

FINANCIAL POLICY PANEL

Tuesday 5 February 2019 at 6.30 pm

(please note start time)

Committee Room 2 - Epsom Town Hall

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

Councillor Eber Kington (Chairman)

Councillor Richard Baker

Councillor John Beckett

Councillor Hannah Dalton

Councillor Omer Kokou-Tchri

Councillor Barry Nash

Councillor Vince Romagnuolo

Councillor Clive Smitheram

Yours sincerely



Chief Executive

For further information, please contact Democratic Services, tel: 01372 732124

AGENDA

1. DECLARATIONS OF INTEREST

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

2. 2019/20 BUDGET AND COUNCIL TAX REPORT PRESENTATION (Pages 3 - 22)

This report provides an update on the preparation of the budget for 2019/20, following the announcement of the provisional local government finance settlement. The report seeks any final guidance from the Panel prior to the preparation of the 2019/20 Budget and Council Tax report for the Council meeting on 19 February 2019.

3. MINUTES (Pages 23 - 26)

The Panel is asked to confirm the Minutes of the Meeting of the Panel held on 4 December 2018 (attached) and to authorise the Chairman to sign them.

2019/20 Budget and Council Tax Report Presentation

Head of Service/Contact:	Lee Duffy, Chief Finance Officer
Annexes/Appendices (attached):	Annex 1: Budget Overview for 2019/20 Annex 2: Revenue Budget Four Year Forecast Annex 3: Updated Efficiency Plan 2018/18 – 2019/20
Other available papers (not attached):	2019/20 Budget Book Policy Committee Budget Reports 2019/20 Council response to Government consultation on 2019/20 Finance Settlement

Report summary

This report provides an update on the preparation of the budget for 2019/20, following the announcement of the provisional local government finance settlement. The report seeks any final guidance from the Panel prior to the preparation of the 2019/20 Budget and Council Tax report for the Council meeting on 19 February 2019.

Recommendation (s)

That the Panel:

- (1) Provides the Chief Finance Officer with any final guidance needed to finalise the 2019/20 Budget and Council Tax report;**
- (2) Notes the provisional Government financial settlement and the removal of the negative RSG payment to Government of £625,000 in 2019/20;**
- (3) Supports that £200,000 originally planned to be used from the gain from being part of the business rates pilot for 2018/19 is no longer applied to offset negative RSG and is set aside to mitigate the future impact of the 'Fair Funding Review';**
- (4) Notes that Epsom & Ewell Borough Council has been unsuccessful as part of a Surrey bid to become a Pilot for retained business rates for 2019/20;**
- (5) Confirms support that there will be no use of working balances (revenue reserves) in the 2019/2020 Budget;**

- (6) Confirms support to remove the use of new homes bonus grant to finance the on-going running of services;**
- (7) Agrees to support a recommendation to Council of a council tax increase of 2.99%;**
- (8) Notes the updated four year Financial Plan and Efficiency Plan (Cost Reduction Plan).**

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

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

Council Tax

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

Budget Position

- Produce a balanced revenue budget each year.
- Maintain a minimum working balance of £2.5 million at 31 March 2020.
- Maintain a prudent level of strategic reserves and a minimum of £1 million in the Corporate Projects Reserve.
- Utilise reserves pro-actively to manage major risks to Council's finances.

2 Introduction

2.1 Service estimate reports have been prepared for each of the three policy committees. The estimates are contained in the draft Budget Book 2019/20 which has been issued to all Councillors.

2.2 The overall budget target for 2019/20 was agreed at Strategy & Resources Committee on 25 September 2018 as follows:-

- Estimates are prepared including options to reduce organisational costs by £406,000 subject to government grant announcement, in order to minimise the use of working balances and maintain a minimum working balance of £2.5 million in accordance with the medium term financial strategy;
- That at least £200,000 additional revenue is generated from an increase in discretionary fees and charges;

- That a provision for pay award is made of £280,000 that represents an increase to the staffing budget of 2.5%, 1% for cost of living and 1.5% for progression;
 - That further savings and efficiencies be identified to address the budget shortfall of £113,000 in 2019/20;
 - That £200,000 from the financial gain of being part of the Pilot for Business Rates is used to mitigate the potential payment of £625,000 to government for 'negative RSG'.
- 2.3 The estimates were prepared on the basis of budget guidelines agreed by the Council last September, except for increases in fees and charges from car parking which have mainly been frozen for 2019/20 and this was agreed by Environment and Safe Communities Committee on 23 October 2018.
- 2.4 The funding of the capital programme was agreed in December, subject to schemes being supported by the policy committees in the January Committee cycle. The estimates include £100k per annum of revenue funding to finance the Council's capital programme to limit use of diminishing capital reserves.
- 2.5 Subject to the decisions of the policy committees, the proposed increases to discretionary fees and charges are estimated to generate £123,000 in 2019/20.
- 2.6 The policy committees have also received detailed service estimates and proposals for fees and charges. All of these proposals are reflected in the Budget Book 2019/20 which has been made available in the Members Room. The Panel will be advised if there are any material changes recommended to the estimates presented and the impact on the overall budget position.
- 2.7 The general fund summary position as contained in the 2019/20 Budget Book reflects the draft service estimates with no use of working balances. There are, however, external financing income levels that still need to be finalised:-
- The 2019/20 final local government finance settlement;
 - The level of business rates that will be retained by this Council;
 - Revenue from council tax depending on the level of any increase for next year.
- 2.8 This report:-
- Provides details of the provisional 2019/20 local government finance settlement;

- Provides analysis on the current position of business rates;
- Suggests council tax options for inclusion in the budget report;
- Provides analysis of funding budgeted to be received from the Council's Commercial Property Company.

