

# Public Document Pack



**EPSOM & EWELL**

**TOWN HALL**

**EPSOM**

06 February 2020

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 **THURSDAY, 13TH FEBRUARY, 2020** 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.

A handwritten signature in black ink, appearing to read 'K. Beldan'.

Chief Executive

## Public information

### Information & Assistance:

You are welcome to attend this meeting which is open to the press and public as an observer. You will however be asked to leave before the Council considers any items in the Part II agenda. If you have any specific needs, require assistance or reasonable adjustments to be able to attend the meeting, or need further information please contact Democratic Services, tel: 01372 732122 or [democraticservices@epsom-ewell.gov.uk](mailto:democraticservices@epsom-ewell.gov.uk).

Further information about the Council are available on the [Council's website](#). The website also provides copies of agendas, reports and minutes.

Agendas, reports and minutes for the Council are also available on the free Modern.Gov app for iPad, Android and Windows devices. For further information on how to access information regarding the Council, please email us at [Democraticservices@epsom-ewell.gov.uk](mailto:Democraticservices@epsom-ewell.gov.uk).

### Mobile telephones

Please switch your mobile telephone to silent mode whilst attending the meeting.

### Accessibility:

Please note that the venue for this meeting is wheelchair accessible and has an induction loop to help people who are hearing impaired. This agenda and accompanying reports are published on the Council's website in PDF format compatible with the "read out loud" facility of Adobe Acrobat Reader.

### Filming and recording of meetings:

The Council allows the filming, recording and photographing at its meetings that are open to the public. By entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings. Anyone proposing to film, record or take photographs of a meeting is requested to advise the Democratic Services Officer before the start of the meeting (members of the Press please contact the Press Office). Filming or recording must be overt and persons filming should not move around the meeting room whilst filming nor should they obstruct proceedings or the public from viewing the meeting. The use of flash photography, additional lighting or any non hand held devices, including tripods, will not be allowed unless this has been discussed with the Democratic Services Officer.

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### Security:

Please be aware that you may be subject to bag searches and will be asked to sign in at meetings. Failure to comply with these requirements could mean you are denied access to the meeting. There is also limited seating which is allocated on a first come first serve basis, you should aim to arrive at least 15 minutes before the meeting commences.

### Questions from the Public

Questions from the public are not permitted at meetings of the Council. [Part 4 of the Council's Constitution](#) sets out which Committees are able to receive public questions, and the procedure for doing so.

# COUNCIL

Thursday 13 February 2020

7.30 pm

Council Chamber - Epsom Town Hall

For further information, please contact Democratic Services, tel: 01372 732122 or  
democraticservices@epsom-ewell.gov.uk

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- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building, but move to the assembly point at Dullshot Green and await further instructions; and
- Do not re-enter the building until told that it is safe to do so.

## **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 - 16)**

To confirm the Minutes of the Normal Meeting of the Council held on 18 December 2019, Special Meeting of the Council held on 18 December 2019 and Extraordinary Meeting held on 20 January 2020.

### **3. MAYORAL COMMUNICATIONS/BUSINESS**

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

**4. CHANGES TO MAYORAL BUDGET AND MEMBER ALLOWANCES** (Pages 17 - 36)

This report sets proposals for changes to the Mayoral Budget and also the work undertaken by the Independent Remuneration Panel (IRP) and their recommendations in respect of Special Responsibility Allowances.

**5. EPSOM & EWELL BOROUGH COUNCIL PAY POLICY STATEMENT** (Pages 37 - 52)

This report seeks approval of the draft Epsom & Ewell Borough Council Pay Policy Statement 2020/21.

**6. BUDGET REPORT 2020-21** (Pages 53 - 218)

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

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

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



## EPSOM AND EWELL

### Minutes of the Meeting of the COUNCIL of the BOROUGH OF EPSOM AND EWELL held at the The Town Hall, The Parade, Epsom on 18 December 2019

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#### PRESENT -

The Mayor (Councillor John Beckett); The Deputy Mayor (Councillor Humphrey Reynolds); Councillors Arthur Abdulin, Steve Bridger, Kate Chinn, Christine Cleveland, Alex Coley, Nigel Collin, Neil Dallen, Robert Foote, Chris Frost, Liz Frost, Bernice Froud, Rob Geleit, Luke Giles, Christine Howells, Previn Jagutpal, Colin Keane, Eber Kington, Jan Mason, Steven McCormick, Lucie McIntyre, Debbie Monksfield, Julie Morris, Bernie Muir, Barry Nash, Phil Neale, David Reeve, Guy Robbins, Clive Smitheram, Alan Sursham, Chris Webb and Clive Woodbridge

Absent: Councillors David Gulland, Monica Coleman, Hannah Dalton, Peter O'Donovan and Peter Webb

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

#### 19 DECLARATIONS OF INTEREST

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

#### 20 MINUTES

The Minutes of the meeting of the Council held on 23 July 2019 were agreed as a true record and signed by the Mayor.

#### 21 MAYORAL COMMUNICATIONS/BUSINESS

The Mayor announced the sad passing of Jimmy Upton who was a former Mayor and Cuddington RA Councillor for over 20 years. The Council observed a minute's silence.

The Mayor made a number of announcements relating to noteworthy events over the past four months and to forthcoming charity events.

An apology was received from Councillor Muir regarding comments made at the Annual Meeting. The Mayor accepted the apology.

## 22 CHAIRMEN'S STATEMENTS

The Council received written statements from the Chairmen of Strategy & Resources, Community and Wellbeing Committee and the Environment & Safe Communities Committee.

Four questions were asked relating to the statement from the Community and Wellbeing Committee and responded to by the Committee Chairman.

## 23 PETITION FOR COUNCIL DEBATE

Council received a petition, entitled "Planning strategy in light of the governments housing building targets" which had met the threshold for Council debate (receiving a total of 1,815 valid signatures) and had been accepted under the requirements of the Council's Petition Scheme. Details of the Petition were set out at Annex 1 to the report.

In line with the Council's general rules of debate and the Petition Scheme, the petition organiser was given 5 minutes to present the petition and Chairman of Licensing & Planning Policy Committee responded to the Petition.

The meeting was then opened to debate and concluded with a final reply from the Chairman of Licensing & Planning Policy Committee.

## 24 QUESTIONS FROM MEMBERS

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

Four supplementary questions were asked at the meeting and answers given by the relevant Committee Chairmen.

## 25 EPSOM & EWELL BOROUGH COUNCIL PENSIONS DISCRETIONS POLICY

Council received a report from the Head of HR and Organisational Development requesting approval for the Pension Discretions Policy required under the Local Government Pensions Regulations. The draft Pensions Discretion Policy had been considered by the Strategy & Resources Committee in November 2019.

Councillor Eber Kington **MOVED** the recommendation in the report.

Upon being put the recommendation was **CARRIED**, 30 being in favour and 2 against.

Accordingly it was resolved that:

- (1) **Council approved the Pension Discretions Policy at Annex 1**

**26** CONSTITUTION UPDATE -REVISIONS TO PARTS 1, 2 AND 4

Council received a report from the Chief Legal Officer setting out the recommendations of the Standards Committee regarding proposed changes to Parts 1, 2, 3 and 4 of the Council's Constitution.

Councillor Liz Frost **MOVED** the recommendation in the report.

Upon being put the recommendation was **CARRIED**, 31 being in favour and 1 against.

Accordingly it was resolved that:

**Council approved:**

- (1) Revisions to Parts 1, 2 and 4 of the Constitution as set out in Annex 1;
- (2) **Delegated the authority to the Monitoring Officer to make any further changes as may be necessary arising out of the report in consultation with the Chair of the Standards Committee**

**27** POLLING STATIONS REVIEW 2019

Council received a report from the Chief Legal Officer setting out the recommendations from Strategy and Resources Committee for proposed changes following the conclusion of the Polling Places and Districts Review.

Councillor Eber Kington **MOVED** the recommendation in the report.

Upon being put the recommendation was **CARRIED** unanimously

Accordingly it was resolved that:

**Council:**

- (1) **Approved the changes to location of the polling places and districts as set out at para 3.1 of the report for a five year period from 1 January 2020, or until it is superseded by any subsequent review of any polling place or district;**
- (2) **Delegated the Chief Executive any ongoing review or change of polling places during this period, to ensure that polling arrangements in the Borough remain fit for purpose for each election called.**

**28** CALENDAR OF MEETINGS 2020-2021

Council received a report setting out the proposed extended Municipal Calendar for 2020-2021.

Councillor Eber Kington **MOVED** the recommendation in the report.

Councillor Clive Smitheram **SECONDED** the recommendation in the report.

Upon being put the recommendation was **CARRIED**, 29 being in favour and 3 abstentions, subject to a further report being brought to Council in April 2020 setting out the reasons for a 7pm start time for Planning Committee and Licensing & Planning Policy Committee.

Accordingly it was resolved that:

**(1) Council approved the Municipal Calendar for 2020-2021.**

## 29 MOTIONS

### **Motion 1: “Local Electricity Bill”**

This motion was withdrawn prior to the meeting by proposer Councillor Julie Morris

### **Motion 2: “Contribution to Emily Davison Memorial Statue”**

In pursuance of the Council’s Rules of Procedure, Councillor Kate Chinn **MOVED** and Councillor Debbie Monksfield **SECONDED** the following Motion:

*“I am sure we all know Epsom saw one of the most significant events of women’s suffrage take place when on the 4 June 1913 Emily Davison was fatally injured at the Epsom Derby under the hooves of the king’s horse.*

*I propose this Council notes the importance of commemorating that event, the significance of the suffragette movement and the role played by Emily Davison. In recognition of this the Council approves a further contribution of £20,000 to enable the statue to be erected in the newly refurbished market square.”*

An amendment to the motion was **MOVED** by Councillor Eber Kington and **SECONDED** by Councillor Barry Nash:

To amend the motions as follows:

~~*I am sure we all know. Epsom saw one of the most significant events of women’s suffrage take place when on the 4th June 1913 Emily Davison was fatally injured at the Epsom Derby under the hooves of the king’s horse. I propose This Council notes the importance of commemorating that event, the significance of the suffragette movement and the role played by Emily Davison. In recognition of this the council approves a further contribution*~~ ***has set aside up to £20,000 to support the project and has continued to encourage local and national funding support to enable the statue to be erected in the newly refurbished market square. The Council therefore calls upon all those with an interest in promoting the heritage and economy of our borough and of the town centre to add their funding support so as to ensure that the funding target is reached in early 2020.***

Upon being put the amendment was **CARRIED** and became the substantive motion.



Following resolution of the amendment the substantive motion was debated and put to a vote.

