (Tariff Element/Levy)		8,393,973	8,632,331	8,632,331	8,632,331
Budget Requirement		7,726,517	7,484,971	7,601,660	7,644,974
Business Rate Retained Income		1,216,123	1,237,674	1,237,674	1,237,674
Small Business Rate Relief Grant		218,811	289,507	289,507	289,507
Revenue Support Grant		416,850	0	0	0
Transitional Grant		92,965	82,624	82,624	82,624
Collection Fund Surplus (Council Tax)		74,193	100,580	100,580	100,580
Collection Fund Deficit (Business Rates)		-121,123	-110,647	-110,647	-110,647
Council Tax Grant		0	0	0	0
Collection Fund Income		1,897,819	1,599,738	1,599,738	1,599,738
Council Tax Requirement		5,828,698	5,885,233	6,001,922	6,045,236
Council Tax Base (Band D Equiv. Properties)		32,013.50	32,324.01	32,324.01	32,324.01
Basic Amount of Council Tax		£182.07	£182.07	£185.68	£187.02
<b>Epsom &amp; Ewell Borough Council</b>					
<i>1/9ths</i>	<b>Valuation Band</b>				
6	A	£121.38	£121.38	£123.79	£124.68
7	B	£141.61	£141.61	£144.42	£145.46
8	C	£161.84	£161.84	£165.05	£166.24
9	D	£182.07	£182.07	£185.68	£187.02
11	E	£222.53	£222.53	£226.94	£228.58
13	F	£262.99	£262.99	£268.20	£270.14
15	G	£303.45	£303.45	£309.47	£311.70
18	H	£364.14	£364.14	£371.36	£374.04
<b>Surrey County Council Basic Amount (PROVISIONAL - to be confirmed)</b>					
		£1,458.45			
<i>1/9ths</i>	<b>Valuation Band</b>				
6	A	£845.52	£972.30	£972.30	£972.30
7	B	£986.44	£1,134.35	£1,134.35	£1,134.35
8	C	£1,127.36	£1,296.40	£1,296.40	£1,296.40
9	D	£1,268.28	£1,458.45	£1,458.45	£1,458.45
11	E	£1,550.12	£1,782.55	£1,782.55	£1,782.55
13	F	£1,831.96	£2,106.65	£2,106.65	£2,106.65
15	G	£2,113.80	£2,430.75	£2,430.75	£2,430.75
18	H	£2,536.56	£2,916.90	£2,916.90	£2,916.90
<b>Surrey Police &amp; Crime Commissioner: Basic Amount (RECOMMENDED)</b>					
		£224.57			
<i>1/9ths</i>	<b>Valuation Band</b>				
6	A	£146.79	£149.71	£149.71	£149.71
7	B	£171.26	£174.67	£174.67	£174.67
8	C	£195.72	£199.62	£199.62	£199.62
9	D	£220.19	£224.57	£224.57	£224.57
11	E	£269.12	£274.47	£274.47	£274.47
13	F	£318.05	£324.38	£324.38	£324.38
15	G	£366.98	£374.28	£374.28	£374.28
18	H	£440.38	£449.14	£449.14	£449.14

**COUNCIL TAX PROPOSAL: CALCULATION FOR 2017/18 BUDGET REPORT**  
**(Includes SPCC decision and SCC council tax proposals)**

	2016/17	2017/18	2017/18	2017/18
<b>EPSOM AND EWELL BOROUGH COUNCIL</b>	2.79%	0.00%	1.98%	£4.95
<b>Council Tax Total</b>				
<b>Valuation Band</b>				
<b>A</b>	£1,113.69	£1,243.39	£1,245.80	£1,246.69
<b>B</b>	£1,299.31	£1,450.63	£1,453.44	£1,454.48
<b>C</b>	£1,484.92	£1,657.86	£1,661.07	£1,662.26
<b>D</b>	£1,670.54	£1,865.09	£1,868.70	£1,870.04
<b>E</b>	£2,041.77	£2,279.55	£2,283.96	£2,285.60
<b>F</b>	£2,413.00	£2,694.02	£2,699.23	£2,701.17
<b>G</b>	£2,784.23	£3,108.48	£3,114.50	£3,116.73
<b>H</b>	£3,341.08	£3,730.18	£3,737.40	£3,740.08
<b>EPSOM &amp; EWELL BOROUGH COUNCIL ELEMENT OF THE COUNCIL TAX - CHANGES</b>				
Council Tax at Band D =	£182.07	£ 182.07	£ 185.68	£ 187.02
Increase in Council Tax (%)		0.00%	1.98%	2.72%
Increase in Council Tax (per annum)		£0.00	£3.61	£4.95
Increase in Council Tax (per month)		£0.00	£0.30	£0.41
Increase in Council Tax (per week)		£0.00	£0.07	£0.10
Income Generated from Council Tax Increase		£0	£116,690	£160,004
Use of Working Balance		£160,003	£43,314	£0
Equiv. Council Tax support from use of wkg bal.		£4.95	£1.34	£0.00
Note:				
Budget Requirement	7,726,517	£7,484,971	£7,601,660	£7,644,974
Increase in Budget Requirement		-3.1%	-1.6%	-1.1%

10% EEBC	£6,045,236.35
78% SCC	£47,142,952.38
12% SPA	£7,259,002.93
	£60,447,191.66
	£60,447,191.66



**Council Tax Collection Fund Income and  
Expenditure Account Estimate for the Year  
Ended 31 March 2017**

	2016/17
	£
Expenditure :-	
Surrey County Council Precept	40,602,082
Surrey Police Precept	7,049,053
Epsom & Ewell Borough Council Precept	5,828,698
Distribution of Income in 2015/16 to cover 2014/15 surplus	675,355
Increased Provision for Bad Debts	437,713
	54,592,901
Income :-	
Council Tax Income	54,416,365
	54,416,365
Surplus for the year	(176,536)
Balance Brought Forward 1 April	1,096,303
Balance Carried Forward 31 March	919,767

Surplus allocation 2017/18 Budget:	£
Surrey County Council	697,090
Surrey Police & Crime Commissioner	122,097
Epsom & Ewell Borough Council	100,580
	919,767

**Retained Business Rates Collection Fund  
Income and Expenditure Account Estimate  
for the Year Ended 31 March 2017**

	2016/17
	£
Expenditure :-	
Central Government (includes tariff & levy)	20,380,531
Surrey County Council	2,402,524
Epsom & Ewell Borough Council	1,242,185
Increased Provision for Bad Debts	60,669
Increased Provision for Appeals	33,095
Cost of Collection Allowance	85,351
	24,204,355
Income :-	
Business Rates Income	24,062,955
Funding from Preceptors in 2016/17 to cover 2015/16 deficit	302,809
	24,365,764
Surplus for the year	161,409
Balance Brought Forward 1 April	(503,182)
Balance Carried Forward 31 March	(341,773)

Deficit allocation 2016/17 Budget:	£
Central Government	(196,949)
Surrey County Council	(34,177)
Epsom & Ewell Borough Council	(110,647)
	(341,773)

**INCREASING THE COMMERCIAL PROPERTY ACQUISITION FUND**

<u>Report of the:</u>	Chief Executive
<u>Contact:</u>	Kathryn Beldon, Lee Duffy, Brian Thompson, Mark Shephard, Simon Young
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	<b>Annexe 1</b> - Property Investment Strategy 2016/17 <b>Annexe 2</b> - Revised Prudential Indicators 2016/17
<u>Other available papers</u> (not attached):	Commercial Property Acquisition Fund (Agenda Item 2, Extraordinary Council 21 November 2016)

**REPORT SUMMARY**

**This report outlines and recommends an increase to the Commercial Property Acquisition Fund (“the Fund”) of a further £60m to be funded from Prudential Borrowing.**

**At its 21 November 2016 meeting, Council agreed the creation of a Commercial Property Acquisition Fund with a fund limit of £20m financed from Prudential Borrowing. Following the successful completion of two recent commercial property acquisitions, the Fund is almost exhausted and leaves no capacity to assess, consider and negotiate future opportunities from 2017/18.**

**An increase to the Fund will enable the Council to acquire additional commercial property investments located within the Borough with a view to generating revenue income streams. These will assist in supporting the delivery of future Council services and strengthen its long term financial stability.**

**The acquisitions will form part of a balanced property portfolio which also takes into consideration the social and economic wellbeing within the Borough.**