3 Four Year Settlement 2016/17 – 2019/20

- 3.1 The Government made an offer of a fixed, four-year Local Government Finance Settlement in February 2016, covering the years 2016/17 to 2019/20. Included within the fourth year of the settlement was a payment to Government of £625k, now referred to as 'negative RSG'.
- 3.2 The Council agreed to accept the offer of the four year settlement and the production of an Efficiency Plan. The updated Four Year Efficiency Plan is shown in Annexe 3.
- 3.3 At the 2018/19 Provisional Local Government Finance Settlement, the then Secretary of State confirmed that a consultation would take place (in Spring 2018) on these amounts, with the outcome feeding into the 2019/20 local government finance settlement.
- 3.4 On 24 July 2018, the government published a consultation document in regards to the 2019/20 Finance Settlement.
- 3.5 On 11 September 2018, this Council submitted a formal response to the consultation requesting the permanent removal of 'negative RSG' from our funding settlement.

4 2019/20 Provisional Settlement

- 4.1 Details of the provisional local government settlement were released on 13 December 2018 when the Government announced it had removed the payment of negative RSG for local authorities from the 2019/20 provisional funding settlement.
- 4.2 The following table shows the provisional settlement figures for 2019/20 and compares this to the current years (2018/19) final settlement figures:-

	Revenue Support Grant £'000	Baseline Funding (Business Rates) £'000	Total £'000	Change £'000
2019/20 Provisional Assessment	0	1,397	1,397	+ 31 (+2.3%)
2018/19 Funding Settlement	0	1,366	1,366	

- 4.3 The latest settlement figures received shows a significant change to the four-year settlement provided in February 2016 with the removal of £625k 'negative RSG' liability. The settlement figure for 2019/20 shows the Baseline figure for business rates is £1,000 higher when compared to the original settlement.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<u>Provisional Settlement</u>				
Revenue Support Grant	417	0	0	0
Retained Business Rates – Baseline	1,300	1,326	1,366	1,397
Negative RSG	0	0	0	0
Government Baseline Funding	1,717	1,326	1,366	1,397
Transitional Grant	93	83	0	0
Government Settlement Funding Assessment	1,810	1,409	1,366	1,397

	2019/20 £'000
<u>Projections within Financial Plan</u>	
Retained Business Rates – Baseline	1,396
Negative RSG	-625
Total Funding	771
Changes in Funding	+ 626

- 4.4 Although 'negative RSG' has been removed from the provisional settlement for 2019/20 there is an increased risk to the Council's funding position for 2020/21 onwards.
- 4.5 There is significant uncertainty on the levels of funding that will be retained by Epsom & Ewell Borough Council from 2020/21, this is due to the Government's on-going Fair Funding and Business Rates Retention reviews both of which could have an adverse impact on our future funding position.

5 Core Spending Power

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

	2018/19 £'000	2019/20 £'000
Grants		
Retained Business Rates	1,366	1,397
Total Grant Funding	1,366	1,397
New Homes Bonus	834	444
Council Tax *	6,301	6,558
Other Funding	7,135	7,002
Core Spending Power	8,502	8,399

* figure from provisional financial settlement

- 5.2 Nationally there is an increase in spending power for 2019/20 of 2.1%. However, for Epsom and Ewell Borough Council's spending power will reduce by £103,000 or 1.2% and this is due to the significant reduction of funding received from New Homes Bonus Grant.

6 Retained Business Rates

- 6.1 Funding retained by the Council from business rates relates to levels of income collectable in year. However, the Government sets a level of business rates that should be collectable by the local authority and then determines how much of this can be retained by the Council based on a formula.
- 6.2 In 2018/19 Epsom & Ewell Borough Council benefitted from being part of the Surrey business rates pilot for the year. The County including Epsom & Ewell Borough Council submitted a separate bid to be a pilot for 2019/20 but were unsuccessful with the application, this means that method for redistribution of business rates will revert back to the national scheme used prior to 2018/19.
- 6.3 The forecast for retained business rates for 2018/19 does not include the benefit of being part of a Surrey Pilot for this year. The financial outcome of this will be available at the end of the year when all Surrey authorities have finalised their position on business rates for the financial year.