Upon being put, the motion was **CARRIED** with 32 being in favour, 3 against, 1 abstention, and the Mayor not voting

Accordingly, the Council resolved:

*Epsom saw one of the most significant events of women's suffrage take place when on the 4th June 1913 Emily Davison was fatally injured at the Epsom Derby under the hooves of the king's horse. This Council notes the importance of commemorating that event, the significance of the suffragette movement and the role played by Emily Davison. In recognition of this the council has set aside up to £20,000 to support the project and has continued to encourage local and national funding support to enable the statue to be erected in the newly refurbished market square. The Council therefore calls upon all those with an interest in promoting the heritage and economy of our borough and of the town centre to add their funding support so as to ensure that the funding target is reached in early 2020.*

The meeting began at 7.30 pm and ended at 9.20 pm

COUNCILLOR JOHN BECKETT  
MAYOR

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## EPSOM AND EWELL

### Minutes of the Meeting of the COUNCIL of the BOROUGH OF EPSOM AND EWELL held at the The Town Hall, The Parade, Epsom on 18 December 2019

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#### PRESENT -

The Mayor (Councillor John Beckett); The Deputy Mayor (Councillor Humphrey Reynolds); Councillors Arthur Abdulin, Steve Bridger, Christine Cleveland, Alex Coley, Nigel Collin, Neil Dallen, Robert Foote, Chris Frost, Liz Frost, Bernice Froud, Luke Giles, Christine Howells, Previn Jagutpal, Colin Keane, Eber Kington, Jan Mason, Steven McCormick, Lucie McIntyre, Julie Morris, Bernie Muir, Barry Nash, Phil Neale, David Reeve, Guy Robbins, Clive Smitheram, Alan Sursham, Chris Webb and Clive Woodbridge

Absent: Councillors Kate Chinn, Monica Coleman, Hannah Dalton, Rob Geleit, David Gulland, Debbie Monksfield, Peter O'Donovan and Peter Webb

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

#### 30 DECLARATIONS OF INTEREST

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

#### 31 HONORARY ALDERMAN

In accordance with the provisions of Section 249 of the Local Government Act 1972 the Council considered, the conferment of the title of Honorary Alderman.

It was **MOVED** by Councillor Eber Kington that:

"The title of Honorary Alderman of the Borough of Epsom and Ewell be conferred upon former Councillor Jean Steer."

**RESOLVED** (unanimously)

To confer the title of Honorary Alderman on former Councillor Jean Steer in recognition of her eminent service to the Borough.

The meeting began at 9.20 pm and ended at 9.25 pm

COUNCILLOR JOHN BECKETT  
MAYOR



## EPSOM AND EWELL

### Minutes of the Extraordinary Meeting of the COUNCIL of the BOROUGH OF EPSOM AND EWELL held at the The Town Hall, The Parade, Epsom on 20 January 2020

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#### PRESENT -

The Mayor (Councillor John Beckett); The Deputy Mayor (Councillor Humphrey Reynolds); Councillors Arthur Abdulin, Steve Bridger, Kate Chinn, Christine Cleveland, Monica Coleman, Alex Coley, Nigel Collin, Neil Dallen, Hannah Dalton, Robert Foote, Chris Frost, Liz Frost, Bernice Froud, David Gulland, Christine Howells, Previn Jagutpal, Colin Keane, Eber Kington, Jan Mason, Steven McCormick, Lucie McIntyre, Debbie Monksfield, Julie Morris, Bernie Muir, Phil Neale, Peter O'Donovan, David Reeve, Guy Robbins, Clive Smitheram, Alan Sursham, Chris Webb and Clive Woodbridge

Absent: Councillors Rob Geleit, Luke Giles, Barry Nash and Peter Webb

#### 32 DECLARATIONS OF INTEREST

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

#### 33 CLIMATE CHANGE ACTION PLAN

Council received a report presenting the recommendations of the Environment and Safe Communities Committee with regard to the adoption of a commitment and action plan to tackle climate change.

Councillor Neil Dallen **MOVED** the recommendations in the report.

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

Accordingly, it was resolved that Council agreed:

- (1) **The adoption of the climate change target of the year 2035 for the Council's operations to be net carbon neutral;**
- (2) **The adoption of the Climate Change Action Plan set out in Annex 1 to the report;**

- (3) **To delegate to the Chairman of the Environment and Safe Communities Committee, action to make representations to Government to provide local authorities with the powers and resources necessary to address climate change in their local area.**

**34 LONG-TERM VISION FOR EPSOM AND EWELL**

Council received a report presenting the recommendations of the Strategy and Resources Committee with regard to the approval of the 'Our Vision Epsom and Ewell' document.

Councillor Eber Kington **MOVED** the recommendations in the report.

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

Accordingly, it was resolved that Council:

- (1) **Agreed the 'Our Vision Epsom and Ewell' document, attached at Annex 1 to the report;**
- (2) **Delegated to the Chief Executive and Chief Operating Officer in consultation with the Chairman of Strategy and Resources any final design or minor drafting changes to the Vision document before its publication;**
- (3) **Endorsed officers seeking opportunities to engage with partner organisations, from the public, private and voluntary sectors, oversee delivery of the Council's Vision.**

**35 FOUR YEAR PLAN 2020 - 2024**

Council received a report presenting the recommendations of the Strategy and Resources Committee with regard to the adoption of the 'Our Vision Epsom and Ewell' document.

Councillor Eber Kington **MOVED** the recommendation in the report.

Upon being put, the recommendations were **CARRIED** with 31 being in favour, 2 abstaining and the Mayor not voting.

Accordingly, it was resolved that Council:

- (1) **Agreed to adopt the Four Year Plan 2020-2024, attached at Annex 1 to the report, as the Council's corporate plan.**

**36 CONSTITUTION REVIEW: PLANNING CODE OF PRACTICE**

Council received a report presenting the recommendations of the Standards Committee with regard to the revision of Part 5, Section of 8 of the Constitution and the adoption of a new Planning Code of Practice.

Councillor Liz Frost **MOVED** the recommendation in the report.

An amendment to the Motion was MOVED by Councillor Eber Kington and SECONDED by Councillor Guy Robbins:

- To amend the Planning Code of Practice to remove the guidance note under paragraph 3.7 of Annex 1 to the report, namely that the following wording would be deleted: “Note to Members: Members should take great care to ensure that they have declared if they have been approached by any party during the ‘declaration of interests’ item.”

Upon being put, this amendment was CARRIED with 22 being in favour, 6 against, 5 abstaining and the Mayor not voting.

Following resolution of the amendment, the substantive motion was debated. The following matter was considered during debate:

- a) **Arrangements for public speaking.** Council debated the proposed changes to public speaking arrangements for meetings of the Planning Committee. A number of views were expressed, including concerns that the proposed registration period might not be accessible for some interested parties, and that greater flexibility might be required for large applications. The Chairman of the Standards Committee responded to these concerns by highlighting to Council that the proposed arrangements provided a broader registration period than the 1 hour currently available, and increased the number of speakers wishing to speak in objection to an application from 1 to 2.

Following this debate, the substantive motion was put to a vote.

Upon being put, the Motion was LOST with 6 being in favour, 24 against, 3 abstaining and the Mayor not voting.

The meeting began at 8.00 pm and ended at 9.25 pm

COUNCILLOR JOHN BECKETT  
MAYOR

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## CHANGES TO MAYORAL BUDGET AND MEMBER ALLOWANCES

<b>Head of Service/Contact:</b>	Amardip Healy, Chief Legal Officer
<b>Urgent Decision?(no)</b>	No
<b>If yes, reason urgent decision required:</b>	
<b>Annexes/Appendices (attached):</b>	<b>Annex 1</b> – Report by Independent Remuneration Panel <b>Annex 2</b> - Questionnaire on Members' Special Responsibility Allowances and Summary of Responses <b>Annex 3</b> - IRP'S Recommendations
<b>Other available papers (not attached):</b>	Report to Council 12 <sup>th</sup> December 2017

### Report summary

This report sets proposals for changes to the Mayoral Budget and also the work undertaken by the Independent Remuneration Panel (IRP) and their recommendations in respect of Special Responsibility Allowances.

### Recommendation (s)

#### That Council:

- (1) agrees to increase the Mayoral Budget to £9,627 in 2019/20, with subsequent annual increases linked to CPI inflation;
- (2) notes the report and recommendations of the IRP;
- (3) agrees a Member should receive more than one Special Responsibility Allowance if they qualify for more than one such allowance;
- (4) agrees the Chairman/ Chair of the Standards Committee should receive a Special Responsibility Allowance equivalent to 10% of the Basic Allowance;
- (5) agrees the Chairman of the Majority Group should receive an Special Responsibility Allowance equivalent to 100% of the Basic Allowance;

- (6) agrees all Vice Chairmen/Chairs (including the Vice Chairman/Chair of the Planning Committee) should receive 50% of what their respective Chairmen receive.**

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

- 1.1 It is important for Councillors to receive an appropriate level of allowance to assist them support the Council's vision of making Epsom & Ewell an excellent place to live and work.

**2 Background**

- 2.1 The Mayoral Budget falls outside the members' allowances scheme. Since 2010/11, the Mayoral Budget has remained at £9,401 per annum.

- 2.2 The Council is required, under the Local Authorities (Members' Allowances) (England) Regulations 2003, to establish and maintain an Independent Remuneration Panel (IRP) to review and make recommendations to the Council on the range and levels of remuneration for elected Members. The report of the Panel has been prepared in accordance with those regulations, to enable the Council to meet its statutory responsibilities when reviewing and amending its allowances.

- 2.3 The Council comprises 38 elected Members as follows:

- 32 Residents' Association Members - this Political Group forms the Council's Administration. The Group's Chairman is Councillor Clive Smitheram he is also the Leader of the Council;
- 3 Labour Members - the Group Leader is Councillor Kate Chinn;
- 2 Liberal Democrat Members - the Group Leader is Councillor Julie Morris;
- 1 Conservative Member (The Conservative group cannot be constituted as a Political Group under the Local Government Act 1989 as it comprises fewer than two Members).

- 2.4 Epsom & Ewell's Members' Allowances Scheme (referred to as 'the Scheme') was last reviewed by the Epsom & Ewell Panel in December 2017. The key recommendations were:

- a Basic Allowance for Councillors for 2018/19 of £3,861
- Leaders of a Minority Group receive an SRA of £200 plus £50 per group member providing that there are at least six members in the Group;

- Leader of the Majority Group receive an SRA of 70% of the Basic allowance;
- The SRA for the Chairman of Nonsuch JMC should be withdrawn;
- The SRA for the Independent Person be replaced with a daily amount of £250; and
- Only one SRA be payable to any Councillor.

2.5 The Council considered the Panel's report on the 12<sup>th</sup> December 2017 and resolved to:

- Not accept the uplift in Basic Allowance;
- Not accept the Leader of Minority Group SRA amendments;
- Accept the Leader of the Majority Group amendment;
- Accept the withdrawal of SRA for the Chairman of Nonsuch JMC;
- Accept the amendment to the Independent Person's SRA: and
- Accept the limit of one SRA per Councillor.

2.6 Following implementation, a number of anomalies and disparities have been raised. To consider these, a new Independent Remuneration Panel (IRP) was set up in the autumn of 2019. The purpose of part of this report is to consider the recommendations made by the Panel to Special Responsibility Allowances.

### 3 The Proposals

#### Mayoral Budget

3.1 The Mayoral Budget has remained at £9,401 per annum since 2010/11. To ensure the budget remains sufficient for the Mayor to fulfil civic responsibilities, it is proposed to increase the budget by inflation each year, using the preceding September CPI figure. For 2019/20, the budget would increase by 2.4% to £9,627, and for 2020/21 by a further 1.7% to £9,790.

#### IRP recommendations

3.2 The IRP considered the following issues:

- **Receipt of one SRA only.** To consider the current position whereby an individual councillor may only receive one Special Responsibility Allowance (SRA) if they undertake more than one role that would attract an SRA;

- **Licensing (Hearing) Sub-Committee Members' SRA:** Planning Committee members receive an SRA due to the frequency of meetings and large volume of committee papers requiring considerable preparation. However, Licensing (Hearing) Sub-Committee members, whose sittings can last most of the day and for which the papers can be lengthy, do not receive an SRA;
- **IT provision.** Whether (following the removal of the phone, broadband and computer allowance) the provision of a tablet and a one-off compensatory allowance is sufficient;
- **Standards Committee SRA:** The Standards Committee Chairman/Chair does not receive an SRA;
- **Majority Group Chairman's SRA:** The level of the Majority Group Chairman's SRA, bearing in mind the additional hours, responsibility and wider representative role that attaches to this post;
- **Vice Chairmen/Chairs SRA:** to consider whether or not an SRA should be recommended for Vice Chairmen/Chairs of Policy Committees.