**RECOMMENDATION (S)**

**It is recommended that Council:**

- (1) Approves an increase to the Commercial Property Acquisition Fund of a further £60m to be funded by Prudential Borrowing.**

*Notes*

- |   |  |
|---|--|
| <p>(2) Approves a supplementary capital expenditure estimate of £60m for the financial year 2017/18 for (1) above for economic and social wellbeing purposes and to generate on-going revenue streams.</p> <p>(3) Approves the revision of the Council's Prudential Indicators to reflect the additional £60m of Prudential Borrowing limits.</p> <p>(4) Notes that a mid-year appraisal update report will be made to Strategy &amp; Resources Committee on the strategy, portfolio performance and status of acquisitions made from the Commercial Property Acquisition Fund.</p> <p>(5) Notes that a new regular update report will be made to the Financial Policy Panel on the financial status of the commercial property investment portfolio and rental income profile.</p> |  |
|---|--|

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

### **1.1 Managing our Resources**

- Maximising returns from properties and other investments
- Identify new sources of revenue and maximising our existing income

### **1.2 Supporting Businesses and our Local Economy**

- Supporting developers to bring forward the development of town centre sites

## **2 Background**

2.1 At its 21 November 2016 extraordinary meeting, Council agreed the Property Investment Strategy 2016-17 and the creation of a Commercial Property Acquisition Fund with a fund limit of £20m financed from Prudential Borrowing.

2.2 The Fund would enable the Council to acquire additional commercial investment properties located within the Borough, with a view to generating a balanced property portfolio and also producing longer term revenue streams. Additional revenue streams could:-

- Assist in replacing the lost Revenue Support Grant funding from Central Government. The Council's published Medium Term Financial Strategy and Efficiency Plan projects a current deficit position for the Council up to 2019/20.
  - Assist in supporting the delivery of Council services.
  - Strengthen the Council's long term financial stability.
- 2.3 Furthermore, the acquisition of additional commercial properties (in line with the Council's approved Property Investment Strategy 2016-17) would assist in the alignment of the Borough's social and economic requirements. For example, the Borough has witnessed numerous office buildings legitimately converted to residential use through permitted development rights. This poses a significant risk to the Borough's office supply and the Council would always look to safeguard office use where it acquires commercial property investments.

### **3 Commercial Property Acquisition Fund Governance**

- 3.1 The Property Investment Strategy 2016-17 ("the Strategy") underpins the Fund and provides a robust and viable framework for the acquisition of commercial property investments. A copy of the Strategy is included at Annexe 1.
- 3.2 The Strategy seeks a balanced return from a diversified commercial property portfolio. The preference is towards high quality buildings in good locations with financially strong tenants.
- 3.3 To accommodate the necessary level of commercial agility, an important element of the Strategy was the creation of the dedicated Investment Property Group (IPG). Authority to make commercial property investment decisions is delegated to the IPG on behalf of Council.
- 3.4 IPG membership includes the Chairman and Vice-Chairman of the Strategy & Resources Committee together with the Chief Executive, Director of Finance & Resources and relevant Heads of Service (Property, Legal and Financial).
- 3.5 A scoring Matrix allows the IPG to measure and assess the relative merits of an investment opportunity against a minimum weighted threshold score of 60%.
- 3.6 In addition, the IPG requires each commercial property investment opportunity to be accompanied by a full business case prepared by the Head of Property in consultation with finance and legal colleagues.

#### **4 Increasing the Commercial Property Acquisition Fund**

- 4.1 Shortly after the creation of the Fund, the Council completed on its first acquisition - the purchase of 70 East Street, Epsom; a high quality, refurbished four-storey office building in the heart of Epsom.
- 4.2 The building is let in its entirety to Epsom & St Helier University Hospitals NHS Trust and provides the Council with a secure net income from an established tenant.
- 4.3 70 East Street achieved a high 86% on the Scoring Matrix reflecting the quality of the building, its location and the financial strength of the tenant.
- 4.4 The total cost of the acquisition was approximately £5.7m and provides a net income to the Council (that is, after the deduction of borrowing costs from the rent), of approximately £130k per annum. It should be noted that a proportion of this £130k will be prudently set-aside by the Council to provide a contingency for any future costs of this property – see paragraph 4.11 which refers.
- 4.5 On 30 January 2017, the Council completed on its second commercial property acquisition; a prominent, high quality Epsom town centre office building offering more than twice the accommodation of 70 East Street.
- 4.6 Whilst a confidentiality agreement prevents the building being identified, it is let in its entirety to a financially strong tenant and achieved a high 80% on the Scoring Matrix. The property provides the Council with a net income of approximately £210k per annum. Again, the Council will prudently set-aside a proportion of this £210k as a contingency for any future unforeseen costs for the property. See paragraph 4.11 which refers.
- 4.7 The two acquisitions have almost exhausted the £20m Fund and this leaves no real working fund or flexibility to consider future acquisitions in 2017/18. In practical terms, it means the Council could miss out on opportunities if it could not act quickly enough on property investment matters – for example, if it had to wait for further approvals of funding from Council.
- 4.8 It is therefore recommended that a further amount of £60m be approved by Council to ensure the Fund has sufficient financial standing for potential new acquisitions in 2017/18. This will increase the overall fund limit to a value of £80m and this would again be funded from Prudential borrowing by way of loans from the Public Works Loan Board.
- 4.9 For the avoidance of doubt, all potential purchases made under an increased Fund will follow exactly the same robust scrutiny process set out in section 3 above.

- 4.10 It is also proposed to provide the Strategy & Resources Committee with a new mid-year update report on the strategy, status, and portfolio performance of the Fund (which will also be available for scrutiny by the Council's auditors). This will further strengthen the governance and internal control arrangements around the Fund and the processes for making acquisitions.
- 4.11 Similarly, it is proposed to introduce a new regular report to the Financial Policy Panel on overall property investment performance and rental income profile. This will also include updates on the provisions that the Council will be setting aside as a contingency against future voids and enhancement costs associated with the acquired properties. The funding of these provisions will be created by prudently setting aside an element of the net revenue streams that arise from the rental income from each property.
- 4.12 It should be noted that although it is recommended to increase the limit to £80m, this does not necessarily mean that the full £80m will be spent - it is a limit only, and specific recommendations for any acquisition will follow the same robust scrutiny process outlined in section 3 above.
- 4.13 It is standard practice for Councils to ensure they have sufficient "headroom" limits for prudential borrowing to avoid having to make repeated requests to Council for smaller incremental increases.
- 4.14 To provide the Fund's additional borrowing facility of £60m, it is proposed that Council approves the necessary amendments to the Council's prudential indicators.
- 4.15 It is essential that any future borrowing is affordable and within the limits of Prudential Borrowing and parameters of the Medium Term Financial and Efficiency plan of the Council.

## **5 Financial and Manpower Implications**

- 5.1 Councils are in a strong financial position to acquire property to safeguard the economic wellbeing of their Boroughs due to their ability to access capital, coupled with the current low cost of borrowing. The Council is currently able to borrow externally from the Public Works Loan Board (PWLB) at "discounted certainty" rates of circa 2.9% (as at today's date). This would be based on a "Maturity" repayment loan (which is a loan repayable in full at the end of its term / maturity).
- 5.2 In the current climate it is considered prudent to borrow at these rates (which are still at a historic low) rather than rely on already depleted (and mostly committed) levels of capital receipts and/or other sources of restricted capital funding.

- 5.3 In fact the Public Works Loan Board is in the process of increasing its overall lending limits to the public sector as it is aware that many Councils nationwide are looking to borrow to fund property purchases and attract vital income streams.
- 5.4 Historically this Council had been debt free, as had others in Surrey. However, in the current fiscal climate most Surrey Districts/Boroughs are increasingly looking to borrow to fund property purchases which attract an on-going revenue stream to stimulate regeneration and economic development. A recent survey showed that borrowing levels alone within the area of Surrey District's exceeds £2bn and this is expected to significantly increase in 2017/18.
- 5.5 As part of the annual budget setting process, officers are required to produce a set of prudential indicators which include the operational boundary and authorised limit for external debt. These are included in the Council's Treasury Management Strategy that will also be approved by Council on 14 February 2017. These indicators need to be amended if the additional £60m is approved. An updated set are thus included at Annexe B for Councils approval.
- 5.6 If the additional capital estimate is agreed, the capital programme will increase in 2017/18 from £1,249 to £61,249,000 (reflecting the increase of £60m in this report. As a result, the capital financing requirement (which represents the amount of money needed to fund the new expenditure) and the operational boundary (which is the anticipated maximum level) for external debt will increase to £80m (representing the full £20m and £60m in the Fund). In order to cover unexpected eventualities outside the remit of this specific report and 'just in case' scenarios on cash flow fluctuations, it is also deemed prudent to increase the authorised limit for external debt (which is the absolute limit the Council must not go beyond) to £85m. This is purely to provide a safety net for the Council and to minimise risk.