- 6.4 It was agreed as being part of the Pilot that all authorities will receive a guaranteed gain of £500,000.
- 6.5 The Financial Plan presented in September originally planned to use £200,000 from the gain from being part of the business rates pilot to offset the impact of negative RSG. As negative RSG has been removed from the settlement for 2019/20 it is recommended that this available funding is set aside to mitigate the future impact of the 'Fair Funding Review'.
- 6.6 The following table shows an overview of central government's calculation for retained business rates and compares that to those included within the 2018/19 budget and the latest forecast.

2018/19	Gov't Baseline £'000	EEBC Budget £'000	EEBC Latest £'000
Rates Collectable	24,912	24,922	24,960
Less: Payable to Government	-12,456	-12,461	-12,480
Less: Payable to SCC	-2,491	-2,492	-2,496
Epsom & Ewell Share (NNDR Baseline)	9,965	9,969	9,984
Less Tariff (Payable to Government)	-8,599	-8,599	-8,599
	1,366	1,370	1,385
Add Grant Funding for Reliefs	0	329	341
EEBC Share of Income prior to Levy	1,366	1,699	1,726
Baseline Funding (Set by Central Gov't)	1,366	1,366	1,366
Estimated growth above baseline	0	333	360
50% Retained	0	166	177
Net Retained Business Rates by EEBC	1,365	1,532	1,543

- 6.7 The latest forecast shows that the Council is expecting to make a surplus of £11,000 on business rates income for 2018/19 when compared to budget. However, the Council's share of retained business rates has been calculated using the National model. Epsom & Ewell Borough Council is part of the Surrey Pilot for 2018/19 which guarantees a gain of at least £500,000 when compared with funding received from the National scheme.
- 6.8 The Business Rates Collection fund carried forward a deficit for 2017/18 of nearly £5 million mainly as a result of increasing the provision for anticipated appeals. The Council's share of this deficit payable in 2019/20 is just under £2 million, funding was set aside last year in the business rates equalisation reserve to fund this payment.

- 6.9 The final funding receivable from retained business rates for 2018/19 will be calculated at the end of the financial year.
- 6.10 The Budget Book currently shows retained business rates income for 2019/20 of £1,409,000 based on provisional business rates income figures.
- 6.11 The updated funding position for 2019/20 based on the NNDR1 increases the level of funding to £1,585,000 due to government funded small business rate relief. This represents an increase in funding of £176,000 compared to that used in the budget book and this increase has enabled a reduction in use of business rates equalisation reserve.
- 6.12 The Panel will note that the safety net threshold for 2019/20 is set at £1,292,000 compared to £1,585,000 used as income in the draft estimates, this limits the exposure of losses to £293,000 next year.

7 New Homes Bonus

- 7.1 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.
- 7.2 The methodology for this grant allocation was changed in 2017/18 by Government which resulted in a significant reduction in funding allocations in 2018/19. Originally the Council received a rolling 6 years of individual allocations; this has been reduced down to 4 years for 2018/19 alongside a further reduction by only awarding funding for growth in homes above the 0.4% per annum baseline.

	2019/20 £'000	2020/21 £'000	2021/22 £'000
2016/17	158		
2017/18	46	46	
2018/19	219	219	219
2019/20	21	21	21
2020/21		21	21
2021/22			21
Projected Grant (based on current scheme)	444	307	282

- 7.3 The provisional payment for 2019/20 is £444,000, which compares to the forecast included within the Financial Plan of £473,000.

- 7.4 The amount of funding available from New Homes Bonus has diminished substantially over the last few years, in 2016/17 the Council received in excess of £2 million. With most of the current award made up from legacy payments there is a strong likelihood that this source funding could reduce even further in the future or be removed altogether as part of the Fair Funding Review.
- 7.5 The Financial Plan presented in September assumed all New Homes Bonus is used to fund services, however, following the removal of 'negative RSG' in the provisional finance settlement, the draft budget for 2019/20 no longer requires any use of New Homes Bonus to finance services.
- 7.6 The updated Financial Plan removes reliance on this as a source of funding for services.

8 Funding Received from Commercial Property Investment Company (EEPIC)

- 8.1 Council agreed on 19th September 2017 to set up a Local Authority Property Investment Trading Company with one of its primary objectives to enable the acquisition of investment properties outside the Borough that will generate additional income for the Council.
- 8.2 Since the inception of the Company (EEPIC), the company has acquired two properties outside the Borough and these are expected to deliver a benefit to the Council's General Fund for 2019/20 of £818,000.
- 8.3 From 01 April 2018, new Statutory Guidance on Local Government Investments was introduced by MHCLG. The new guidance means that future acquisitions that are funded by borrowing and where the intention is purely to profit from the investment, would not meet the requirements of the guidance in terms of borrowing.
- 8.4 The new guidance does not impact on the two out-of-Borough purchases already made through EEPIC in 2017, since they occurred before the new guidance took effect this financial year.

9 Capital Programme and Level of Capital Reserves

- 9.1 The Draft Capital Programme for 2019/20 recommended by FPP in December totalled £1,114,000 with £364,000 of schemes from capital reserves and £100,000 from revenue. If the Programme is to be funded in this way it will reduce the level of uncommitted capital reserves down to £2.8 million by the end of 2019/20.
- 9.2 The Council agreed within its Medium Term Financial Strategy to maintain a minimum level of capital reserves of £1 million.