### **IRP's Considerations**

- 3.3 The IRP had their initial meeting on 5<sup>th</sup> August. They considered that they would like to receive the views of councillors on the various issues and designed a questionnaire. This was despatched to all councillors on 14<sup>th</sup> August with a deadline for submission of 4<sup>th</sup> September.
- 3.4 Twenty-five responses were received. The IRP convened a meeting on Mon 9<sup>th</sup> September to discuss the submissions and invited councillors to attend and submit their views in person. A number of councillors did attend and their views were noted by the Panel.
- 3.5 It was clear from the responses that there was a further issue causing concern, namely whether Vice Chairmen/Chairs should receive an SRA. The Panel therefore asked Chairs and Vice Chairs to submit a diary for a month so that they could consider if an SRA was appropriate and if so, to quantify it.
- 3.6 The Panel considered these diaries at a meeting on 5<sup>th</sup> December and has now compiled its report and recommendations which can be found at Annex 1. This report sets out the IRP's recommendations on the above matters. The report also comments on issues which fell outside the terms of reference set out in paragraphs 3.2 and 3.4 above, but which were raised by Members in the course of the review.
- 3.7 In light of the evidence received, the Panel concluded that there should be no SRA for members of the Licensing (Hearing) Sub-Committee or one for all members in respect of IT provision.

- 3.8 The IRP recommendations broadly break down as follows:
- 3.8.1 a Member should receive more than one SRA if they qualify for more than one. Funding all SRAs is within the current and proposed scheme. The cost is dependent on committee allocations and therefore can vary from year to year;
  - 3.8.2 the Chairman of the Standards Committee should receive an SRA equivalent to 10% of the Basic Allowance - this would cost £400 per annum;
  - 3.8.3 the Chairman of the Majority Group should receive an SRA equivalent to 100% of the Basic Allowance - this would cost £1,000;
  - 3.8.4 all Policy Committee Vice Chairmen/Chairs (including the Vice Chairman of the Planning Committee) should receive 50% of what their respective Chairmen/Chair receive.

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

- 4.1 Approving the mayoral budget increase will result in a further annual cost of £226, with future increases linked to CPI inflation.
- 4.2 Should all of the changes to members' allowances be approved, this will result in an additional annual cost of £8,500. The cost of approving each individual recommendation is shown above at paragraph 3.8.
- 4.3 **Chief Finance Officer's comments:** Any increase in member special responsibility allowances will need to be met from within existing resources. Therefore, if members are minded to approve the suggested increase, it is recommended that the funding of up to £8,500 can be accommodated from within the proposed 20/21 budget, with the availability of funds identified from the corporate review contingency.

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

- 5.1 None arising from the content of this report.
- 5.2 **Monitoring Officer's comments:** None arising from the content of this report.

#### **6. Sustainability Policy and Community Safety Implications**

- 6.1 None arising from the content of this report.

#### **7. Partnerships**

- 7.1 No implications arise from the content of this report.

#### **8. Risk Assessment**

- 8.1 There are no risks arising from the content of this report.

**9. Conclusion and Recommendations**

- 9.1 The Mayoral Budget has not been reviewed for nearly ten years nor has it benefitted from inflation increases. The recommendation addresses this anomaly, by linking the Mayoral Budget to the inflation index used for Member Allowances.
- 9.2 The IRP reviewed various anomalies within the Members Allowance Scheme. Through the questionnaires, meetings and diaries, it has concluded that the Scheme should be amended in line with its recommendations to better serve the current needs of the Council and to recognise the work undertaken by various Councillors.

**Ward(s) affected:** (All Wards);

## Independent Review Panel 2019

### Members' Special Responsibility Allowances (SRA)

#### Epsom and Ewell Borough Council

#### Background and Scope of the Report

1. The Council is required, under the Local Authorities (Members' Allowances) (England) Regulations 2003, to establish and maintain an Independent Remuneration Panel (IRP/Panel) to review and make recommendations to the Council on the range and levels of remuneration for elected Members. This report has been prepared in accordance with those regulations, to enable the Council to meet its statutory responsibilities when reviewing and amending its allowances.
2. The IRP was asked, in August 2019, to undertake a review of members' allowances. The scope of that review included:-
  - **Receipt of one SRA only.** To consider the current position whereby an individual councillor may only receive one Special Responsibility Allowance (SRA) if they undertake more than one role that would attract an SRA;
  - **Licensing (Hearing) Sub-Committee members' SRA.** Planning Committee members receive an SRA due to the frequency of meetings and large volume of committee papers requiring considerable preparation. However, Licensing (Hearing) Sub-Committee members, whose sittings can last most of the day and for which the papers can be lengthy, do not receive an SRA;
  - **IT provision.** Whether (following the removal of the phone, broadband and computer allowance) the provision of a tablet and a one-off compensatory allowance is sufficient;
  - **Standards Committee SRA.** The Standards Committee Chairman does not receive an SRA;
  - **Majority Group Chairman's SRA.** The level of the Majority Group Chairman's SRA, bearing in mind the additional hours, responsibility and wider representative role that attaches to this post.
3. In October 2019, the IRP was asked to consider whether or not an SRA should be recommended for Vice Chairmen.
4. This report sets out the IRP's recommendations on the above matters. The report also comments on issues which fell outside the terms of reference set out in paragraphs 2 and 3 above, but which were raised by Members in the course of our review.

#### Membership of the Panel

5. The IRP comprises:

Liz Lawrence

Lynne Martin

Shaun Mundy

6. Each Panel member has considerable experience of leadership and management roles within the public sector. None has previously been a member of Epsom and Ewell's IRP.

### **Acknowledgements**

7. Panel members would like to express their appreciation to officers Clive Moore and Alex Awoyomi for the excellent support which they have provided during this review.

### **Guiding principles**

8. In developing its recommendations, the Panel adopted the following guiding principles:
  - Relativities between different SRAs should, so far as practicable, reflect the breadth of the role and the time required to undertake it.
  - SRAs should be of a sufficient level that they should allow most Members to consider taking on a role without suffering undue financial hardship, while not being at such a level that allowances would become a primary reason for seeking a role.
  - SRAs should (where relevant) reflect career progression within the roles undertaken by Members.
  - A proportion of Members' time should be regarded as voluntary (public service discount).
  - The cost of the SRAs should be affordable.
  - The scheme should be transparent – including to residents – simple and easy to administer.
9. The criteria set out above do not necessarily all point in the same direction. In particular, there may well be a conflict between affordability and some of the other criteria.

### **Methodology**

10. The IRP developed a questionnaire, which addressed the five issues on which the Panel had initially been asked to make recommendations. It also invited Members to provide any other comments. The Interim Solicitor sent the questionnaire to all Members, with a covering letter, on 14 August.
11. The Interim Solicitor's letter invited Members to submit any observations to him by 5 September and gave Members the opportunity to meet the IRP on 9 September. The IRP received responses from 25 out of the 38 Members; and four Members discussed their responses with the IRP.
12. Appendix A provides a copy of the questionnaire, together with a summary of the written responses received.



13. At the Panel's request, the Interim Solicitor wrote to Chairmen and Vice Chairmen on 31 October to ask them:
- To keep a diary for the month of November and note, on a daily basis, the length of time spent on Chair / Vice Chair duties.
  - To provide any comments, in addition to those they might have provided in response to the Interim Solicitor's letter of 14 August, about whether Vice Chairmen (for those Committees for which the Chair receives an allowance) should receive an allowance.

## Recommendations

### Overall level of SRAs

14. The questionnaire asked for Members' views on whether the overall level of SRAs (which currently total about £27,000 per year) should remain about the same, be increased or be reduced. Opinion was evenly divided among Members between the first two options, with eleven Members indicating support for each of those options, while one Member said that the overall level should be reduced. The Member responses and additional comments lead the Panel to conclude that Members consider that any increase in the total amount of SRAs which are payable should be modest.
15. The Panel does not consider it appropriate to reach its own view on affordability, as this is the role of Members. **In drawing up recommendations on the five issues which the Panel was invited to address, the Panel has proceeded on the assumption that any overall increase in costs should be modest.**

### Should a Member receive more than one SRA if they qualify for more than one?

16. 15 respondents to the questionnaire said “yes” and 10 said “no”.
17. Members currently cannot be paid for more than one SRA, even if they would otherwise qualify for more than one. The Panel understands that this limitation may have been introduced in order to discourage the appointment of any Member to more than one key post (e.g. to be Chairman of more than one Committee which attracts an SRA) and instead to encourage the sharing out of these positions. However, the Panel does not consider it equitable for a Member to be limited to only one SRA – except that the Chairman of the Planning Committee should not also receive an allowance as a member of that Committee. The Panel considers instead that a Member who (for example) chairs more than one Committee, or who is a member of the Planning Committee as well as being a Chairman, should receive an SRA for each of those roles.
18. The Panel takes the view that if it is a policy objective to seek to avoid appointing any one Member to more than one key post, this should be achieved by more direct means – including through the process of selecting Members to positions which attract an SRA; and through providing training, coaching and development opportunities to Members who are not currently Chairmen or Vice Chairmen, but who would be interested in potentially putting themselves forward for such roles in future.
19. **The Panel recommends that a Member should receive more than one SRA if they qualify for more than one.**

Does the Council's provision of a tablet together with the current level of Basic Allowance make adequate provision for the use of phones, broadband, other IT costs and printing?

20. 12 respondents to the questionnaire said "yes" and 13 said "no".
21. Among the comments were that: it is not possible to print or to prepare documents such as letters from a tablet; some Members may use a family laptop, in which case it is not appropriate to download sensitive documents onto a shared laptop; there should be more provision (such as additional printers) for Members in the Members' room. It was suggested that there should be a significant revamp of the Council's IT to reflect value and practical solutions for Members.
22. The Panel assumes that some Members will already have a phone, broadband, a laptop and printer for their personal use. For them, any extra costs associated with their responsibilities as a Member are likely to be limited to the costs of using the equipment (for example, the costs of any phone calls which are not free of charge and ink cartridges for a printer – and possibly costs associated with having to replace an item earlier than would otherwise have been the case). So, any additional allowance payable to Members generally is likely to over-compensate these Members, while probably under-compensating those Members who do not currently have access to relevant equipment.
23. It is beyond the remit of the IRP to advise on how the Council could achieve such access; but, for example, if it were to be concluded that the provision of a tablet is not sufficient to meet Member' needs, consideration should be given to alternative solutions.
24. The Panel notes that its predecessor IRP recommended that the IT allowance should be subsumed within the general allowances for Members. The current Panel endorses that recommendation.
- 25. The Panel recommends that the Basic Allowance should not be increased to cover costs associated with the use of phones, broadband, other IT costs and printing. The Panel suggests that – if the Council were to conclude that current arrangements are inadequate – more direct arrangements are made to give Members access to the necessary equipment.**

Should the Chairman of the Standards Committee be given an SRA?

26. 14 respondents to the questionnaire said "yes" and 11 said "no".
27. The Panel considers that it is anomalous that the Chairman of the Standards Committee, unlike the Chairs of other Committees and Panels, is not eligible for an allowance. A number of Members pointed out that the workload tends to be very light, compared with Chairmen of other Committees/Panels, and that the actual workload could vary significantly from year to year. Some Members accordingly suggested that the Chairman of the Standards Committee should receive a daily allowance, rather than a fixed sum. While the Panel sees merit in that suggestion, it considers, on balance, that the administration of a system involving daily payments for work undertaken is liable to consume undue administrative effort. It recommends instead that the Committee Chairman should receive a small fixed allowance.
- 28. The Panel recommends that the Chairman of the Standards Committee should receive an SRA equivalent to 10% of the Basic Allowance.**

Should Licensing (Hearing) Sub-Committee members receive an SRA?