## **6 Chief Finance Officer's comments:**

- 6.1 *The Council has taken advice from its Treasury Advisors; Capita, in respect of the borrowing implications for the Council and the capital implications of this decision.*
- 6.2 *It is important to note that this report is increasing the Fund and overall Council borrowing limit only. Any specific acquisition is subject to a full business case, matrix assessment and approval by the Investment Property Group (IPG).*
- 6.3 *The financial effects of the borrowing will be built into the Council's Medium Term Financial Strategy and Efficiency Plan and the Capital Programme.*



## **7 Legal Implications (including implications for matters relating to equality)**

- 7.1 Pursuant to Section 120 of the Local Government Act 1972 the Council has the power to acquire any land for the purpose of carrying out its functions or for the benefit, improvement or development of the area.
- 7.2 Section 12 of the Local Government Act 2003 provides a power to the Council to invest a) for any purpose relevant to its functions, or b) for the purposes of the prudent management of its financial affairs. This includes investment in property if it relates, for example, to the economic wellbeing of the Borough (including the regeneration of a town centre).
- 7.3 Section 1 of the Local Government Act 2003 provides a power to the Council to borrow a) for any purpose relevant to its functions, or b) for the purposes of the prudent management of its financial affairs.
- 7.4 The Council also has a general power of competence under Section 1 of the Localism Act 2011 to do anything that individuals generally may do. This includes the power to undertake any activity that will support the social, economic or environmental wellbeing of the Borough.
- 7.5 ***Monitoring Officer's comments:*** *The proposals in this report are considered to fall squarely within the Council's powers. The governance arrangements around the Property Investment Strategy are considered to be sufficient to protect the Council's interests.*

## **8 Sustainability Policy and Community Safety Implications; Partnerships**

- 8.1 No implications for the purpose of this report.

## **9 Risk Assessment**

- 9.1 As an asset class property investment provides a better total return (i.e. from both income and capital appreciation) than cash investments, whilst still maintaining a high level of security.
- 9.2 The Council will borrow from the Public Works Loan Board (PWLB) at historically low fixed interest rates - this will protect the Council from any future increases in financing rates.
- 9.3 Investment in property is deemed illiquid, that is, invested money cannot normally be accessed at short notice. However, this complements the Property Investment Strategy which specifically adopts a 50+ year investment horizon. This will ensure income and capital returns are considered over the long term thereby smoothing out any cyclical economic / property downturns.
- 9.4 All potential property investments will be risk assessed against the Scoring Matrix and mitigated by the proposed governance arrangements.
- 9.5 Risk will be continually monitored and mitigated as follows:-

<b>Risk</b>	<b>Level</b>	<b>Mitigation</b>
Poor investment decision making.	<b>L</b>	Each investment acquisition will be Matrix scored and include a full business case.
Consequences of proposed investment decisions on borrowing.	<b>L</b>	The Council is required to have regard to CIPFA's Prudential Code for Capital Finance governing borrowing decisions. Revised Prudential indicators are attached at Annexe B.
Economic slowdown in the property market making transactions difficult to complete.	<b>M</b>	Agile governance structure proposed (IPG) to allow the Council to take advantage of prevailing market conditions.
Lack of suitable property investment opportunities in the Borough.	<b>M</b>	The Head of Property will build relationships with local and regional investment agents.
Property values can go down as well as up.	<b>L</b>	Long term holding strategy at fixed loan rates will smooth out market cycles.
Vacancies – due to tenant going into liquidation / administration or leases not renewed at expiry.	<b>M</b>	Attractive buildings in good locations will assist the re-letting of empty buildings.
Investment opportunities are lost as the Council is unable to act swiftly and decisively.	<b>L</b>	IPG to be established under the Property Investment Strategy governance arrangements.
Investments are acquired without full knowledge of building or tenant lease obligations.	<b>L</b>	A thorough legal and practical due diligence process will be undertaken.

L – Low; M – Medium; H - High

## 10 Conclusion and Recommendations

10.1 The Council has already committed the majority of the Commercial Property Acquisition Fund limit of £20m before the end of this financial year. The commercial property market is fast-moving, and there are opportunities to grow our investment property holdings. In accordance with the approved investment criteria matrix of the Property Investment Strategy 2016-17, we will only consider high-scoring properties where the full business case favours acquisition. The sooner we make acquisitions, the sooner we will be able to reap the benefits of the accompanying rental income. It is therefore also proposed that we increase our borrowing ceiling, in order to facilitate further acquisitions.

- 10.2 As part of the annual budget setting process, officers are required to produce a set of prudential indicators which include the operational boundary and authorised limit for external debt. It is proposed the revised prudential indicators included at Appendix B are approved. These Prudential indicators supersede those in the Budget report 2017/18 to Council which is also on the agenda at this Council meeting.

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## **Epsom and Ewell Borough Council Property Investment Strategy**

**2016/17**



**November 2016**

## Introduction

The Property Investment Strategy (“the Strategy”) aims to provide a robust and viable framework for the acquisition of commercial property investments. The three underlying objectives of the Strategy are:-

- **Investment Criteria** – to identify suitable property investment opportunities.
- **Risk Management** – to balance the requirement for income return with an acceptable level of managed risk.
- **Governance Arrangements** – to provide an agile decision making framework.

The asset management of the Council’s existing property estate (comprising operational and commercial investment properties) is defined in the Asset Management Plan (AMP). The AMP will subsequently apply to all property investments acquired under this Strategy to ensure that assets are appropriately managed long term.

## Investment Criteria

In common with all forms of investment at their most basic level, property investment is a trade-off between risk and return. A traditional well diversified property portfolio (spread across different property sectors and geographical regions) will deliver a balanced long term return with minimal risk. It will typically provide a steady income yield of 5%-7% with the additional prospect of capital growth.

The Strategy will adopt the same underlying principle of diversification in acquiring a Borough wide portfolio of property investments offering a similar income yield profile. The three main property sectors will be included (industrial, office and retail) and in turn, these will be diversified on criteria including location, the tenant’s financial (covenant) strength, lease term (income duration) and investment lot size. This will ensure that should a property investment cease to be income producing (for example, it is undergoing refurbishment or awaiting a new tenant), then the loss of income will not adversely affect the portfolio’s return.

A scoring Matrix allows the relative merits of an investment opportunity to be measured and assessed against a target threshold. The Matrix is attached at Appendix A and includes the following scoring criteria:-

- **Location** - property is categorised as either prime, secondary or tertiary in terms of its locational desirability. For example, a shop located in the best trading position in a town would be prime, whereas a unit on a peripheral

neighbourhood shopping parade would be considered tertiary.

- **Tenant Covenant** – the financial strength of a tenant determines the security of the property's rental income. A financially weak tenant increases the likelihood that the property will fall vacant. The minimum acceptable financial strength for any given tenant will be determined through financial appraisal of company accounts and the use of appropriate methods of risk assessment and credit scoring. To minimise management and risk, the preference will be for single occupancy investments wherever possible.
- **Building Quality** – a brand new or recently refurbished building will not usually require capital expenditure for at least 15 years. This is attractive for income investors requiring long term rental income with the minimum of ongoing capital expenditure.
- **Occupational Lease Length** – the lease term will determine the duration of the tenant's contractual obligation to pay rent. The most attractive investments offer a long lease with a strong tenant covenant.
- **Tenure** – anything less than a freehold acquisition will need to be appropriately reflected in the price.
- **Tenant Repair obligations** – under a Full Repairing & Insuring Lease (FRI), the tenant is responsible for the building's interior and exterior maintenance / repair. The obligation is limited to the building's interior under an Internal Repairing & Insuring Lease (IRI). The preference will be to favour FRI terms (or FRI by way of service charge i.e. all costs relating to occupation and repairs are borne by the tenants and administered through a service charge).
- **Lot Size** – to maintain portfolio balance the preference will be for no single property investment to exceed £6m.