- 9.3 The updated Financial Plan includes an additional £100,000 of funding each year from revenue over the next six years to provide funding for a sustainable capital programme.

10 Budget Overview

- 10.1 The service estimates, as recommended to the policy committees, are contained in the Budget Book 2019/20.
- 10.2 The Budget Book currently shows no use of working balances and no use of New Homes Bonus grant to fund services.
- 10.3 The Budget Book includes a £100,000 contribution from revenue to assist in the funding of the annual capital programme.
- 10.4 The funding position included within the budget Book does not reflect the financial benefit received from being in the Retained business Rates pilot in 2018/19, as any gain will be set-aside in reserves to mitigate the impact of the 'Fair Funding Review'. The funding position does reflect Government decision to remove the Negative RSG payment of £625,000 within the provisional financial settlement for 2019/20.
- 10.5 There are savings built in to the budget from the Star Chamber exercise carried out in 2015 that were scheduled to be implemented in 2019/20 that still need to be delivered.
- 10.6 The Strategy and Resources Committee budget currently includes a £50,000 general contingency to mitigate any unforeseen costs in implementing changes to services identified as part of the 2019/20 budget process, or due to unforeseen additional expenditure on agreed policies and priorities. This budget reduces the need for services to hold their own individual contingencies.

11 Council Tax Options

- 11.1 As part of the Government provisional settlement for 2019/20 it allowed District Councils to increase their council tax by either £5 per annum (property D equivalent) or up to 3% before needing to hold a referendum.
- 11.2 For financial planning purposes, the Medium Term Financial Strategy and Budget Book include an annual council tax increase of 2.99%, which equates to an additional £5.76 per annum or 11 pence per week for a band D equivalent property.
- 11.3 To the average band 'D' council tax payer (those not receiving discounts or support), the charge for borough services is would increase from £192.60 to £198.36 per property.
- 11.4 For the Council's finances, revenue from council tax provides critical income to pay for services, assisting in replacing funding lost from government revenue support grant and new homes bonus grant.

- 11.5 The Panel may feel it appropriate for options of 0% and 2.99% to be included in the budget report to full Council, as set out in the following table:

Increase	0% Freeze	2.99%
Council Tax (Band D)	£192.60	£198.36
Increase per annum	£0	£5.76
Increase per week	0p	11p
Additional Income Generated 2019/20	£0	£189,000
Adjustment needed to Draft Budget Book	£189,000 Adverse	£0
On-going Income received in Future Years	£0	£189,000

- 11.6 **Annex 1** comprises an overview of the draft budget for 2019/20 showing the impact of different council tax options, with increases shown of 0% and 2.99%.
- 11.7 Surrey County Council's cabinet has proposed a 2.99% council tax increase to help their future funding position. The Surrey County Council and Surrey Police Authority charges (precepts) will be determined early in February.

12 Financial Outlook as a Context for Council Tax, Budget Decisions and Manpower Implications

- 12.1 The Financial Plan 2016-2020 was approved by the Council in February 2016 and contains a detailed four year financial forecast.
- 12.2 The Council's Medium Term Financial Strategy, also approved in February 2016, reflected the public spending figures in central government's four year settlement. The strategy anticipated that savings of £3.2 million will be required between 2016 and 2020.
- 12.3 The four year Plan also assumed the following:-
- The forecast covers existing services plus makes contingencies for government reforms.
 - £500,000 of New Homes Bonus receipts are used to fund revenue services.
 - Council tax charges increase by £5 per annum for a band D property and other charges by 3% per annum.

13 Updated Financial Forecasts 2019/20 to 2028/29

- 13.1 The 2019/20 Budget does not require the use of any of our working balances to achieve a balanced budget.
- 13.2 2019/20 represents the last year of the current Medium Term Financial Strategy and a new Strategy will need to be produced for 2020/21.
- 13.3 An updated 10-year forecast (2019/20 to 2028/29) has been produced that removes the reliance on funding from retained business rates and new homes bonus to finance the running of council services. The position also provides funding for a sustainable capital programme from revenue by the end of 2028/29.
- 13.4 To be able to remove reliance on these external sources of funding the Council will need to deliver additional savings or income of around £2.8 million by the end of 2028/29.
- 13.5 The Government is currently consulting on the Fair Funding and Redistribution of Retained Business Rates and these sources of funding are at risk.