29. 14 respondents to the questionnaire said “yes” and 11 said “no”.
30. The Panel has received mixed responses on whether or not Licensing (Hearing) Sub-Committee members face equivalent workloads to Planning Committee members. The Panel has not received compelling evidence that the workload of Licensing (Hearing) Sub-Committee members is as great as that of Planning Committee members and is therefore unpersuaded that this is the case. The Panel has considered whether it should recommend that Licensing (Hearing) Sub-Committee members should receive an allowance which is lower than Planning Committee members, but is not attracted to the ad hoc introduction of another tier of allowances.
- 31. The Panel recommends that Licensing (Hearing) Sub-Committee members should not receive an SRA.**

Is the level of SRA for the Chairman of the Majority Group sufficient?

32. 9 respondents to the questionnaire said “yes” and 16 said “no”.
33. It seems to be common ground among Members that Chairmanship of the Majority Group involves a substantial workload. While the Panel has not carried out research to determine precisely what this workload amounts to, it is satisfied that this is at least the equivalent to that of the Chair of the Strategy & Resources Committee and the Chair of the Planning Committee – each of whom is entitled to an SRA equivalent to 100% of the Basic Allowance (compared with the SRA payable to the Chairman of the Majority Group which is equivalent to 70% of the Basic Allowance). The Panel therefore considers that it would be reasonable to increase the SRA for the Chairman of the Majority Group to 100% of the Basic Allowance.
- 34. The Panel recommends that the Chairman of the Majority Group should receive an SRA equivalent to 100% of the Basic Allowance.**

Should Vice Chairmen receive an SRA?

35. In response to the questionnaire issued by the Interim Solicitor on 14 August, the Panel received strong representations that Vice Chairmen of policy Committees – in particular, where those Vice Chairmen take lead responsibility for specific substantial issues and undertake associated representational roles – should receive an SRA. The Chief Executive subsequently asked the Panel to consider this issue.
36. The diaries for November which were submitted by Chairmen and Vice Chairmen of Committees showed a wide disparity in the reported ratios of the hours put in by the Vice Chairman of a Committee compared with the Chairman of that same Committee. For one Committee, the Vice Chairman reported very little work compared with over 20 hours reported by the Chairman (so the ratio was close to zero); and in the case of another Committee, the reported ratio was around 75%. For the two other Committees where both the Chairman and Vice Chairman submitted diaries, the ratio was a little over 50%.
37. The Panel recognises that the workloads in any particular month will be affected by a range of factors and that there will be no month which can be viewed as typical across all Chairmen and Vice Chairmen. Nevertheless, it takes the view that the diaries which were submitted provide compelling evidence that Vice Chairmen undertake a substantial volume of work in their capacity as Vice Chairmen. The Committee therefore considers that Vice Chairmen ought to receive an allowance.

38. The Panel does not consider it appropriate to seek to differentiate between different Committees as regards the ratio of allowance between the Chairman and Vice Chairman, since this would imply a degree of precision which, in the Panel's view, is not justifiable on the basis of the limited data it has available. Instead, it recommends that a Vice Chairman should receive 50% of the allowance which is payable to the Chair of that Committee. This includes the Vice Chairman of the Planning Committee, who currently receives 30% of the allowance received by the Chairman. The Panel considers that this recommendation both is equitable and reflects career progression from a member of a Committee, to the Vice Chairman, to the Chairman.

**39. The Panel recommends that each Vice Chairman should receive an SRA equivalent to 50% of the SRA payable to the Chairman of that Committee.**

#### **Summary of recommendations**

40. A summary of the Panel's recommendations is at Appendix B. If the Panel's recommendations were accepted, it would lead to an increase in the overall annual cost of SRAs from £27,214 to £44,015.

#### **Additional issues raised with the IRP**

41. A number of additional issues were raised with the IRP. In particular:

- It was suggested to the Panel that the relativities between the SRAs payable to Chairmen of different Committees and Panels no longer reflected actual workloads or the complexity of business.
- Some respondents suggested that Members who are Council representatives on certain outside bodies should receive an SRA.
- It was suggested to the Panel that a Member who attends a Planning Committee meeting as a substitute should receive a daily allowance.

42. The above three issues were not covered by the scope provide to the IRP so the Panel has not undertaken the research which would be necessary to underpin any recommendations at this stage. The Panel would be pleased to investigate the issues thoroughly and make recommendations, if requested to do so.

43. The Panel is satisfied that the complexity of issues and associated workloads of Members has increased substantially in recent years. So, it envisages that, if it were to be asked to consider the additional issues set out above, it is likely to make recommendations that would result in a significant increase in the current overall cost of SRAs. The Panel suggests that there would be little or no point in asking it to review the additional issues set out above unless there was a willingness to contemplate a significant further increase (i.e. an increase over and above the increase implied by the recommendations in this report) in the current overall cost of SRAs in the event that a sufficiently compelling case were to be made.

**Epsom and Ewell District Council Independent Remuneration Panel**

**December 2019**

**Annex B - Questionnaire on Members' Special Responsibility Allowances and Summary of Responses**

**Questionnaire on Members' Special Responsibility Allowances**

	Votes for remain about the same	Votes for to be increased	Votes for to be reduced	Comments
<p><b>Q1. Should the overall level of Special Responsibility Allowances (which currently total about £30,000 per year) remain about the same, be increased or be reduced?</b></p> <p><b>(If you consider that it should be increased or reduced, please indicate in the Comments column by approximately how much.)</b></p>	11	11	1	<p>1 no vote (did not tick a box) 1 Double vote (both boxes ticked)</p> <ul style="list-style-type: none"> <li>• Large gap between the work of regular members and those with additional responsibilities.</li> <li>• The current figure is quite small given the number of Councillors at EEBC.</li> <li>• Increase by 15%.</li> <li>• Should reflect the value the Councillors provide to the Council and community.</li> <li>• Should reflect increased workload.</li> <li>• At 2% inflation x 4 years equates 8%.</li> <li>• EEBC allowances are one of the lowest and do not reflect the hours many councillors put in.</li> <li>• Expenses only.</li> <li>• Planning members at 10% is insufficient given the way planning matters and pressures are going to increase over the coming years.</li> </ul>

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**Annex B - Questionnaire on Members' Special Responsibility Allowances and Summary of Responses**

	Votes for Yes	Votes for No	Comments
<p><b>Q2. If a councillor qualifies for more than one SRA, a number of other Surrey Councils pay all such SRAs to the councillor. However at Epsom &amp; Ewell only one SRA is payable. E.g. At present the Chairman of Planning would only receive his Chairmanship SRA and not the SRA for being a Planning Committee Member as well.</b></p> <p><b>Do you favour the approach of providing SRAs to Members if they qualify for more than one?</b></p> <p>Page 30</p>	15	10	<ul style="list-style-type: none"> <li>• Disagree that a chair person should also receive an SRA for membership of the committee that they chair.</li> <li>• Members should qualify for more than one SRA if they are sitting on different committees which earn that SRA.</li> <li>• It is important to compensate members for the extra responsibilities.</li> <li>• Only receive 10% of secondary allowance.</li> <li>• A Councillor should be entitled to choose whether to accept only one SRA.</li> <li>• Work of the Councillors should be paid proportionally to their workload.</li> <li>• The work of Vice-Chairs can often be very demanding, in some cases, as demanding as the Chair's work. The SRA of VCs should be reviewed to ensure that they are remunerated for taking an active role in their duties.</li> <li>• Members appointed to outside bodies which also require a reasonable amount of work should also get a SRA.</li> </ul>

**Annex B - Questionnaire on Members' Special Responsibility Allowances and Summary of Responses**

	Votes for Yes	Votes for No	Comments
<p><b>Q3. Do you consider that the Council's provision of a tablet together with the current level of Basic Allowance makes adequate provision for the use of phones, broadband, other IT costs and printing?</b></p> <p><b>(If not, please indicate what you would consider to be appropriate.)</b></p>	12	13	<ul style="list-style-type: none"> <li>• A significant revamp of the Council's IT is needed to reflect value for members.</li> <li>• There should be an allowance recognition for each member who is privately funding these facilities/ services for the Council.</li> <li>• The former is preferred; laptop + phone maintenance.</li> <li>• Increase of approx. £15.00/ month to cover increase in phones/broadband costs.</li> <li>• An additional £500/year for printing/broadband IT costs</li> <li>• More provisions needed for members in members room.</li> <li>• A tablet does not have the functionality that is needed to carry out Council work. A laptop and allowance would be more appropriate.</li> <li>• A decision in regard to the Basic Allowance should be undertaken in 2021 as part of the four-year review of allowances.</li> </ul>

**Annex B - Questionnaire on Members' Special Responsibility Allowances and Summary of Responses**

<p><b>Q4. Do you consider that the Chairman of the Standards Committee should be given an SRA?</b></p>	<p><b>Votes for Yes</b></p>	<p><b>Votes for No</b></p>	<p><b>Comments</b></p>
<p>(If “Yes”, please suggest a percentage of the Basic Allowance that you consider is appropriate – or, alternatively, please suggest a daily rate, if you consider that the variation in workloads from one year to another would make this more appropriate)</p>	<p>14</p>	<p>11</p>	<ul style="list-style-type: none"> <li>• 70%</li> <li>• As the work of this committee is by definition ad-hoc, so too should be any remuneration.</li> <li>• 30% of basic allowance.</li> <li>• Small SRA to save costs.</li> <li>• 30%</li> <li>• 50%</li> <li>• Only when a Panel is called to address an issue.</li> <li>• Standards Committee rarely meet therefore a daily rate of £30 should be applied when the Chair is required.</li> </ul>

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<p><b>Q5. Currently, the Planning Committee is the only Committee for which member receive a special allowance. Bearing in mind the considerable paperwork, preparation and length of hearings, should members of the Licensing Hearing Sub-Committee receive an SRA?</b></p>	<p><b>Votes for Yes</b></p>	<p><b>Votes for No</b></p>	<p><b>Comments</b></p>
<p>(If “Yes”, please suggest a percentage of the Basic Allowance that you consider is appropriate)</p>	<p>14</p>	<p>11</p>	<ul style="list-style-type: none"> <li>• 10%-50%.</li> <li>• This work is also ad-hoc and should be remunerated.</li> <li>• 10% of basic allowance in line with Planning Committee members.</li> <li>• Same as planning</li> </ul>

Agenda Item 4  
Annex 2



**Annex B - Questionnaire on Members' Special Responsibility Allowances and Summary of Responses**

Q6. Do you consider that the level of SRA for the Chairman of the Majority Group is sufficient?	Votes for Yes	Votes for No	Comments
(If "No", please indicate in the Comments column the amount that you consider is appropriate)	9	16	<ul style="list-style-type: none"> <li>• 100% of BA.</li> <li>• The remuneration must correlate to the work undertaken.</li> <li>• Raise to £3,000 pa.</li> <li>• Should be 100% of basic allowance.</li> <li>• Figure should be doubled to reflect the workload.</li> <li>• 85%.</li> <li>• Chairman's workload has increased and therefore allowance should increase by 70%.</li> </ul>

**Any other comments**

- Every Councillor should have the chance to be a Chairman as at present too few members take the opportunity to become Chairman and too many have multiple chair positions.
- The role of Vice Chair is missing and needs to be addressed, since reducing the number of policy committees the increased work load, many take on additional meetings and responsibilities

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### **Annex C - IRP'S Recommendations**

Q1. Should the overall level of Special Responsibility Allowances (which currently total about £30,000 per year) remain about the same, be increased or be reduced?