High scoring properties will typically be freeholds let long term to a single tenant with a strong financial covenant. Occasionally, opportunities will arise that do not score highly on the matrix criteria; for example, an empty property that falls within the Council's designated Plan E regeneration zone or one adjacent to an existing Council ownership. In these circumstances, the Matrix will not preclude low scoring properties being considered on their own individual regeneration / economic development merits, but the decision to purchase will be taken by either the Strategy & Resources Committee or full Council as appropriate.

## Risk Management

### Market forces

As with all investments, there are risks that capital values and rental values can fall as well as rise. To mitigate against future unfavourable market forces, acquisitions will be made on the basis that the Council is willing and capable of:-

1. Holding property investments for the long term i.e. 50 years +. This will ensure income and capital returns are considered over the long term thereby smoothing out any cyclical economic / property downturns.
2. Fixing borrowing liabilities. The Council can borrow from the Government's Public Works Loan Board at the lowest fixed interest rates for 20 years. Fixing borrowing rates at historically low levels will protect the Council from any future increases in financing rates.

### Management

To mitigate the risk of void periods where the property is either partially / fully vacant or a tenant has defaulted on its rental obligations, the investment portfolio will be actively managed in accordance with the Council's adopted Asset Management Plan.

In addition, the investment criteria specified in the scoring matrix will tend to favour secure property investments i.e. high quality buildings in prime locations - thus mitigating the risk of void periods on re-letting.

### Opportunities

The availability of suitable high quality investment property is generally limited and consequently, opportunities may be lost where vendors employ competitive bidding processes. Furthermore, the property investment market is often characterised by "off market" investment activity where, for a variety of reasons, opportunities are not freely marketed.

To mitigate the likelihood of lost opportunities, the Head of Property will actively build relationships with the investment agency community. The ability of the Council to make (and act upon) investment decisions at short notice is a key requirement for seeking out investment opportunities. It is proposed a dedicated Investment Property Group is established by the Council for this purpose.



## Governance Arrangements

### Investment Property Group (IPG)

A dedicated Investment Property Group will authorise the acquisition of property investments taking account of the overall investment and risk management criteria defined in this Strategy.

Subject to full Council approval, the IPG will receive delegated authority to make property investment decisions up to a defined budget / borrowing facility limit. Any subsequent amendments to the budget / borrowing limit will require full Council approval.

IPG membership will comprise:-

- Strategy & Resources Committee Chairman
- Strategy & Resources Committee Vice-Chairman
- Chief Executive
- Director of Finance & Resources
- Head of Financial Services
- Head of Property
- Head of Legal & Democratic Services

For a potential property investment to be considered by the IPG, it must:-

- 1) Achieve a minimum weighted score of 60 from the investment criteria matrix  
and
- 2) Be accompanied by a full business case.

The business case will be prepared by the Head of Property in consultation with finance and legal colleagues. Each potential property investment will undergo qualitative and quantitative appraisal to establish portfolio suitability and the legal / financial implications of the purchase. The Head of Property will seek external investment / technical expertise where specialist property market knowledge is required.

All acquisitions will be subject to building survey, purchase report and valuation. In view of the potential value of acquisitions, it is envisaged that the Council will be externally represented for each transaction by a property investment agent and legal firm. In almost all cases, the purchase report and valuation will be provided as part of the property investment agent's introductory fee.

# Appendix A – Investment Criteria Scoring Matrix

Criteria	Weighted Score	Excellent	Good	Acceptable	Marginal	Poor
		5	4	3	2	1
Location	20	Major Prime	Micro Prime	Major Secondary	Micro Secondary	Tertiary
Tenant Covenant	20	Single tenant with strong financial covenant	Single tenant with good financial covenant	Multiple tenants with strong financial covenants	Multiple tenants with good financial covenants	Tenants with poor financial covenant strength
Building Quality	15	Modern or recently refurbished with nominal capex required	Good quality with capex likely to be required within the next 20 years	Good quality with capex likely to be required within the next 10 years	Good quality with capex required within the next 5 years	Non-compliant with capex required within the next 5 years
Occupational Lease Length	20	Greater than 10 years	Between 6 and 10 years	Between 3 and 6 years	Between 2 and 4 years	Less than 2 years or vacant
Tenure	10	Freehold	Lease 125 years plus	Lease between 100 and 125 years	Lease between 50 and 100 years	Lease less than 50 years
Tenant Repair Obligations	10	FRI	FRI – partially recoverable	IRI – 100% recoverable	IRI – partially recoverable	Landlord responsibility
Lot Size	5	Between £4m and £6m	Between £2m & £4m or £6m & £8m	Between £1m & £2m or £8m & £10m	Between £500k & £1m or £10m & £15m	Less than £500k or greater than £15m
<b>Maximum Weighted Score</b>	<b>100</b>	<b>100</b>	<b>80</b>	<b>60</b>	<b>40</b>	<b>20</b>

**REVISED PRUDENTIAL INDICATORS 2016/17 – FOR APPROVAL**

The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

**Estimates of Capital Expenditure:** The Council's planned capital expenditure may be summarised as follows. (These are essentially the existing capital estimates amended for the £60m additional borrowing requirement detailed in the body of this report).

<b>Capital Expenditure and Financing</b>	<b>2015/16 Outturn £000's</b>	<b>2016/17 Probable £000's</b>	<b>2017/18 Estimate £000's</b>	<b>2018/19 Estimate £000's</b>
Gross Expenditure	2,999	24,274	61,249	976

(Note - that if any of the acquisition expenditure slips into 2017/18 or 2018/19 then this will be adjusted in the Capital Estimates and reported to Council Committees. Also note that the probable capital estimate for 2016/17 has been revised to £24,274m to reflect latest capital estimates of which £20m is for the Fund. The capital estimate for 2017/18 of £61,249 includes the £60m for the increased Fund as detailed in this report).

**Estimates of Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

<b>Capital Financing Requirement</b>	<b>31.03.16 Revised £000's</b>	<b>31.03.17 Estimate £000's</b>	<b>31.03.18 Estimate £000's</b>	<b>31.03.19 Estimate £000's</b>
Total CFR	0	20,000	80,000	80,000

(Note - the CFR assumes that the £80m in 2017/18 is the total historic outstanding capital expenditure that has not been paid for and therefore rolls forward each year – it does not however mean a further £80m will be borrowed in 2018/19 or every year. Also this amount each year will eventually reduce for the minimum revenue provision once paid).

The CFR is forecast to increase during 2017/18 (from £20m to £80m) as any significant capital expenditure on property acquisition assets acquisitions will be financed by external borrowing / debt.

**Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.16 Revised £000's	31.03.17 Estimate £000's	31.03.18 Estimate £000's	31.03.19 Estimate £000's
Total External Debt	0	20,000	80,000	80,000

Total debt is thus expected to increase in line with the CFR requirement in 2017/18 and maintain at that level in future years. Existing capital expenditure requirements have been funded from sources other than external borrowing.

**Operational Boundary for External Debt:** The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring.

Operational Boundary	2015/16 Revised £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's
Total Debt	0	20,000	80,000	80,000

(Note – it is estimated that the maximum “estimate” for external debt will be £80m, although clearly it could be less).

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the absolute maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2015/16 Revised £000's	2016/17 Estimate £000's	2017/18 Estimate £000's	2018/19 Estimate £000's
Total Debt	5,000	25,000	85,000	85,000

(Note that the Council's previous Authorised Limit was £5m to allow for cash-flow movements and therefore this level of £5m will be retained and combined with the revised £80m borrowing limit – this is considered a prudent measure).

**Ratio of Financing Costs to Net Revenue Stream:** This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the net revenue budget required to meet financing costs, net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2015/16 Revised %</b>	<b>2016/17 Estimate %</b>	<b>2017/18 Estimate %</b>	<b>2018/19 Estimate %</b>
General Fund	(1.00)	(2.2)	48	47

The ratios above for Epsom and Ewell move from negative to positive to reflect cost of borrowing after allowing for investment income. This is a worst case indicator only and reflects the “gross” cost of borrowing against the overall “net” Council budget. In reality the borrowing costs from the acquisitions are paid for from revenue income streams generated by them and are thus self-financing.

**Incremental Impact of Capital Investment Decisions:** This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact looks at the loss of interest which could be generated on the funds being used to finance the proposed capital programme.