14 Local Government Settlement

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

15 Financial and Manpower Implications

- 15.1 The forecast budget position for 2019/20 is summarised in this report.
- 15.2 The planned transfers to reserves are as follows:-
- 15.3 The revenue budget incorporates £1,845,000 use of the Business Rates Equalisation Reserve to fund the 2017/18 share of deficit as a result of an increase made to the appeals provision;
- 15.4 The draft Capital Programme for 2019/20 recommends using approximately £364,000 of capital reserves and £100,000 of revenue to fund capital schemes.
- 15.5 No use of New Homes Bonus Grant to fund services.
- 15.6 No use of the financial gain from this Council being part of the Surrey Pilot for retained business rates in 2018/19. It is proposed that this funding is set aside to mitigate the potential future impact to the Councils finances of Fair Funding and Redistribution of Business Rates Reviews.
- 15.7 **Chief Finance Officer's comments:** *The financial outlook for 2019/20 is detailed in this report.*

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

- 16.1 There are no specific implications arising from the contents of this report.
- 16.2 *Monitoring Officer's comments: None arising from the contents of the report.*

17 Proposals

- 17.1 It is requested that the Panel provides the Chief Finance Officer with any final guidance needed to finalise the 2019/20 budget and council tax report and specifically on the following proposal:-
- 17.2 The Budget report includes the Council tax options as contained in this report.
- 17.3 Supports the removal of funding from New Home Bonus to fund the running of services.
- 17.4 Supports that £200,000 originally planned to be used from the gain from being part of the business rates pilot for 2018/19 is no longer applied and is set aside to mitigate the future impact of the 'Fair Funding Review'.

18 Conclusion and Recommendations

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

Ward(s) affected: (All Wards);

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BUDGET OVERVIEW FOR 2019/20		<i>figures may be subject to minor rounding errors</i>		
BASED ON SERVICE ESTIMATES RECOMMENDED TO POLICY COMMITTEES <i>(policy committee estimates rounded to £000)</i>				
		2018/19	2019/20	2019/20
Illustrated Council Tax Increase:		£000	£000	£000
Strategy & Resources Committee		2,697	833	833
Environment Committee		1,948	2,189	2,189
Community and Wellbeing		6,017	6,034	6,034
Less: Internal Asset Rents		-2,879	-2,669	-2,669
Policy Committee Net Expenditure		7,783	6,387	6,387
Use of Working Balance		0	189	0
Net Expenditure		7,783	6,198	6,387
Business Rate Income		1,532	1,585	1,585
Revenue Support Grant		0	0	0
Council Tax Surplus		141	80	80
Business Rates Deficit		-180	-1,803	-1,803
Sub-Total		1,493	-138	-138
Council Tax Income		6,290	6,336	6,525
External Funding Income		7,783	6,198	6,387
Council Tax Base (Band D Equiv. Properties) <i>(reduced due to Localisation of Council Tax Support)</i>		32,658.06	32,895.63	32,895.63
Basic Amount of Council Tax		£192.60	£192.60	£198.36
<u>1/9ths</u>	<u>Valuation Band</u>			
6	A	£128.40	£128.40	£132.24
7	B	£149.80	£149.80	£154.28
8	C	£171.20	£171.20	£176.32
9	D	£192.60	£192.60	£198.36
11	E	£235.40	£235.40	£242.44
13	F	£278.20	£278.20	£286.52
15	G	£321.00	£321.00	£330.60
18	H	£385.20	£385.20	£396.72
<u>EPSOM & EWELL BOROUGH COUNCIL - CHANGES</u>				
2018/19 Council Tax at Band D = £192.60				
Increase in Council Tax (per annum)		£0.00	£0.00	£5.76
Increase in Council Tax (%)		0.00%	0.00%	2.99%
Increase in Council Tax (per month)		£0.00	£0.00	£0.48
Increase in Council Tax (per week)		£0.00	£0.00	£0.11
Income Generated from Council Tax Increase		£0	£0	£189,479
Use of Working Balance		£0	£189,000	£0
Equivalent Council Tax support from use of working balance (per Council Tax payer)		£0.00	£5.75	£0.00
<i>Note: Budget Requirement</i>		7,783	6,198	6,387
<i>Change</i>			-1,585	-1,396
<i>% Change in Budget Requirement</i>			-25.6%	-21.9%
<i>Note: Council Tax Requirement</i>		6,290	6,336	6,525
<i>Change (includes tax increase and property number increase)</i>			46	235
<i>% Change in Council Tax Requirement</i>			0.7%	3.6%