#### **Recommendation 1**

**In drawing up recommendations on the five issues which the Panel was invited to address, the Panel has proceeded on the assumption that any overall increase in costs should be modest.**

Q2. Do you favour the approach of providing SRAs to Members if they qualify for more than one?

#### **Recommendation 2**

**The Panel recommends that a Member should receive more than one SRA if they qualify for more than one.**

Q3. Do you consider that the Council's provision of a tablet together with the current level of Basic Allowance makes adequate provision for the use of phones, broadband, other IT costs and printing?

#### **Recommendation 3**

**The Panel recommends that the Basic Allowance should not be increased to cover costs associated with the use of phones, broadband, other IT costs and printing. The Panel suggests that – if the Council were to conclude that current arrangements are inadequate – more direct arrangements are made to give Members access to the necessary equipment.**

Q4. Do you consider that the Chairman of the Standards Committee should be given an SRA?

#### **Recommendation 4**

**The Panel recommends that the Chairman of the Standards Committee should receive an SRA equivalent to 10% of the Basic Allowance.**

Q5. Should members of the Licensing Hearing Sub-Committee receive an SRA?

#### **Recommendation 5**

**The Panel recommends that Licensing (Hearing) Sub-Committee members should not receive an SRA.**

Q6. Do you consider that the level of SRA for the Chairman of the Majority Group is sufficient?

**Recommendation 6**

**The Panel recommends that the Chairman of the Majority Group should receive an SRA equivalent to 100% of the Basic Allowance.**

Q7. Should Vice Chairmen receive an SRA?

**Recommendation 7**

**The Panel recommends that each Vice Chairman should receive an SRA equivalent to 50% of the SRA payable to the Chairman of that Committee.**

## EPSOM & EWELL BOROUGH COUNCIL PAY POLICY STATEMENT

<b>Head of Service/Contact:</b>	Shona Mason, Head of HR & Organisational Development
<b>Urgent Decision?(yes/no)</b>	No
<b>If yes, reason urgent decision required:</b>	
<b>Annexes/Appendices (attached):</b>	<b>Annex 1</b> Draft Epsom & Ewell Borough Council Pay Policy Statement 2020/21 <b>Annex 2</b> Scale of Returning Officer's fees and Charges 2019/2020
<b>Other available papers (not attached):</b>	Employee Pay & Reward Procedure 2020-2024 Gender Pay Gap Report 2019/20

### Report summary

This report seeks approval of the draft Epsom & Ewell Borough Council Pay Policy Statement 2020/21.

### Recommendation (s)

(1) That the Council approves the Pay Policy Statement for 2020/21.

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

- 1.1 The Council's Pay Policy Statement is a statutory requirement, which supports the council's Key Priorities, Service Plans and Sustainable Community Strategy.

## 2 Background

- 2.1 The Localism Act requires each local authority to publish a statement which identifies the Council's approach to pay and in particular sets out pay arrangements for the senior chief officer posts. Under Section 38(1) of the Localism Act 2011 the Council is required to prepare a Pay Policy Statement, for the financial year, which is approved by full Council.
- 2.2 The statement sets out the levels of remuneration for the Council's senior officers as well as a general approach to pay which is lifted from the Council's HR Employee Pay & Reward Procedure 2020-2024.
- 2.3 Once agreed by the Council, the Pay Policy Statement will form part of the basis on which the Council remunerates employees particularly those at the senior officer level, as required by Section 41 of the Localism Act 2011.
- 2.4 The information set out in the pay policy statement meets the requirements of the legislation and details the relationship between those employees who are lowest paid and Chief Officers.
- 2.5 The policy statement outlines the following key areas:
- Level and elements of remuneration for each senior officer
  - Remuneration of chief officers on recruitment
  - Increases and additions to remuneration for each chief officer
  - The approach to the payment of chief officers on their ceasing to hold office or to be employed by the authority
  - The publication of and access to information relating to remuneration of chief officers
  - Pay multiple (ratio) between Chief Officers' pay and all other employees
  - Election fees
  - Policy on employing someone who has taken redundancy
  - Policy on employing someone who is also drawing a pension
  - Policy on lowest paid
- 2.6 Senior salary information has been published as part of the Final Statement of Accounts. However the Localism Act 2011 (Section 38) requires the Council to publish an annual Pay Policy Statement.

- 2.7 The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 (in force from 31 March 2017) require public sector employers operating in England to provide gender pay reports by 30 March 2019 covering mean gender pay gap in hourly pay for year from 31 March 2018. This data is also required to be published publicly on the Government website. The headline statistic within the Gender Pay Gap Information, of mean hourly rate, shows a positive picture in favour of women of 15.3% and positions the Council as one of the most positive organisations in terms of women's mean pay.
- 2.8 Once approved by Full Council the pay policy statement will be published

### 3 Proposals

- 3.1 The Pay Policy Statement, which is prescribed in terms of content, sets out the Council's policies in respect of remuneration. The statement is simply a summary of the key provisions as required by the Localism Act.
- 3.2 The Council is therefore not being asked to approve the policies, but simply approve the statement which sets out existing policies.
- 3.3 The proposed Pay Policy Statement is attached at **Annex 1**
- 3.4 The Pay Policy Statement 2020/21 was approved by Strategy & Resources Committee on 30 January 2020.
- 3.5 As required by the Localism Act, Pay Policy Statement now needs to be approved by Full Council. The Statement will then be published on the Council's website.

### 4 Financial and Manpower Implications

- 4.1 There are no implications arising directly from this report.
- 4.2 **Chief Finance Officer's comments:** The pay policy statement is a statutory requirement and its content is consistent with the Council's budgets.

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

- 5.1 The draft Pay Policy Statement complies with the requirements of Section 38 of the Localism Act 2011 which requires all local authorities to prepare a Pay Policy Statement every financial year. The Localism Act 2011 sets out the information which a pay policy statement must contain. Section 40 of the Act also requires the Council to have regard to any guidance issued or approved by the Secretary of State.
- 5.2 Guidance under Section 40 was issued in February 2012 and the attached pay policy statement takes account of this guidance.

5.3 **Monitoring Officer's comments:** None arising from the contents of this report.

**6 Sustainability Policy and Community Safety Implications**

6.1 There are no implications arising directly from this report.

**7 Partnerships**

7.1 There are no implications arising directly from this report.

**8 Risk Assessment**

8.1 There is a legal requirement for the Council to prepare, approve and publish a Pay Policy Statement annually and therefore is at risk of not meeting its legal duties if a statement is not agreed and published.

**9 Conclusion and Recommendations**

9.1 The Council approves the Pay Policy Statement for 2020/21.

**Ward(s) Affected:** (All Wards);





Pay Policy  
Statement  
2020/2021

Version number: 3  
Date: January 2020

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## **1. Introduction and background summary**

- 1.1 Under the Localism Act 2011 the Council is required to publish an annual pay policy statement which has been approved by full Council. The information is set out under headings which have been prescribed by the Localism Act and relates to 2020/21 financial year.

## **2. Purpose**

- 2.1 The statement sets out the levels of remuneration for the Council's senior officers as well as a general approach to pay which is lifted from the Council's HR Employee Pay & Remuneration Policy.
- 2.2 The information set out in the pay policy statement meets the requirements of the legislation and details the relationship between those employees who are lowest paid and Chief Officers.
- 2.3 The policy statement outlines the following key areas:
- Level and elements of remuneration for each senior officer
  - Remuneration of chief officers on recruitment
  - Increases and additions to remuneration for each chief officer
  - The approach to the payment of chief officers on their ceasing to hold office or to be employed by the authority
  - The publication of and access to information relating to remuneration of chief officers
  - Pay multiple (ratio) between Chief Officers' pay and all other employees
  - Election fees
  - Policy on employing someone who has taken redundancy
  - Policy on employing someone who is also drawing a pension
  - Policy on lowest paid

## **3. Level and elements of remuneration for each senior officer**

- 3.1 All staff are employed on an Epsom & Ewell Borough Council contract of employment and therefore are subject to PAYE. All employees are on local conditions and the pay structure applies to all employees, including Chief

Officers. The grade allocated to a post is determined by the qualifications, skills and knowledge required as outlined in a role profile and person specification. The Council has a job evaluation scheme which is used to evaluate the grades of posts.

- 3.2 For the purposes of this policy statement, all references to “Chief Officers” is taken to include the Chief Executive, Chief Operating Officer and Heads of Service and is detailed in the Council’s Constitution, Part 7, Management Structure. There are currently 11 roles and the salary scales are set out in the table below for each role:

<b>Post</b>	<b>Bottom of salary range p.a.</b>	<b>Top of salary range p.a.</b>
Chief Executive	£102,644	£120,365
Chief Operating Officer	£83,251	£97,626
Heads of Service	£63,759	£73,860

- 3.3 In addition to basic pay these officers may receive the following benefits, where applicable:
- Payment into the pension scheme (employer’s contribution at 17.4% of pensionable pay) if the employee has opted in and pays contributions at the required employee level themselves
  - Chief Executive and Chief Operating Officer lump sum payment of 4% of basic salary in respect of subsistence and other expenses thereby reducing administration and providing a cap on the cost
  - Payment of up to two annual subscriptions to professional institutions where this has clear benefit to the job. Costs of memberships vary but most are around £200.
  - Monitoring Officer and Section 151 Officer allowance of 15% of basic salary for the additional responsibilities for the statutory requirements of each role
  - Lump sum payment is for the requirement to have a car for the effective performance of duties. The amount varies according to the role of the individual. The Council no longer offers car allowances to its new employees but does have some historical allowances for longstanding post holders.
- 3.4 Our policy is to pay appropriately to attract competent and experienced senior staff to lead the organisation, we do not aim to be in the upper quartile of payment levels locally but nearer the mid-point or median.
- 3.5 We recognise that the cost of housing in Epsom & Ewell is amongst the highest in the Southeast and that we are within commuter distance of London and the higher salaries there, and we take this into account when determining salary levels from the benchmarking information.
- 3.6 The overall consideration is what is reasonable and financially affordable.

#### **4. Remuneration of chief officers on recruitment**

- 4.1 Our policy is to appoint at the bottom of the salary scale, or near the bottom taking into account relevant skills and experience, progression through the grade is subject to successful performance in accordance with our performance management scheme.
- 4.2 On occasion it may be necessary to appoint above the bottom point, in this case consideration will be given to the justification for doing so and will dependent upon factors such as experience and market conditions.
- 4.3 Appointments to the post of Chief Executive are made by the Council. Appointments of Directors can be made by an Appointments Panel and appointments of Heads of Service is the responsibility of the Chief Executive.

#### **5. Increases and additions to remuneration for each chief officer**

- 5.1 Cost of living pay increases for all staff are considered every four years (in line with the Council's Pay Policy for 2020-24) through consultation with the Staff Consultative Group, which is made up of employee representatives and is the body which the Council consults with on terms and conditions of employment and other employee related matters.
- 5.2 The latest financial forecasts include an annual 2% cost of living increase for 2020/1 – 2024/5 and this is based on the Government's target for CPI.
- 5.3 Based on CPI figure for September 2019, a 1.7% cost of living increase will be applied to the pay scales for 2020/21.
- 5.4 When determining pay awards we take into account financial affordability as well as the increase in cost of living for all staff.
- 5.5 All employees (including Chief Officers) can be awarded a single increment on the salary scale annually. This is dependent on satisfactory performance with no automatic progression through grades. All employees are expected to perform their duties to a satisfactory standard to progress through the grade.
- 5.6 Once an employee reaches the top of their salary scale there is no opportunity for further progression, however, any cost of living increase will apply.