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2016/17 Probable £</b>	<b>2017/18 Estimate £</b>	<b>2018/19 Estimate £</b>
Proposed Capital Programme	24,274,000	61,249,000	976,000
Estimated Interest earned on short term investments	1.25%	1.50%	1.75%
Estimated Tax Base	32,013	32,324	32,324
<b>Incremental Impact on Band D Council Tax</b>	9.47	28.42	0.53

(Note that the Council Tax base 2017/18 is used for this indicator – important to note that this indicator is for illustrative purposes as a worse-case scenario and does not actually mean an increase to Council Tax at that level for Epsom and Ewell Borough Council as the borrowing costs are paid for from income streams and are thus self-financing).

**Adoption of the CIPFA Treasury Management Code:** The Council adopted the Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice 2011 Edition at its meeting on 13 April 2012.

**ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT**

**2016/17 AND 2017/18.**

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum previous to 2016/17. The Local Government Act 2003 requires the Council to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG Guidance) most recently issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Council to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance.

The Council expects that its Capital Financing Requirement will be a maximum of £80m at 31st March 2018 and in line with the CLG Guidance it will therefore charge MRP on an asset life basis. This basis is subject to review and change in line with the Councils Treasury Management Strategy and approved Prudential Indicators which are revised annually.

Capital expenditure incurred during 2016/17 will be fully subject to a MRP charge from 2017/18 onwards. Capital expenditure incurred during 2017/18 will be subject to a MRP charge from 2018/19 onwards.

**STATEMENT OF COMMUNITY INVOLVEMENT IN PLANNING POLICY AND DEVELOPMENT MANAGEMENT**

<u>Report of the:</u>	Head of Place Development
<u>Contact:</u>	Mark Berry
<u>Annexes/Appendices</u> (attached):	<b>Annexe 1:</b> Your involvement in Planning
<u>Other available papers</u> (not attached):	Consultation Responses Equalities Impact Assessment Reports to the Licensing and Planning Policy Committee dated 6 September 2016 and 7 December 2016

**REPORT SUMMARY**

The Council is invited to approve and adopt a revised Statement of Community Involvement as part of maintaining an update to date suite of planning documents in relation to the operation of the planning function, in accordance with the recommendations of the Licensing & Policy Committee.

**RECOMMENDATION (S)**

That the Council approve and adopt the revised Statement of Community Involvement.

*Notes*

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

1.1 The Statement of Community Involvement sets out how the Council will engage with the local community and organisations with regard to planning policy and development management

**2 Background**

2.1 Section 18 of the Planning and Compulsory Purchase Act 2004 imposes a legal obligation on the Council to produce a Statement of Community Involvement

2.2 A Statement of Community Involvement was originally adopted in 2006. However, as legislative requirements have changed it has become progressively out of date.

- 2.3 In April 2016 the Audit, Crime & Disorder and Scrutiny Committee met to consider a report from the Planning Administrative Task Group. The Committee accepted a number of recommendations to review planning processes and documents. The Statement of Community Involvement has been updated in line with the task group's recommendations 7 and 8.
- 2.4 At its meeting on 6 September 2016 the Licensing and Planning Policy Committee considered and approved the 'Your involvement in planning' as a draft document for public consultation (Minute 14 of the relevant meeting refers). The consultation commenced on 16 September 2016 and closed on Friday 28 October 2016.
- 2.5 The public consultation generated six responses which were considered by the Licensing and Planning Policy Committee at its meeting on 7 December 2016. The Committee noted that the public consultation had resulted in a minor amendment being made to the proposed document before it. The Committee agreed the revised document and recommended its adoption by the Council.

### **3 Proposals**

- 3.1 Council is asked to approve and adopt the Statement of Community Involvement.
- 3.2 The changes to the Statement adopted in 2006 are minor and mainly focus on highlighting the Council's website as a source of planning information, updating factual information and setting out a glossary of planning terms, providing greater clarity for the reader.
- 3.3 The document also addresses the issue of publicity for telecommunication applications (recommendation 8 of the task group). The document states that the Council will publicise these types of application by way of press and site notice and notify neighbours by letter. The Licensing and Planning Policy Committee accepted that it was not appropriate to set a radius from the application site for neighbour notification letters, each application being unique and possibly requiring a different or bespoke approach.

### **4 Financial and Manpower Implications**

- 4.1 There are no specific financial or manpower implications for the purposes of this report.
- 4.2 ***Chief Finance Officer's comments:*** *There are no direct financial implications, any costs involved have been met from within existing budgets*



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

5.1 Section 18 of the Planning and Compulsory Purchase Act 2004 imposes a legal obligation on the Council to produce a Statement of Community Involvement.

5.2 Officers compiled an Equalities Impact Assessment on the basis that this was a change to the Council's current policy on community involvement in planning. This was appended to the report to, and taken into account by, the Licensing and Planning Policy Committee when considering the revised document.

5.3 *Monitoring Officer's comments: None for the purposes of this report.*

## **6 Sustainability Policy and Community Safety Implications; Partnerships**

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

## **7 Risk Assessment**

7.1 There is a reputational risk to the Council if it fails to keep its policies up-to-date.

## **8 Conclusion and Recommendations**

8.1 The Statement of Community Involvement was first adopted in 2006 and has been updated to reflect legislative changes in the planning process. It sets out how and when the Council will carry out consultations and involve the local community in both the preparation of planning policy documents and decisions in planning.

8.2 Generally the revised document was well received and supported when it went out to public consultation. Some detailed comments were made and as a result some minor amendments were made to the document which were approved by the Licensing and Planning Policy Committee and included in the document which Council is requested to approve and adopt.

8.3 The Licensing and Planning Policy Committee noted that primary access to this document, and the most likely method of communicating the process, if approved by Council, would be through the Council's website. However, the Chairman of the Committee requested to be kept informed of any significant issues regarding the public's ability to access and engage with the planning process, and this will be kept under review.

**WARD(S) AFFECTED: (All Wards);**

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# Your involvement in Planning December 2016



Fiona Cotter  
Epsom & Ewell Borough Council  
December 2016

## Contents

Introduction .....	2
Section 1 .....	3
Planning Policy .....	3
Development Management.....	3
Planning decisions.....	3
Section 2 .....	4
Community involvement in planning matters .....	4
The benefits of effective community involvement or participation .....	5
How we will keep you informed and involved in planning matters.....	5
What community involvement methods will we use?.....	7
Things you can do to make your involvement effective .....	7
Section 3 .....	8
Community involvement in plan making .....	8
The Local Plan programme .....	8
The Community Infrastructure Levy (CIL) – Consultation.....	10
Duty to Co-operate (DtC).....	10
Section 4 .....	11
Community involvement in planning applications .....	11
Pre application planning discussions.....	11
Consultations and notification on planning applications .....	12
However, the following cannot be taken into account: .....	14
How are decisions made? .....	16
Public representation at Planning Committee.....	16
Petitions .....	16
Section 5 .....	16
What happens next? .....	16
Appeals.....	17
Section 6 .....	18
Where can you get information about planning? .....	18
Section 7 .....	20
Glossary of terms.....	20

## Introduction

Planning processes affect everyone who lives and works in the borough and helps to shape the place where we live, work, are educated and visit. The planning decisions we make cover a whole range of places and buildings from homes to workplaces, leisure facilities and open spaces.

This document, sometimes referred to as a Statement of Community Involvement (SCI), sets out how we will involve residents, businesses and other organisations in decisions on plan making and local development. We have produced this document as we recognise the importance of effective community involvement and dialogue. This document explains how we aim to achieve this to ensure a transparent and open planning process.

It is good practice to regularly review our approach to community involvement and revise it where necessary. Revisions are likely to take place when significant changes have occurred to legislation, the range of groups which we wish to engage with, or when different techniques for engagement are identified.

## Section 1

Our planning service sits within our Place Development Division and is made up of two teams – Planning Policy and Development Management.

### Planning Policy

The Planning Policy team handles the preparation of our Local Plan and associated documents that shape the future development of the borough. These include supplementary planning guidance on design quality, sustainable design measures and biodiversity. These policy documents take account of national, regional and local planning policy needs and interests.

The team is also involved in other planning policy and strategic opportunity sites and is responsible for the administration of our Community Infrastructure Levy, town centres management, economic development and heritage advice.

### Development Management

The Development Management team is responsible for making decisions on planning applications along with other related applications such as listed buildings, trees and advertisements. Planning officers also provide pre-planning advice for which there is a fee. Further details can be found on our website [here](#).