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FOUR YEAR BUDGET PROFILES	MTFS		FORECAST								
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
	Budget £000	Budget £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
NET SPEND B/F FROM PREVIOUS YEAR		7,783	6,387	8,802	9,395	9,976	9,998	10,376	10,790	11,260	11,686
add back: Use of New Homes Bonus in Previous Year		500	0	0	0	0	0	0	0	0	0
add back: Interest on Balances as credited to the revenue account in previous year		120	96	130	175	240	270	400	500	500	500
add back: Use of Reserves/Provisions in Previous Year		-475	1,845	0	0	0	0	0	0	0	0
Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)	8,403	7,928	8,328	8,932	9,570	10,216	10,268	10,776	11,290	11,760	12,186
Allowance for Pay and Price Inflation											
General Inflation - price base		+190	+190	+190	+190	+194	+198	+202	+206	+210	+214
General Inflation pay bill base		+292	+400	+408	+416	+424	+433	+442	+450	+459	+469
Other		+51									
Prices Increases net of Increased Fees & Charges		+533	+590	+598	+606	+618	+631	+643	+656	+669	+683
Increases in costs / Reductions in income											
Pension Fund Valuation 2019			+100	+100	+100						
Increase in cost of waste collection		+107									
Resources for staff learning and development		+35									
Transit site		+20									
Change in corporate contingencies		+127									
Provision for business improvement work to increase capacity		+20									
Apprenticeship scheme		+39									
Increase in provision for property maintenance		+50	+50	+50	+50	+50					
Provision for impact on services of latest benefit reforms			+100								
Local elections		+70	-70								
Verge maintenance		+59									
Reduction in savings on Ebbisham Centre		+71									
Community Safety		+36									
Funding of projects within the capital programme		+100	+100	+100	+100	+100	+100	+100	+50		
Health and Wellbeing		+36									
Verge maintenance		+37									
Increases in costs / Reductions in income		+807	+280	+250	+250	+150	+100	+100	+50	+0	+0
Changes to External Funding											
Refuse & Recycling (SCC)											
Loss of Housing Benefit Admin Grant		+25	+24								
Grant funding from DCLG for Local Council Tax Admin Subsidy		+50									
Remove funding from Property Company towards funding capital programme		-115									
Higher Needs		+23									
Changes to External Funding		-17	+24	+0	+0	+0	+0	+0	+0	+0	+0
New Home Bonus											
Estimated New Homes Bonus	-833	-444	-307	-282	-84	-84	-84	-84	-84	-84	-84
Transfer to Corporate Project Reserve	+333	+444	+307	+282	+84	+84	+84	+84	+84	+84	+84
NHB Funding used to support General Fund services	-500	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0
Cost Reduction Plan											
Star Chamber		-406									
Acquisition of Commercial Property		-152									
Base review		-75									
Savings from Leadership Team restructure		-167									
Cost Reduction Plan		-800	+0	+0	+0	+0	+0	+0	+0	+0	+0
Contributions from Reserves/Provisions											
Funding from business rates equalisation reserve of retained business rates income deficit		-1,845									
Reduced contributions to the Property Equalisation Reserve						-500					
		-1,845	+0	+0	+0	-500	+0	+0	+0	+0	+0
Fees and Charges											
Increased yield on discretionary Fees and Charges		-123	-290	-210	-210	-216	-223	-229	-236	-243	-251
		-123	-290	-210	-210	-216	-223	-229	-236	-243	-251
Interest on Balances (excludes interest credited to strategic reserves)											
Average level of investments											
Investments (average)	0	12,000	13,000	14,000	16,000	18,000	20,000	20,000	20,000	20,000	20,000
Interest rate used (supplemented by interest equalisation reserve)	0.80%	0.80%	1.00%	1.25%	1.50%	1.50%	2.00%	2.50%	2.50%	2.50%	2.50%
Total Interest Forecast	-120	-96	-130	-175	-240	-270	-400	-500	-500	-500	-500
Add: Use of interest equalisation reserve	0	0	0	0	0	0	0	0	0	0	0
Interest credited to General Fund to Finance Services	-120	-96	-130	-175	-240	-270	-400	-500	-500	-500	-500
SUMMARY OF FORECASTS											
Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)	8,403	7,928	8,328	8,932	9,570	10,216	10,268	10,776	11,290	11,760	12,186
Price Increases (inflation)		+533	+590	+598	+606	+618	+631	+643	+656	+669	+683
Increases in costs / Reductions in income		+807	+280	+250	+250	+150	+100	+100	+50	+0	+0
Changes to External Funding		-17	+24	+0	+0	+0	+0	+0	+0	+0	+0
NHB Funding used to support General Fund services	-500	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0
Cost Reduction Plan		-800	+0	+0	+0	+0	+0	+0	+0	+0	+0
Contributions from Reserves/Provisions		-1,845	+0	+0	+0	-500	+0	+0	+0	+0	+0
Fees and Charges		-123	-290	-210	-210	-216	-223	-229	-236	-243	-251
Interest credited to General Fund to Finance Services	-120	-96	-130	-175	-240	-270	-400	-500	-500	-500	-500
Forecast Net Cost of Services	7,783	6,387	8,802	9,395	9,976	9,998	10,376	10,790	11,260	11,686	12,118
SETTLEMENT ASSESSMENT FUNDING FORECAST											
RSG	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0
Transitional Grant	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0
Tariff Adjustment	0	0	0	0	0	0	0	0	0	0	0
Retained Business Rates	1,203	983	1,269	1,138	1,004	868	736	600	462	321	178
Small Business Rate Relief Grant	329	602	0	0	0	0	0	0	0	0	0
Localism Relief Grant	0	0	0	0	0	0	0	0	0	0	0
Formula Grant / Business Rate Retention	1,532	1,585	1,269	1,138	1,004	868	736	600	462	321	178
Base Income from Council Tax		6,290	6,525	6,770	7,024	7,287	7,561	7,845	8,140	8,445	8,762
Increase in council tax base		+46	+49	+51	+53	+55	+57	+59	+61	+63	+66
	6,290	6,336	6,574	6,821	7,076	7,342	7,618	7,904	8,201	8,508	8,828
Forecast for increase of 3% in Council Tax income		+189	+196	+203	+211	+219	+227	+236	+244	+254	+263
Council Tax Income Forecast	6,290	6,525	6,770	7,024	7,287	7,561	7,845	8,140	8,445	8,762	9,091
Deficit on Retained Business Rates	-180	-1,803	0	0	0	0	0	0	0	0	0
Collection Fund Surplus	141	80	0	0	0	0	0	0	0	0	0
Assumed Collection Fund Income (Formula Grant + Council Tax)	7,783	6,387	8,039	8,162	8,292	8,429	8,580	8,740	8,907	9,083	9,269
Forecast Budget Shortfall (required use of working balance)	0	0	762	1,233	1,684	1,569	1,796	2,050	2,353	2,602	2,849
GENERAL FUND WORKING BALANCE PROJECTION: AFTER SERVICE COST REDUCTION											
Estimated Working Balance b/f	3,334	3,334	3,334	2,572	1,338	-346	-1,915	-3,711	-5,761	-8,114	-10,716
Resulting Working Balance c/f	3,334	3,334	2,572	1,338	-346	-1,915	-3,711	-5,761	-8,114	-10,716	-13,565
Strategic Reserves (Significant)											
Interest Equalisation	631	631	631	631	631	631	631	631	631	631	631
Insurance	375	350	325	300	275	250	225	200	175	150	125
Property Maintenance	424	349	274	199	124	49	0	0	0	0	0
VAT	319	319	319	319	319	319	319	319	319	319	319
Corporate Projects	2,574	2,718	2,725	2,707	2,491	2,275	2,059	1,843	1,627	1,411	1,195
Business Rates Equalisation	2,180	335	335	335	335	335	335	335	335	335	335
	6,503	4,702	4,609	4,491	4,175	3,859	3,569	3,328	3,087	2,846	2,605
Property Income Equalisation	2,020	2,695	3,370	4,045	4,720	4,895	5,070	5,245	5,420	5,595	5,770
	8,523	7,397	7,979	8,536	8,895	8,754	8,639	8,573	8,507	8,441	8,375
Capital Reserves	3,180	2,920	2,370	1,920	1,570	1,320	1,170	1,120	1,120	1,120	1,120