#### **6. The approach to the payment of chief officers on their ceasing to hold office or to be employed by the authority**

- 6.1 Our Managing Workforce Change policy sets out a consistent method of calculating redundancy pay which uses the Modified Statutory Redundancy ready reckoner which is applied to all redundant employees including Chief

Officers. The level of redundancy pay is calculated on weekly earnings using the statutory system. The payment is intended to recompense employees for the loss of their livelihood and provide financial support whilst they seek alternative employment.

- 6.2 The Council has a Local Government Pension Scheme Discretions Policy which is applicable to all employees, including Chief Officers.

## **7. The publication of and access to information relating to remuneration of chief officers**

- 7.1 Our annual pay policy statement will be published on the website where it can be easily accessed by any interested parties such as tax payers and external organisations.
- 7.2 Information about Chief Officer remuneration is also published as part of the Final Statement of Accounts. The pay scales for all employees can also be found on the website.

## **8. Pay multiple (ratio) between Chief Officers' pay and all other employees**

- 8.1 The pay of all employees is set according to the Council's pay scales. There is a fixed relationship between each point on each of the grades there are no predefined pay ratios between different groups of employees or specific posts.
- 8.2 The bottom of our lowest pay scale is £19,231 and the top of the Chief Executive scale is £120,365 is a pay multiple of 1:6.3.
- 8.3 This is well within the maximum ratio 1:20 identified as a maximum pay multiple in the Hutton Review of Public Sector Pay.
- 8.4 As at 30 November 2019 the mean average pay for employees other than Chief Officers was £28,067; therefore currently the ratio of mean average Chief Officer pay to mean average pay of other employees was 1:2.5.

*NB The mean average pay for employees other than Chief Officers in 8.4 may fluctuate throughout the year*

## **9. Election fees**

- 9.1 Fees in respect of the role of Returning Officer for, borough and county elections are paid separately from and in addition to the relevant officer's salary package. The amount payable varies according to the size of the electorate and number of postal voters and is calculated as set out in the attached Annex 1 ELECTION OF COUNTY/ BOROUGH / PARISH COUNCILLORS IN SURREY: SCALE OF RETURNING OFFICER'S FEES AND CHARGES - 2019/2020.

- 9.2 Payments for employees at Head of Service and below for Local Election duties are made in accordance with the same scale.

## **10. Gender Pay Gap Information**

- 10.1 In accordance with the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, which came into force on the 31 March 2017, employers with at least 250 employees are required to publish annual information as at 31 March each year. This information is published on the Council's website and also externally and on the Governments Gender Pay Gap website.

## **11. Policy on employing someone who has taken redundancy**

- 11.1 Employees who leave the Council voluntarily are free to apply for jobs that are advertised.
- 11.2 Employees who leave the Council with a redundancy payment and subsequently apply and are successful for a position within the Council must repay any redundancy payment if the appointment is within 4 weeks of their termination date.
- 11.3 If the appointment start date is longer than 4 weeks the employee can return to work in the position offered in accordance with the Redundancy Modifications Order and will lose any contractual rights to have their continuous service recognised for all purposes.

## **12. Policy on employing someone who is also drawing a pension**

- 12.1 We employ staff on merit and pay the full salary applicable to the role. We would not take into account whether a person was already in receipt of a pension in respect of previous employment with the Council or otherwise.
- 12.1 We will consider requests from staff who wish to draw their pension but continue working in a reduced capacity either through a reduction in working hours or levels of salary / responsibility.

## **13. Policy on lowest paid**

- 13.1 When determining any pay award we will take into account the needs of the lowest paid along with national living wage requirements set out by Government.
- 13.2 No employee will be paid below the UK National Living Wage.

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ELECTION OF COUNTY/ BOROUGH / PARISH COUNCILLORS IN SURREY: SCALE OF RETURNING OFFICER'S FEES AND CHARGES - 2019/2020			
The scale of Fees and Charges specifies the maximum recoverable amounts available for each electoral area. It also sets maximum recoverable amounts for specified services and specified expenses. Neither of these can be exceeded but the Returning Officer is entitled to disburse funds on the different functions specified in the fee scale as he/she sees fit, provided the expenditure is accounted for properly and only spent on what is necessary for the efficient and effective conduct of the election.			
<b>This scale of Fees and Charges is also to be used at any referendum held under the regulations listed in the Notes at the bottom of Annex 1.</b>			
<b>All references in this document to the Returning Officer or County DRO are to be read and interpreted as applying to the Counting Officer at any Referendum covered by the list of regulations in the Notes at the bottom of Annex 1.</b>			
<b>Part A -</b>	<b>Note: The Returning Officer or County DRO may allocate some of his/her fee to deputies or vire them to another expenditure head.</b>		
	Calculated by using CBZX 12 month rolling index on National Statistics website	2017/18	2018/19
	for 2007/8 and 2008/9 and average rate of increase in pay across County authorities during 2017 for 2017/18.	No increase	Minor increases to bring in line with neighbouring counties
			2019/2020
			Bringing payments up to Living Wage
1	(a) Separate County, Borough or Parish Elections		
	First 500 electorate	£31.96	£32.00
	For every additional 500 electors, or part thereof	£15.62	£16.00
	(b) Combined County / Borough and Parish Elections		
	First 500 electorate (in combined part of area only)	£43.38	£43.00
	For every additional 500 electors, or part thereof (in combined part of area only)	£21.27	£21.00
	Note 1: Where a combined fee is payable, that fee must be split between the areas. A total combined fee is not payable in each area.		
	Note 2: Where a single election is payable from this fee scale in combination with an election paid by central government, the combination element will only be paid by this local fee scale if there is no payment for combination in the government fee scale.		
	Note 3: Where more than two elections are combined from this fee scale, the following payment will be made per 500 electors or part thereof for each extra election. This is only applicable in the areas in which those elections apply.	£5.65	£6.00
	(c) Uncontested Election *	£26.67	£27.00
	* Fee applicable at by-elections for County / Borough or Parish Councillors or, at Ordinary Elections, when the election of Borough Councillors is contested but the election for the Parish or Parish Ward is uncontested.		
2	In each contested electoral area, for services in connection with the despatch and receipt of postal ballot papers		
	For first 100 postal voters	£7.26	£7.00
	For each additional 75 postal voters or fraction thereof	£5.88	£6.00
3	In each contested electoral area, for services in connection with the preparation and issue of Official Poll Cards (all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll)		
	First 2000 poll cards	£20.13	£20.00
	For every additional 250 poll cards, or fraction thereof	£1.37	£1.00
4	<b>NOTE: At a contested by-election the total fee payable to the Returning Officer must be at least equal to the sum of the Presiding Officer and Count Assistant fees stated at B1(a) and B4(a)(i) respectively and the amount opposite</b>	£89.54	£90.00
5	Max fee for training Presiding Officers and Poll Clerks per session (min 25 people at ordinary election. One session only at by-election if training deemed necessary). This fee to be distributed direct to the Trainer(s).	£162.00	£162.00
<b>Part B -</b>	<b>Expenses of Returning Officer or County DRO for which maximum amounts are specified</b>		
In no case shall a charge exceed the sum actually and necessarily payable or paid by the Returning Officer or County Deputy Returning Officer. Subject thereto the MAXIMUM charges shall be as follows:			
1	For the Presiding Officer at each Polling Station		
	(i) (a) at separate Borough or Parish Polls (including payment for use of mobile phone)	£199.00	£217.00
	(i) (b) at combined Borough / Parish Polls (including payment for use of mobile phone)	£244.41	£255.00
	(i) (c) for each extra election above a combined election	£30.60	£30.00
	(ii) Where at a polling place there is more than one polling station, the maximum recoverable amount in respect of one only of the presiding officers at the polling station at such a polling place is increased by	£9.10	£20.00
	<b>NB Where a polling station is situated within the boundary of a District or Borough Council which adjoins a London Borough the fees in B1 (a) &amp; (b) are increased by</b>	£39.79	£40.00
	<b>Max fee per session for training of Presiding Officers as necessary</b>	£43.19	£43.00
2	For each Poll Clerk at each Polling Station		
	(a) at separate Borough or Parish Polls (including payment for use of mobile phone)	£119.44	£125.00
	(b) at combined Borough / Parish Polls (including payment for use of mobile phone)	£147.86	£150.00
	(c) for each extra election above a combined election depending on local circumstances and as the Returning Officer thinks fit	£15.30	£15.00
	Part time Poll Clerk		Will be calculated on hourly rate
	<b>NB Where a polling station is situated within the boundary of a District or Borough Council which adjoins a London Borough the fees in B2 (a) &amp; (b) are increased by</b>	£39.79	£40.00
	<b>Max fee per session for training of Poll Clerks as necessary</b>	£43.19	£43.00

3	For the remuneration of persons employed in the despatch and receipt of postal ballot papers. (NB. See C3 below. If external contractors are used to prepare/despatch ballot paper packs then the total fee is actual costs.)				
	For each 100 postal ballot papers, or fraction thereof in each electoral area of the County / Borough / Parish		£73.33	£75.00	£75.00
4	For the remuneration for persons employed in connection with the count				
	(a) Counting Assistants				
	(i) For the first two hours or part thereof		£51.16	£52.00	£52.00
	(ii) For each additional hour or part thereof		£11.37	£14.00	£14.00
	(b) Count Supervisors				
	(i) For the first two hours or part thereof		£73.90	£75.00	£75.00
	(ii) For each additional hour or part thereof		£23.88	£24.00	£24.00
	(c) Senior Count Supervisors				
	(i) For the first two hours or part thereof			£90.00	£90.00
	(ii) For each additional hour or part thereof			£30.00	£30.00
5	For each Electoral Division, Ward or Parish Ward				
	(a) Contested Elections: * County/Borough Councillors and Parish Councillors				
	(i) Separate Polls				
	First 500 electorate		£34.52	£35.00	£35.00
	For every additional 500 electorate, or part thereof		£17.20	£17.00	£17.00
	(ii) Combined Polls (County/Borough & Parish)				
	First 500 electorate (in combined part of area only)		£46.02	£46.00	£46.00
	For every additional 500 electorate, or part thereof (in combined part of area only)		£22.75	£23.00	£23.00
	Note: Where a combined clerical fee is payable, that fee must be split between the areas. A total combined fee is not payable in each area.				
	(b) Uncontested Elections * :		£27.61	£28.00	£28.00
	* Fee applicable at by-elections for County / Borough or Parish Councillors or, at Ordinary Elections, when the election of Borough Councillors is contested but the election for the Parish or Parish Ward is uncontested. The Fee is also applicable at Ordinary Elections where the Parish or Parish Ward is contested but the Borough Ward is uncontested.				
	*For un-contested Parish elections the Returning Officer can charge a maximum administration fee				£150.00
6	Preparation and issue of poll cards (all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll)				
	For every 100 cards or fraction thereof		£2.15	£2.00	£5.00
Part C -	Expenses of Returning Officer for which NO maximum amounts are specified				
1	For travelling and overnight subsistence expenses of:				
	(a) the Returning Officer				
	(b) the Deputy Returning Officer(s)				
	(c) any Presiding Officer or Poll Clerk				
	(d) any clerical or other assistants employed by the Returning Officer				
2	Expenses in printing or otherwise producing the ballot papers			Actual costs	Actual costs
3	Expenses in printing or otherwise producing the postal ballot paper packs by external contractors. (NB See B3 above. If external contractors are used to prepare/despatch ballot paper packs then the total actual costs apply).			Actual costs	Actual costs
4	Expenses in printing or otherwise producing the official poll cards (all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll) and in delivering them to voters, excluding the expenses referred to in paragraph 6 of Part B above			Actual costs	Actual costs
5	Expenses in printing or otherwise producing and, where appropriate, publishing notices and other documents required by the Representation of the People Acts				
6	Expenses in renting, heating, lighting and cleaning any building or room for the purpose of the election			Actual costs	Actual costs
7	Expenses in adapting any building or room and in restoring it to a fit condition for its normal use			Actual costs	Actual costs
8	Expenses in the provision of voting compartments and any other furniture necessary for polling stations. Prior agreement to be sought from paying authority.				
9	Expenses in the provision of ballot boxes and instruments to stamp on the ballot papers the official mark and also the provision of devices to record the signatures relating to the issue of ballot papers. Prior agreement to be sought from paying authority.				
10	Expenses in the conveyance to and from the polling stations of:				
	(a) the ballot boxes and ballot papers, and			Actual costs	Actual costs
	(b) the voting compartments, any other furniture necessary for polling stations and the instruments to stamp on the ballot papers the official mark or any other equipment required in the administration of the election.			Actual costs	Actual costs
11	Expenses in the provision of stationery and writing implements and in postages, including postal ballot paper postages (but excluding official poll cards - see paragraph 4 of Part C above) telephone, bank charges and other miscellaneous items			Actual costs	Actual costs