Planning application decisions are based on the National Planning Policy Framework (NPPF) and Guidance, the adopted Local Plan and associated documents and other relevant matters known as 'material planning considerations'. The team is also responsible for investigating unauthorised development and ensuring that development is carried out with the necessary planning permission.

There is some development that can be carried out without the need for planning permission. This is known as permitted development. The team can give advice on this and further information can be found on the national [Planning Portal](#) website.

### Planning decisions

In Epsom and Ewell councillors agree planning policy through consideration at the Licencing and Planning Policy Committee and Full Council meetings. The majority of planning applications are usually determined by planning officers with the more complex cases decided by the Planning Committee. All decisions, whether made by planning officers or by a Committee are based on planning policy and relevant material planning considerations.

## Section 2

### Community involvement in planning matters

The views of local residents, businesses and residents/amenity groups are valuable in shaping the future of the area particularly around planning issues. This ensures that the needs and aspirations of our varying communities are considered and balanced against other material planning considerations.

Our goals and standards of community engagement are set out below.

#### The goals are:

- To provide active, early and continuous public involvement
- To provide reasonable public access to information
- To provide an opportunity to comment prior to planning decisions
- To ensure that our actions serve the collective public interest
- To invite and consider public input on plans, proposals and alternatives.

In order to achieve this, we have adopted the following standards for community involvement in the preparation of planning policy:

#### **Openness and transparency:**

We identify clear objectives and indicate at the outset any limiting factors on the extent and nature of community involvement. We will ensure that all information and publications are accurate, clear, concise and readily accessible to all interested parties.

#### **Inclusive:**

We recognise the diversity of views and work towards an understanding of issues and concerns. We will ensure that the level of involvement reflects the importance of the issues and will provide feedback.

#### **Appropriate:**

We recognise that our diverse community has different needs and provide equity of access to the process where practicable. We understand that specific groups/individuals are under-represented within the planning process and will try to ensure that these less vocal members of our community are consulted.

#### **Efficiency:**

We manage participation in a cost-effective manner, using existing networks, structures and means of communication where possible; meeting the time frames agreed.

**Publicly  
accountable - a  
learning  
organisation:**

We seek to achieve the best possible process and outcomes and learn from this for future consultation exercises.

Under-represented groups within the planning process may include the following and we will endeavour to engage with them:

- Children and young people
- 18-30 year olds (especially those in employment)
- Those who don't speak English as their first language
- Older people
- Black and minority ethnic people
- Gypsy and Traveller communities
- Residents who work outside the borough
- People who work in the borough but live elsewhere
- Homeless persons
- Students
- Lesbian, Gay, Bisexual and Trans (LGBT) community
- Carers

**The benefits of effective community involvement or participation**

Most community involvement in plan making and planning applications involves providing information to let interested parties know about something, consulting people to ask their views, or gathering evidence on planning matters. Effective community involvement benefits everyone in the following ways:

- We reach informed decisions
- Real issues can be addressed at appropriate times
- Conflict can be avoided or managed
- Relationships can be built on
- Reduced costs leading to speedier and smoother implementation.

**How we will keep you informed and involved in planning matters**

When you are involved in planning consultation exercises you can expect the following from us as a minimum:

- All draft documents published for consultation along with relevant background papers and evidence will be available on our website [www.epsom-ewell.gov.uk/planning](http://www.epsom-ewell.gov.uk/planning) from the beginning of our consultation period



- Copies of all draft and final documents along with the background papers and evidence will also be available to view at the Town Hall in Epsom and local libraries with internet access
- All resident groups and amenity societies, that have registered with us, will be notified of the availability of consultation draft documents on our website
- We will give advance notice, wherever possible of forthcoming consultation through our borough newsletter, press releases, website, and social media
- All consultees identified in planning regulations will be notified of the availability of consultation draft documents on our website
- We will aim to provide enough information to you to understand and respond to the consultation and we will hold consultation events in accessible buildings
- We aim to set out documents and associated forms and questionnaires as clearly and as simply as possible
- We will use different forms of publicity such as press releases, public notices, direct mail, our website and social media
- Current planning applications and related information will be available to view on our website, at the Town Hall or at local libraries with internet access
- We will publicise planning applications in accordance with the table on pages [12 and 13](#)
- We will make it clear how and when you can make your views known and will treat all respondents equally, giving the relevant weight to your comments reflecting their relevance to the particular consultation or notification
- We will make your comments publicly available, usually on our website so that others with a similar interest can view them
- We will publish a report of consultation on draft policy documents which will summarise all planning related comments received in the publicised time period and how they have been taken into account in the final document. This will be made available on our website and in hard copy at the Town Hall or at local libraries with internet access

### What community involvement methods will we use?

The table below lists some of the options for community involvement. This will involve information provided to and dialogue with interested parties. The methods used will comply with our standards of community engagement and will be appropriate to the particular needs of the persons involved and the nature and impact of the decision to be made. The list below is not exhaustive.

Letting you know about something we are doing	Asking for views and evidence and discussing them
Providing information to local media	Discussions and interactive forums with key interested parties including one to one meetings with selected stakeholders
Create and update our web pages	Consultation including the use of social media
Brief Borough Councillors and local groups	Public meetings, drop-ins, exhibitions, roadshows and/or workshops
Programme of regular press releases	Mail outs to interested parties
Distributing posters, fliers and promotional material	Questionnaires and surveys and the use of structured feedback forms
Publish and deliver newsletters, leaflets and summary sheets	Focus/steering/advisory groups
Use email, letters and/or social media	Make material available in our offices, libraries or on line
Provide briefings and local drop in sessions	Consulting existing community/amenity groups to discuss planning matters
Official launch event	

### Things you can do to make your involvement effective

We will expect the following of you so that your involvement is effective:

- That you provide comments in a clear and precise format relating to the issues being considered and within the published timescale

- That if you wish to comment during formal consultation periods on more than one aspect of a draft policy document, you use our questionnaire or form although we will still accept letters listing a range of points
- That you accept that comments will be made publicly available
- That you are courteous and respectful of other people's views
- That you are aware and accept that planning policy documents need to be in general conformity with national planning policy
- That in considering comments on planning policy documents and applications we are unable to guarantee that views of individuals or organisations will prevail.

We can record your contact details on our consultation database. This will ensure that you are informed of any of our policy planning consultations (not planning applications). The link [here](#) will help you add your details.

## Section 3

### Community involvement in plan making

The Local Plan is critical in delivering our vision for the development of the borough over a period of time. The Local Plan policies are important as they are used to guide future development.

### The Local Plan programme

We produce a Local Plan programme that lists our current planning policy documents as well as our timetable for updating and preparing new ones. This includes information on proposed consultation periods where these are scheduled. You can find our latest copy online [here](#)

This timetable also includes information on supplementary planning documents and related documents.

We review and roll forward the timetable regularly. The Local Plan programme and the planning pages of our website are the first place to look if you want to find out about current and future planning policy documents and the opportunities to be involved.

Your involvement in the preparation of the Local Plan and other related planning policy documents is welcomed and we will try our best to let you know what work is underway.

The main steps in preparing a Local Plan or other planning policy document that will become part of the development plan for the area are:

Letting people know that we are preparing the plan or document, what it is intended to cover and inviting comment on what it should include.



Publish the initial Issues and Options document we intend to submit to the Secretary of State for examination. Invite comments on the areas of draft strategy/policy and the options available.



Submit to the Secretary of State, the plan or document and all related documents such as the sustainability appraisal for independent examination.



Publish the recommendation of the Inspector following the independent examination where the public can make written comments.



Consider any amendments and amend, where required, the plan or document and then adopt the plan or document if the examination has found it to be sound. There may need to be an additional period of consultation.

Our supplementary planning documents are linked to and provide further information and detail on policies within the adopted Local Plan or other development plan documents. They do not require independent examination as we already have an adopted Local Plan but we will produce them with public involvement and consultation.

We also produce technical supporting documents for example on shopfronts and solar panels on homes. These are available on our website and on request at the Town Hall for inspection. Depending on the nature of these studies we may carry out public consultation on them before they are finalised.

We keep a record of individuals and organisations who have said that they may wish to be involved in preparing planning policy documents. This includes organisations such as political groups, residents' associations, amenity groups, adjoining councils, service providers such as power companies, and community and voluntary organisations.

There may be an opportunity for you to be involved in the initial stages of evidence gathering for a particular Local Plan document. We will seek to involve key groups and individuals who are registered on our local database list.