Potential to transfer some of the interest equalisation to another strategic reserve
 £25k per annum of the insurance reserve is being used to fund revenue budget
 Assumed £75k use of property maintenance reserve per annum for backlog property maintenance works
 No use of VAT reserve anticipated however with a number of property schemes could be needed
 Assumed £300k per annum of corporate projects reserve being used to fund revenue budget/schemes
 The business rates equalisation reserve assumes the NHS is successful in its appeal and the deficit in 2017/18 cleared in 2019/20
 Anticipates that property income equalisation reserve meets the target of 1 year rental income for 5 properties secured with borrowing
 Assumes £700k annual capital programme requiring financing from reserves revenue or capital

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UPDATED EFFICIENCY PLAN - 2018/19 to 2019/20

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Operational efficiencies and income generation	253	237	501	566	1,557
Strategy & Resources Committee					
Reduce hardship fund	5				5
Alternative payroll provision		10			10
Acquisition of investment properties		172	805	152	1,129
Environment Committee					
Introduce Planning Performance Agreements	12				12
Charging to variations to Section 106 Agreements	4				4
Charging for Enabling Officer	2	3			5
Parking income above 6% yield	367				367
Cease sweeping up highway verge cuttings after cutting		52			52
Highways Horticultural Restructure of Team		41			41
Cease additional cuts to highway verges		52			52
Community & Well-Being Committee					
Allotments – introduce water charging	8				8
Allotments – self management			2		2
Extend Housing Act charges	4				4
Cease extended out of hours service	24				24
Reduction in homelessness costs through new properties		75	230		305
Charge for Handyman Service	10				10
Introduce administration charge for Home Improvement Agency service	10				10
Cemeteries increase charges for inscriptions	12				12
Increase of fees in cemetery	11				11
Merging Routecall Service	152				152
Social Centre Review	73				73
Advertising on litter bins	2				2
Review of operation of parks				77	77
Introduce vending in parks			-	5	5
Venues Service Review		52	52		104
Total Identified Savings	949	694	1,590	800	4,033
Unidentified savings Target	-	-	-	-	-
Total Savings Delivered to Achieve Balanced Budget	949	694	1,590	800	4,033

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Minutes of the Meeting of the FINANCIAL POLICY PANEL held on 4 December 2018

PRESENT -

Councillor Eber Kington (Chairman); Councillors Richard Baker, John Beckett (For items 20 - 23), Hannah Dalton, Vince Romagnuolo and Clive Smitheram

Absent: Councillor Omer Kokou-Tchri and Councillor Barry Nash

Officers present: Lee Duffy (Chief Finance Officer), Brendan Bradley (Chief Accountant) and Fiona Cotter (Democratic Services Manager)

20 DECLARATIONS OF INTEREST

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

21 TREASURY MANAGEMENT INTERIM REPORT 2018/19

Prior to receiving a presentation from Nazmin Miah, Associate Director of Link Asset Services, the Panel considered a report that updated members on treasury management performance for the first six months of 2018/19.