12	Expenses in connection with the provision of security measures			Actual costs	Actual costs
13	Expenses in connection with the employer's portion of superannuation contributions for the Returning Officer, Deputy Returning Officer(s), etc				
14	Expenses in the provision of equipment and software for the checking of personal identifiers on the postal voting statements. Prior agreement to be sought from paying authority.				
15	Reimbursement of up to 50% of the costs of any elections management software licence charge in the year in which local elections are held. Further scaled down to a proportionate amount if a by-election held.				
	<b>For maximum levels of expenditure for certain duties under Part C above - see Annex 1 attached.</b>				
<b>ANNEX 1</b>					
<b>Maximum Levels of Expenditure under Part C of Scale of Fees and Charges for County / District / Borough / Parish Elections within Surrey</b>					
	<b>Head :Duty</b>				
C1(c)	Presiding Officer Travel - Fixed w		£14.11	£25.00	£25.00
C1(c)	Poll Clerk Travel - Fixed w		£8.45	£10.00	£10.00
	<i>Mileage rates applicable in rural areas where fixed travel is not appropriate</i>		£0.48	£0.48	£0.48
C1(d)	Fixed Travel of staff to transport boxes at the Count ( if not delivered by Presiding Officer)		£21.15	£21.00	£21.00
C1(d)	Count staff travel - fixed w		£9.10	£10.00	£10.00
C2	Checking Ballot Papers - per 10,000 ballot papers or part thereof ww		£17.91	£18.00	£18.00
C4	Poll Cards (all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll) - Hand delivery		£0.19	£0.19	£0.19
C7	Polling Station Inspectors - maximum payable per person 1 w		£262.10	£262.00	£262.00
C8	Preparation of Ballot Boxes & stamping instruments (each polling station)		£7.16	£7.00	£9.00
C8	Preparation of Stamping Instruments used at postal vote issue		£1.76	£2.00	£4.00
C10	Transport of Postal Votes to Count - 2 per District / Borough 1 w		£84.64	£85.00	£85.00
C10	Staff to transport boxes at Count - per District / Borough 1 ww		£634.79	£635.00	£635.00
C10	Remove bundles of counted votes - 3 per District / Borough 1 w		£141.07	£141.00	£141.00
C11	Mobile telephones (where no land lines available).		£5.53	This will now be part of the payment for the duties undertaken	This will now be part of the payment for the duties undertaken
C12	Security at Count - per District / Borough 1 ww		£253.92	£254.00	£254.00
C12	Security at Count - Fixed Travel 1 w		£14.11	£14.00	£14.00
	Note: C12 restriction on ordinary day of election only to be removed				
<b>NOTES</b>	<b>1 Applicable only at the Ordinary Day of Election for County /Borough / Parish Councillors</b>				
	w payable per person				
	ww maximum payable to be disbursed appropriately				
	Referendum regulations applicable to this fee scale:				
	The Local Authorities (Conduct of Referendums) (England) Regulations 2012				
	The Local Authorities (Conduct of Referendums) (Council Tax Increases) (England) Regulations 2012				
	The Neighbourhood Planning (Referendums) Regulations 2012				
<b>ANNEX 2</b>					
<b>Proposed calculation and distribution of core payments - see Word document annexed to this document. Actual payments agreed by each Surrey authority to be recorded in the 'Actual Core Staff Payments' worksheet. Core staff will be paid overtime as per agreed Council policy or if no policy in place a minimum of normal hourly rate is paid</b>					
	Signed _____				
	James Whiteman, Returning Officer Guildford Borough Council				
	On behalf of all Surrey Returning Officers				

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## **BUDGET AND COUNCIL TAX REPORT 2020-21**

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

### **Report summary**

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

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

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

### **Recommendation (s)**

**Council:**

**See (1) to (11) below**

- 1 That it be noted that, under delegated powers, the Chief Finance Officer calculated the amount of the Council Tax Base as 33,019.91 (Band 'D' equivalent properties) for the year 2020/21 calculated in accordance with the Local Government Finance Act 1992, as amended (the "Act").**
- 2 That the following estimates recommended by the policy committees be approved:-**
  - a. The revised revenue estimates for the year 2019/20 and the revenue estimates for 2020/21.**

- b. The capital programme for 2020/21 and the provisional programme for 2021 to 2023, as summarised in the capital strategy statement.**
- 3 That the fees and charges recommended by the Policy Committees be approved for 2020/21.**
- 4 That the Council Tax Requirement for the Council's own purposes for 2020/21 is £6,713,278.**
- 5 That the Council receives the budget risk assessment at Annexe 7 and notes the conclusion of the Chief Finance Officer that these budget proposals are robust and sustainable as concluded in this report.**
- 6 That the Council receives the Chief Finance Officer Statement on the Reserves as attached at Annexe 9.**
- 7 That the Council agrees the Prudential Indicators and Authorised Limits for 2020/21 as set out in Annexe 12 including:-**
  - a. Affordability Prudential Indicators.**
  - b. The actual and estimated Capital Financing Requirement.**
  - c. The estimated levels of borrowing and investment.**
  - d. The authorised and operational limits for external debt.**
  - e. The treasury management prudential indicators.**
- 8 That the following amounts be now calculated for the year 2020/21 in accordance with sections 31 to 36 of the Act:**
  - a. £55,456,707 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(2) of the Act.**
  - b. £48,743,429 being the aggregate of the amounts which the Council estimates for the items set out in section 31(A)3 of the Act.**
  - c. £6,713,278 being the amount by which the aggregate at 8(a) above exceeds the aggregate at 8(b) above, calculated by the Council, in accordance with section 31A(4) of the Act, as its council tax requirement for the year.**
  - d. £203.31 being the amount at 8(c) above divided by the amount at 1. above, calculated by the Council, in accordance with section 31(B) of the Act, as the basic amount of its council tax for the year.**

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

**SURREY COUNTY COUNCIL**

Band :	A £	B £	C £	D £	E £	F £	G £	H £
Amount	1,007.64	1,175.58	1,343.52	1,511.46	1,847.34	2,183.22	2,519.10	3,022.92

**SURREY POLICE AUTHORITY**

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

- 10 That the Council, in accordance with Section 30 to 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2020/21 for each of the categories of dwellings.

**EPSOM AND EWELL BOROUGH COUNCIL**

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

**AGGREGATES OF COUNCIL TAX REQUIREMENTS**

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

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

## 1 Introduction

- 1.1 The Council is required to agree a budget for 2020/21 and, having regard to the cost of service provision and estimates of income, the level of Council Tax for the coming year.
- 1.2 Legislation also requires:-
  - The preparation of budget plans for a three year period.
  - The setting of prudential indicators which determine the level of Council borrowing and capital expenditure, together with the treasury management strategy.
  - The Council's Chief Finance Officer to report on the robustness of the estimates and the adequacy of the reserves.
  - The Council to consider the risks in its budget strategy.
- 1.3 The Council has now completed its review of service income and expenditure. The Policy Committees have considered their service estimates and they have recommended budgets, charges and capital investment for the next financial year.
- 1.4 This report provides an overview of the General Fund Revenue Account budget position for 2020/21 and future years as a basis for determining council tax.
- 1.5 The budget report is based on the Financial Policy Panel's recommended increase of £4.95 per annum, or 2.5% (for band d property) in council tax reflecting the final grant settlement figures received after the Financial Policy Panel meeting, which allowed district councils to increase council tax by up to £5 or 2% whichever provided the higher increase in income.
- 1.6 All options are consistent with the council tax policy of ensuring that council tax stays below the average of the Surrey Districts.

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

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

### Council Tax

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

### Budget Position

- Produce a balanced revenue budget each year.



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

### 3 Current Year Position

3.1 The 'probable outturn' comprises a revised forecast for the current year ending 31 March 2020, based on the mid-year budget review. The following table summarises the financial performance anticipated for the year as reported to each of the policy committees.

#### POLICY COMMITTEES' BUDGETS 2019/20

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

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

Adverse:

- Parking income
- Homelessness costs of temporary accommodation

3.3 The budget included no planned use of the working balance to finance services. For the purpose of preparing this budget report it has been assumed that in 2019/20 the Council will require a contribution from working balances of £33,000.

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

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

#### **4 Medium Term Financial Plan 2020 -2024**

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

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

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

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

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

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

## **5 Budget Strategy**

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

## **6 2020/21 Revenue Budget**

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

- 6.2 The detailed fees and charges proposals and capital appraisals for all policy committees can be found on the appropriate policy committee agenda (January committee cycle). The estimates for services, as recommended by the policy committees, are summarised at Annexe 2 to this report.
- 6.3 The main year-on-year changes in the cost of service provision are detailed in Annexe 3 to this report.
- 6.4 The comparison to the 2019/20 published budget is also shown in the table below at committee total level:-

**POLICY COMMITTEES' BUDGETS 2020/21**

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

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

- 6.6 The budget includes the full staffing costs for Nonsuch JMC and Epsom & Walton Downs Conservators where the Council's liability is 50% and 60% respectively.
- 6.7 The Strategy and Resources Committee agreed a Pay & Reward procedure for 2020 to 2024 and an annual pay award of 1.7% for 2020/21 in November 2019.
- 6.8 It is anticipated that a two per cent staff vacancy margin, staff turnover savings net of temporary staff cover, will be required to manage staff costs within the control total.

#### Pensions

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

### **7 Fees and Charges**

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

### **8 Economic Indicators**

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

### **9 Equalities Implications**

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

### **10 Risk Management**

- 10.1 A financial risk assessment was completed for each of the policy committee revenue budgets. The main financial risks have been included in a corporate budget risk assessment at Annexe 7.

- 10.2 The highest service financial risks remain the demands for housing and homelessness prevention
- 10.3 Annexe 7 also identifies the means of managing the risks identified. In relation to the size of the working balance and the capital reserves, which act as a contingency against such risks, the overall level of revenue budget risk in 2020/21 is deemed to be medium.
- 10.4 A higher risk remains with the financial outlook beyond 2020/21 due to the uncertainty on the outcome on the Government's 'Fair Funding' Review and the possibility of further cuts in core funding for Epsom and Ewell Borough Council in the 2021/22 settlement.
- 10.5 It is anticipated that the 'Fair Funding Review', the mechanism used to determine individual authority settlements will be used to reduce funding for District Councils.