### **The Community Infrastructure Levy (CIL) – Consultation**

The Community Infrastructure Levy (CIL) is a tariff system that allows us to raise funds from developers to contribute towards the funding of infrastructure such as roads, school and health facilities to support growth. The CIL preparation and consultation process is different to that set out for the development of the Local Plan and is established in the Community Infrastructure Levy Regulations 2010 (as amended). Regulations 15 and 16 require councils to undertake a clearly defined consultation procedure prior to adopting a CIL Charging Schedule.

Two rounds of consultation must be undertaken on the proposed charging schedule. The CIL Draft Charging Schedule and relevant documents must then be submitted to the Secretary of State for public examination by an appointed examiner. Our CIL was formally adopted in July 2014 following the examination.

Although the CIL consultation process is subject to these CIL Regulations, rather than the procedure for consultation and preparation of Local Plan documents, we have and will continue to ensure that the CIL consultation process is based on the principles set out in this document.

### **Duty to Co-operate (DtC)**

There is now a duty on us to co-operate with others in the plan making process. This was introduced through the Localism Act 2011. Section 110 of the Act requires councils and public bodies to “engage constructively, actively and on an ongoing basis” in the preparation of Local Plan documents, including in the preparation of evidence to support these documents.

The intention of the duty to cooperate is that local authorities, in cooperation with neighbouring authorities and other public bodies, take the lead in tackling the big issues that cut across administrative boundaries.

This duty relates to sustainable development or the use of land that has a significant impact on at least two local planning areas. These issues that may not be able to be addressed by just one local planning authority working alone are set in paragraph 156 in the NPPF, and could include:

- Housing where a wider housing market area has been identified
- Provision of major retail/or employment sites
- Provision of infrastructure for transport, waste treatment, minerals energy generation, telecommunications, water supply, water quality and strategic biodiversity conservation
- Measures needed to address climate change, including the management of flood risk
- Provision of education facilities.

## Section 4

### Community involvement in planning applications

We welcome community involvement. This section explains how and when you can become involved in how decisions are made on planning applications. There are two distinct stages for community involvement in planning decisions. The pre application consultation which may take place with communities and is undertaken by developers prior to the submission of a planning application and the application consultation which we carry out once an application has formally been submitted to us.

In the consideration of planning applications, there are often opposing views and the decision we make may not be welcomed by all parties. In coming to our decision we will follow national planning rules and our planning policies.

### Pre application planning discussions

On very large scale development proposals<sup>1</sup> applicants are required to undertake early community consultation and to submit the results of this as part of their planning application in the form of a consultation statement. These statements should include:

- What has been consulted on
- Who has been consulted

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<sup>1</sup> Developers proposing major or significant developments (over 200 homes or 4 hectares and/or floor area over 10,000 square metres or 2 hectares) are now legally obliged to consult the local community. They will need to have regard to any comments received before submitting their planning application.

- How they were consulted
- When consultation was undertaken
- Who was responsible for undertaking the consultation?
- How the feedback was used to shape the proposal?

The aim of the process is to encourage discussion in the community before a formal application is submitted and to try to avoid unnecessary or late objections during the formal application stages.

### Consultations and notification on planning applications

We receive approximately 900 planning applications a year (excluding applications for works to trees) and we aim to decide most within eight weeks and major applications within 13 weeks. Within this time period we carry out planning application publicity. The statutory requirements are set out in legislation. The Town and Country Planning (Development Management Procedure) (England) Order 2015 also provides details of the official organisations that must be consulted on particular types of planning application.

Generally, we carry out publicity by three traditional methods – statutory advertisements in local newspapers, site notices about planning applications usually found on street lamps and letters to neighbours. However, a very important additional source of information is our website. This provides a search facility which shows key information about every current application, provides facilities to view the plans, drawings, and associated documents and allows people to send in their comments on line. It is also possible for you to set up automatic alerts to receive email notifications of applications of interest. Further information can be found [here](#).

The amount of consultation will be proportionate to the type and scale of the planning applications. In all cases publicity will meet legal requirements but there will be cases where additional notification is carried out. The cost of advertising in the local press is high, whilst circulation levels are falling as content moves online. Evidence indicates that the most effective form of public consultation on planning applications is to write to neighbours or display site notices.

We have set out our arrangement below.

	Website only	Press notice	Site notice	Neighbour letter
Planning application accompanied by an Environmental Statement		✓	✓	✓
Planning application involving a major departure from the Development Plan		✓	✓	✓
Planning application for development that affects a Public Right of Way		✓	✓	✓
Planning application for Major Development which in this context means (a) 10 or more homes or housing development on a site of 0.5 hectares or more where the number of the dwellings is not known (b) the provision of one or more building where the new floor space is 1,000 square metres or more or (c) development on a site of 1 hectare or more		✓	✓	✓
Planning application for minor development involving (a) less than 10 homes or (b) where new floor space is less than 1,000 square metres or (c) change of use applications				✓
Listed Building Consent		✓	✓	✓
Planning applications affecting the character and appearance of a Conservation Area or the setting of a Listed Building		✓	✓	✓
Householder applications				✓
Telecommunication applications		✓	✓	✓
Display of advertisements and signage			✓	
Tree Preservation Order applications				✓
Certificates of lawful development - proposed	✓			
Certificates of lawful development - existing				✓
Notification of works to trees in a conservation area	✓			
Prior approval for larger house extensions				✓
Prior notification of changes of use				✓



The statutory publicity requirements for applications for Listed Building and Conservation Area consent are laid out in Regulation 5 of the Planning (Listed Buildings and Conservation Areas) Regulations 1990 (as amended). The arrangements for applications affecting the setting of a Listed Building or Conservation Area are in Sections 67 and 73 of the Planning (Listed Buildings and Conservation Areas) Act 1990.

Publicity arrangements for applications accompanied by an Environmental Impact Assessment are prescribed by the Town and Country Planning (Environmental Impact Assessment) Regulations 2011 (as amended).

We receive some applications where we do not undertake consultation. These relate to Lawful Development Certificates where we test the application against planning law and non-material amendment proposals where the change to the original application is very minor.

Assessing the comments received is a rigorous process and we take account of a range of material planning considerations such as:

- Whether the proposal conflicts with any of our planning policies
- Whether the appearance and size of a new building is generally in keeping with its neighbours and the surrounding area
- Whether adjoining residents will suffer any unreasonable overshadowing, overlooking or loss of privacy
- Whether a proposed use is a suitable one for the area
- Whether there will be any unreasonable increase in general disturbance, for example from the comings and goings of extra traffic
- Whether new roadways, accesses and adequate parking will be safe for road users and pedestrians
- Whether new public buildings have satisfactory access for the disabled
- Whether, in the case of an application for an advertisement or signage, the proposed sign is too large or unsightly
- Whether a public footpath is affected
- Whether there is any visual effect upon the landscape, e.g. loss of trees
- Impact on the character and appearance of a Listed Building/Conservation Area in the case of applications for Listed Building Consent or Conservation Area Consent.

However, the following cannot be taken into account:

- Boundary and other disputes between neighbours, e.g. private rights of way, drainage issues or covenants
- Loss of view, unless, in limited circumstances, that view should be protected in the public interest

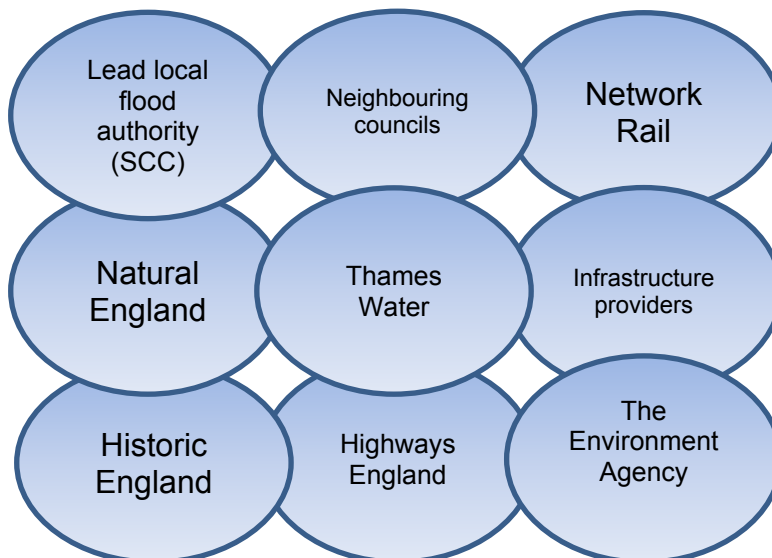
- Loss of trade through increased competition
- Moral objections e.g. to amusement arcades and betting shops
- Loss of property value.