It was noted that interest rates continued to be low but it was hoped that these would improve. Whilst Aberdeen Asset Management still consistently produced returns above the benchmark, the Council had reduced its investments in externally managed funds and used the funds for internal borrowing. Internal borrowing helped mitigate the current state of the market.

The presentation covered an update on the legal and regulatory requirements in relation to treasury management, a market update, and the Council's position.

In respect of the legal and regulatory requirements, it was highlighted that these were moving away from a prescriptive approach to allowing a more commercial approach with certain caveats. In particular, the CIPFA Codes issued in 2017 placed an emphasis on monitoring non-treasury activity. In relation to investment property purchases, local authorities were advised to seek legal advice in the light of recent MHCLG statutory guidance and the requirement to produce a Capital Strategy to underpin capital expenditure plans was also highlighted.

In relation to treasury management at the current time, there was still significant uncertainty over the direction of the UK economy, which could lead to market

volatility in the financial sector. Whilst the forecast was for a slow steady increase in interest rates, borrowing was still cheap at current levels: however, the costs of carry remained a key consideration.

In terms of the Council's current position, internal borrowing was saving the Council £500K per annum in interest payable. In terms of the Council's investment portfolio, the Council's counterparties had good credit ratings and all had passed the stress test but the Council needed to appreciate the risks in relation to property funds.

Prior to taking her leave of the meeting, the Chairman thanked Ms. Miah for the presentation and for the support provided to the in-house team.

Accordingly, the Panel noted the performance on return of investments for the first six months of 2018/19 and the current investment decisions being made within the terms set out in the Treasury Management Strategy.

22 CAPITAL PROGRAMME 2019/20

A report was presented to the Panel that summarised the proposed Capital Programme for 2019/20.

It was noted that, with limited capital receipts available to fund investment, there was a clear set of criteria as to how bids were assessed and the Capital Member Group's proposals tried to balance risk by measuring essential investment needs against resource implications. Should additional unavoidable projects arise during the period, schemes would either need to be shelved, assets disposed of to generate additional receipts or a borrowing strategy considered.

Accordingly, the Panel endorsed the advice of the Capital Member Group regarding the submission of the following capital programme to Council for approval in February, subject to the relevant policy committees first approving project appraisals:

- (1) Prioritised schemes totalling £464,000 funded from capital receipts and revenue contributions as follows:
 - Replacement of CRM and Data Warehouse (£306,000)
 - Upgrade of some parking pay and display machines (£43,000)
 - Refurbishment of toilets at Bourne Hall (£40,000)
 - Hope Lodge extension to Car Park (£75,000)
- (2) An additional scheme totalling £650,000 (Mandatory Disabled Facilities Grants) subject to external funding sources (Better Care Fund)

23 FINANCIAL REGULATIONS REVIEW

The Panel received and considered a report that proposed amendments to the Council's Financial Regulations. The regulations formed part of the Council's Constitution and ensured the good governance of the Council's financial affairs.

The rules had been amended to reflect the Council's current organisational structure and references to statutory regulations had been updated as appropriate. In particular, it was highlighted that new authorisation limits were proposed for the use of revenue reserves together with an increase in the threshold at which Committee approval would be required for revenue budget virements. A new provision permitting the Head of Digital and Service Transformation, in conjunction with the Chief Finance Officer, to authorise the write-off of business rates debts where the liable party was subject to insolvency action as prescribed in the Insolvency Act 1986 and the Council was not legally able to continue with recovery action, was welcomed.

Having reviewed the proposed amended regulations, subject to the inclusion of the definition of a "material sum", the Panel recommended the approval of the updated regulations to the Strategy and Resources Committee.

24 S106 AND CIL UPDATE REPORT

The Panel received a report that provided an update on the funds held under Section 106 planning agreements and Community Infrastructure Levy.

The Council currently held funds from Section 106 agreements totalling approximately £2 million. From this balance, £1 million was committed within the capital programme for such items as affordable housing or earmarked for schemes awaiting further approval. Included within this balance was a sum of £103K due to be transferred to Surrey County Council and other organisations as the responsible authority for utilising these funds. The unallocated funds were held within various categories, the lion's share (approximately £600K) being held for affordable housing.

In relation to CIL, the Council currently held approximately £5.4 million, split across three funds. As at 30 September 2018, the Main Fund (80% of CIL) stood at £4,393, the Community Fund (15% of CIL) stood at £847K and 5% (£209K) was held for the administration of the scheme. Taking into account commitments to date, £209K of the Main Fund and £497K of the Community Fund remained unallocated as at 30 September 2018

Accordingly, the Panel noted the current position on:

- (1) S106 funds held by the authority and
- (2) CIL funds held by the authority

25 MINUTES

The Minutes of the Meeting of the Financial Policy Panel held on 11 September 2018 were agreed as a true record and signed by the Chairman.

The meeting began at 6.30 pm and ended at 7.19 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)