There are some very specialised applications that we receive where the issues that we can consider are limited. For example, we cannot take into consideration what a proposed advertisement might advertise or residential amenity issues in relation to works to a listed building as we will only be looking at the technical issues relating to the works to the building.

If you are notified on a planning application, you can only be certain that your views will be taken into account if they are submitted within the time frame set out in our notification letter, which is usually 21 days. This time scale may be reduced if we are re-consulting on amended plans or additional information that we have received.

We welcome views from the wider community on planning applications and all submissions are considered. The most effective way to express your views is online using our [website](#). Please be aware that however you notify us, your input will be made public.

We consult other groups and bodies as appropriate to the particular nature of the submitted planning application. Whilst this list is not exhaustive these specific statutory consultation bodies include:



## How are decisions made?

Most planning decisions are made by planning officers but the more complex cases are decided by the Planning Committee. Decisions are based on local and national planning policy together with any other material planning considerations. Normally our Planning Committee meets every four weeks at the Town Hall and the public and media are welcome to attend to watch the proceedings.

## Public representation at Planning Committee

When an application is determined by the Planning Committee<sup>2</sup>, there are three categories of public speaker that can speak per application – objector, supporter and applicant/agent. If an individual wishes to speak at a Planning Committee, they must register their wish to do so between 6pm and 7pm on the evening of the meeting at the Town Hall reception desk. We operate a first come first served basis. Normally, in addition to the applicant/agent, only one other person can speak for or against a single application. Each individual can speak for three minutes in the form of a statement.

Further details about our public speaking arrangements at the planning committee can be found in part four of our [constitution](#).

## Petitions

Anyone who lives, works or studies in the borough may create and submit a petition to us. Please visit our [website](#) for further information about them and [ePetitions](#).

## Section 5

### What happens next?

After determining an application, we will place the decision notice on our website under the relevant application reference number. If an application has been refused or withdrawn, then post application discussions may be held with the applicants.

At this time, you can view the documents and letters received in response to a planning application on line where you can also view the planning officer's report and recommendation.

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<sup>2</sup> Types of application considered by the Planning Committee include all major applications, those made by the Council or staff and any that borough councillor has requested be considered.

## Appeals

The applicant has the right to appeal against a refused planning application, a planning condition or if we have not determined the application within a set timeframe. The Planning Inspectorate deals with appeals and is a national body entirely separate from the Council. All those individuals who originally commented on the planning application will be notified of the appeal.

The Planning Inspectorate will be sent or emailed copies of all the plans, application forms and correspondence that we have received regarding the original planning application so that they have all the relevant information before making a decision.

There are costs for all parties involved in the appeal process and it is in everyone's interests to try and achieve a satisfactory conclusion before an application goes to appeal.

For some householder appeals interested people will not have the opportunity to make further representation about the appeal. Any representations made at the application stage will be taken into account by the Planning Inspector. For all other appeals there will be the opportunity to make further representations. For further information please visit the Planning Inspectorate website at [www.planningportal.gov.uk/planning/appeals](http://www.planningportal.gov.uk/planning/appeals)


## Section 6

### Where can you get information about planning?

 [www.epsom-ewell.gov.uk](http://www.epsom-ewell.gov.uk)

 Write to us at:  
Place Development  
Epsom & Ewell Borough Council  
Town Hall  
The Parade  
Epsom  
Surrey  
KT18 5BY

 Email us:  
[supportgrouprequests@epsom-ewell.gov.uk](mailto:supportgrouprequests@epsom-ewell.gov.uk)

 Call us:  
Customer Support - 01372 732000  
  
Opening hours: 9am – 5pm Monday to Friday

On Facebook [www.facebook.com/EpsomEwellBC](http://www.facebook.com/EpsomEwellBC)

Twitter @EpsomEwellBC

#### Local councillors

We have 38 councillors that represent wards within the borough. You can find who your local councillors are by:

- Going on line at [www.epsom-ewell.gov.uk](http://www.epsom-ewell.gov.uk)
- Asking at the Town Hall
- Phoning our Customer Support service

#### Planning Aid

Planning Aid is a service offering independent professional advice and support on Town and Country planning matters to community groups and individuals. You can contact them at:

South East Planning Aid  
Kent Architecture Centre,  
1<sup>st</sup> Floor Admiral's Office  
Main Gate Road  
The Historic Dockyard  
Chatham  
Kent  
ME4 4TZ

Tel: 0870 850 9806  
Email: [secw@planningaid.rtpi.org.uk](mailto:secw@planningaid.rtpi.org.uk)

## Planning Portal

The Planning Portal is a national website that offers clear guidance on the planning system [www.planningportal.co.uk](http://www.planningportal.co.uk)

## Section 7

### Glossary of terms

**Community:** in this document community is considered to be a group of people who have common characteristics. Communities can be defined by location (such as a street or a neighbourhood), race, ethnicity, age, occupation, a shared interest (such as cycling or local businesses) or affinity (such as religion and faith) or other common bonds.

**Community Infrastructure Levy:** this is a levy allowing councils to raise funds from owners and developers of land undertaking new building projects in their area.

**Consultation:** a more structured form of participation. A dialogue between individuals or groups, based upon a genuine exchange of views, and normally with the objective of influencing decisions, policies or programmes of action.

**Development Plan Document (DPD):** spatial planning documents prepared by the relevant plan-making authority. Subject to independent examination.

**Development Management:** is the process of determining planning applications.

**Duty to Co-operate (DtC):** this is introduced by The Localism Act 2011 and places a legal duty on councils to engage constructively and actively with certain specified bodies to maximise the effectiveness of Local Plan preparation and delivery.

**Engagement:** actions taken to establish effective relationships with individuals or groups so that more specific interaction can then take place.

**Infrastructure:** facilities, services or equipment including roads, schools, health

**Interested parties:** organisations selected on the basis of their interest in the outcomes.

**Local Development Documents (LDD):** comprises the Development Plan Documents, Supplementary Planning Documents.

**Local Plan:** our long term spatial vision for area and the primary strategic policies and proposals to deliver that vision. Defined in the Town and Country Planning (Local Planning) (England) Regulations 2012 as development plan documents dealing with the development and use of land, the allocation of sites, development management and site allocation policies for that area, an area of significant change or special conservation, local plan policies in relation to the area, or any other site allocations document.

**Local planning authority:** the public authority whose duty it is to carry out specific planning functions for a particular area.

**Material planning considerations:** the types of planning issues we can consider include the effect on amenity, impact upon the appearance of surrounding areas and potential traffic problems. Personal circumstances of the applicant, moral issues or the effect the development may have on nearby property prices are not relevant to the consideration of a planning application and will not usually be taken into consideration by the Council.

**National Planning Policy Framework and Guidance:** issued by Central Government to guide planning policy and the determination of planning applications.

**Participation:** an all-round term that describes the extent and nature of activities undertaken by those who take part in public or community involvement.

**Planning committee:** the planning committee is responsible for making decisions on the bigger and more sensitive planning applications received by the Council. The planning committee is made up of 13 councillors who are responsible for deciding planning applications, listed building and conservation area consents.

**Planning inspector/Inspectorate:** the [Planning Inspectorate](#) is an agency of the Department of Communities and Local Government. It may get involved in a variety of work; for example, the processing of planning and enforcement appeals and holding inquiries into local development plans. They also deal with a wide variety of other planning-related casework including listed building consent appeals, advertisement appeals, and reporting on planning applications.

**Statement of Community Involvement (SCI):** sets out standards for involving the community in the preparation, alteration and review of local development documents and development control decisions. Our document is known as “Your involvement in Planning”

**Statutory:** required by law (statute), usually through an Act of Parliament.

**Supplementary Planning Documents (SPD):** they are non-statutory documents that expand upon policies and proposals in development plan documents and are a material consideration when determining planning applications. We produce three types of SPD – topic based, Conservation Area Appraisals and Planning Briefs for particular sites. These can be viewed [here](#).

**Sustainability Appraisal:** a sustainability appraisal considers the likely social, economic and environmental effects of policies included in development plan documents.