## 11 Revenue Budget Overview 2020/21

- 11.1 The Council's budget requirement can be measured by the amount of Council expenditure that will be financed from external finance (revenue support grant and retained business rates) and from council tax income.
- 11.2 The budget requirement comprises gross expenditure on services, less gross income from services, less the planned use of revenue reserves.
- 11.3 The Budget Requirement in 2019/20 was £6,387,000. The budget requirement for 2020/21 is calculated as follows:-

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

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

- 11.5 In April 2012 central government brought in a new measurement of spending defined as the 'Council Tax Requirement'. This is the estimate of tax to be raised i.e. Band D tax level multiplied by the council tax base (the number of Band D equivalent properties). The Council is required to show this information in the council tax leaflet.
- 11.6 The Council Tax Requirement for 2020/21 is £6,713,278 subject to any budget changes made at the Council meeting.
- 11.7 The Council tax requirement will change each year due to:-
- Increases/decreases in domestic properties.
  - Increases/decreases in council tax.

## 12 Local Government Finance Settlement

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

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

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

### 13 Core Spending Power

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

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

\* figure from provisional financial settlement

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

### 14 New Homes Bonus Grant

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



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

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

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

## 15 Business Rates Retention

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

	Gov't Baseline 2019/20	EEBC Budget 2019/20 (NNDR1)	EEBC Latest Forecast 2019/20	EEBC Budget 2020/21 (NNDR1)

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

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

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

#### Business Rates Equalisation Reserve

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

Business Rate Equalisation Reserve Forecast	£000
Balance 31 March 2019	3,066

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

## 16 Funding Received from Commercial Property Investment Company (EEPIC)

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

## 17 Reserves

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

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

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

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

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

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

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

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

17.6 The Council is required to consider the level of its reserves in setting its budget. The Chief Finance Officer's statement of the adequacy of the financial reserves is attached at Annexe 9.

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

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

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

## 18 Financial Forecast

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

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

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

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

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

## 19 Capital Programme

- 19.1 The review of capital spending requirements was overseen by the Capital Member Group. The Financial Policy Panel considered the financing requirement for new capital investment in December 2019 and January 2020.
- 19.2 A provisional three year forward programme was reported to the policy committees in the last committee cycle. Supported schemes have been included in the draft capital programme.
- 19.3 The updated capital strategy statement is attached at Annexe 11 and includes a summary of proposed investment for 2020-2023.
- 19.4 A capital investment programme of £1,508,000 is recommended for 2020/21 and the following funding is required to allow the schemes in this programme to be completed:-
- 19.4.1 Use of Capital Reserves for the core programme is £651,000
- 19.4.2 Use of central government grant: £600,000

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

## **20 Prudential Indicators and Authorised Limits for 2020/21**

- 20.1 The Local Government Act 2003 introduced a system of capital controls for local authorities. Details of the regulations are set out in Annexe 12 to this report.
- 20.2 The Council agreed to borrow funds of up to £80m to finance the acquisition of commercial properties in 2016/17 and further borrowing of up to £300 million was approved in 2017/18 when it was agreed to establish a wholly owned property investment trading company.
- 20.3 From 01 April 2018, new Statutory Guidance on Local Government Investments was introduced by MHCLG. The new guidance means that future acquisitions that are funded by borrowing and where the intention is purely to profit from the investment, would not meet the requirements of the guidance in terms of borrowing.
- 20.4 Due to the provisions of MCHLG's Statutory Investment Guidance, it is now considered appropriate for the Council to formally close the £300m Fund for future acquisitions (ie the remaining £239.7m will not be spent).
- 20.5 However, considering the Council's remaining projected budget deficit in this MTFS 2020-2024, and given that under the Statutory Investment Guidance there remain circumstances where commercial property investments funded by borrowing are still acceptable, it is considered appropriate to keep the the original £80m Fund, which has a remaining balance of £55.6m, open for future potential acquisitions within (or close to) the Borough's boundary in the period 2020-2024.
- 20.6 The Financial Policy Panel has considered the capital financing requirements as part of the capital programme review and it is not anticipated that the Council will undertake any long term borrowing to finance the core capital programme in 2020/21.
- 20.7 Prudential Indicators and Authorised Limits have been proposed in Annexe 12 on this basis and on the basis of the capital strategy recommended to the Council.

## **21 Council Tax Options**

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

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

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

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

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

- 22.1 The Council has provided information about the Council's spending proposals and business rates reliefs on the web and promoted use through the Business Partnership. Any response specific to the 2020/21 budget will be identified at the meeting.



### 23 Collection Fund

- 23.1 In accordance with the Local Authorities (Funds) (England) Regulations 1992, the Borough Council as the billing authority is required to estimate on 15 January each financial year the surplus or deficit on its Collection Fund for that year in respect of Council Tax. The estimates are required to be made on an accruals basis in accordance with proper accounting practices.
- 23.2 Where a deficit or surplus in the 2019/20 Collection Fund is estimated in respect of Council Tax or Business Rates, the amount is to be apportioned in 2020/21 between authorities that precept on the collection fund in accordance with the ratio of their 2019/20 precepts.
- 23.3 The calculation of the estimated position on the Council's 2019/20 Collection Fund in respect of Council Tax items is detailed at Annexe 15 and this shows a surplus on the Fund of £10,570 is forecast for this Council and will be credited to the General Fund Revenue Account for 2020/21.
- 23.4 The business rates retention scheme was introduced under the 2012 Local Government Finance Act and requires the allocation of estimated surpluses and deficits for 2019/20 in 2020/21. A surplus of £1,402,281 is forecast for this Council and will be charged to the General Fund Revenue Account for 2020/21. The calculation is shown in Annexe 15.

### 24 Precepts

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

### 25 Council Tax Recommendation

- 25.1 The budget target included an increase of 2.5 percent in Council Tax.
- 25.2 Following confirmation of changes in government funding and the council tax referendum rules, along with the need to minimise the use of working balances, the recommendation in this report is based on an increase of 2.5%.
- 25.3 Based on this figure the Borough Council's calculation of the amount to be raised by way of Council Tax based on the proposed council tax requirement is as follows:-

<b>Council Tax Requirement 2020/21</b>	<b>£</b>	<b>£</b>
Budget Requirement		9,743,490

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

25.4 Precepts have been recommended as follows:-

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

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

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

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

## 26 Robustness of the Estimates

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

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

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

- The revenue and capital budget monitoring arrangements are effective for the purpose and all Members receive quarterly monitoring reports
- The Financial Policy Panel receives regular reports on financial and risk management, asset management and procurement issues and has been well placed to provide effective advice on the medium term financial strategy, the capital strategy and on service and financial planning leading to the preparation of the detailed service estimates.
- The policy committees have received detailed estimates of revenue and capital expenditures for 2020/21 and have also received risk assessments on the main financial risks.

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

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

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

26.6 The medium term forecasts identify the need for further significant cost reduction and income generation as set out in this report so as to improve the forecast budget position by £1.8 million between 2020 and 2024.

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

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

## **27 Conclusions**

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

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

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

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

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

**Ward(s) Affected:** (All Wards);

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**EPSOM AND EWELL BOROUGH COUNCIL**

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**MEDIUM TERM FINANCIAL PLAN 2020 - 2024**

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**Section 1: MEDIUM TERM FINANCIAL STRATEGY**Introduction

- 1.1 The Council's previous Medium Term Financial Strategy was prepared at the start of 2016, at a time when the Government was continuing to cut public spending with the aim of reducing the national budget deficit. During this last four years this Council has seen its Core Funding from Central Government cut from £2.3 million in 2016/17 down to £1.4 million for 2020/21, a near 40% reduction.
- 1.2 Since the last strategy was approved the Council has set up a wholly owned subsidiary company - Epsom & Ewell Property Investment Company Limited (EEPIC) The company has acquired two properties out of Borough that provide revenue income to assist in providing services to the Council's residents and mitigate cuts in central government funding.
- 1.3 In July 2019 the independent Auditor stated that the Council has a robust budget setting process and demonstrated a record of budgetary and financial control. However, the Council's finances will continue to be challenged over the next four years with further significant reductions in Government funding anticipated, through a reduction in retained business rates income following the outcome of the Fair Funding Review expected in 2020.

Public Sector Funding

- 1.4 The Government has announced an end to austerity, however it remains unclear how funding within the public sector is going to be prioritised and from where any additional funding might be obtained. The Council's core funding from Revenue Support Grant and retained local business rates has already been reduced by £900,000 since 2016/17 and it is anticipated that following the Government's 'Fair Funding Review' it is expected to reduce further by another £0.5 million by 2023/24.

Looking Forward

- 1.5 Following the local elections in May 2019 the Council is in the process of agreeing new corporate priorities and preparing a new Corporate Plan for 2020-2024.
- 1.6 The Council's previous Corporate Plan had specific objectives for 'Managing Resources', a similar objective is expected in the new Plan including a target for reducing projected net expenditure by £1.8 million by 31 March 2024.
- 1.7 This is a challenging environment, with further substantial cuts in government funding expected. To meet this challenge a financial planning framework is essential:-
  - Residents will want to know council tax and service plans and understand the reasons for those plans;
  - In making decisions Councillors need to be clear that budget forecasts are based on reasonable resource forecasts,
  - Service changes need to be planned and implemented carefully with appropriate lead times;

- Charging decisions should be made against a backdrop of the likely financial position in future years;
  - Areas of higher financial risk need to be identified to see how best those risks can be managed
- 1.8 The Council must retain a prudent level of reserves, this has become even more critical with further changes in the allocation of Central Government funding. Reserves enable the Council to manage the changes to services that will be required to deliver the level of savings required over the next four years to achieve a balanced budget.
- 1.9 The Financial Plan 2020-2024 provides a framework for spending plans over this period.

#### Key Components of the Medium Term Financial Strategy

- 1.10 The Council's Medium Term Financial Strategy sets out the approach that the Council has agreed to manage its finances.
- 1.11 The Council will pursue the following objectives:-

**Council Tax**

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

**Budget Position and Revenue Reserves**

- Produce a balanced revenue budget each year
- Maintain a minimum working balance of £2.5 million at 31 March 2024
- 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 the Council's finances
- Work towards reducing reliance on business rates income to fund the delivery of services by 2030

**Income**

- Increase income from fees and charges by 3% per annum
- Maintain clear charging policies for each service
- Manage risks to central government funding and business rate retention
- Maintain high collection rates for council tax and business rates
- Make prudent investment of reserves and cash balances
- Generate increased income from the external use of Council assets
- Optimise the use of Council assets, realise capital receipts from sale of surplus assets
- Identify new opportunities for generating income
- Identify and acquire properties that meet the Council's corporate objectives

**Investment in Services**

- Use Annual Service Targets to allocate resources to deliver the Council's Priorities
- Prioritise capital investment to ensure retained property is fit for purpose
- Maximise the use of external funding opportunities to deliver improvements to the community infrastructure, including affordable housing
- Deliver the three year capital programme of £2.7 m
- Maintain a minimum uncommitted level of capital reserves of £1 million at 31 March 2024
- By 2023/24 provide £0.5 million of funding from revenue to fund the annual capital programme
- Review criteria for capital investment to facilitate actions which will positively impact the environment

**Efficiency**

- Review services to ensure they continue to provide value for money
- Achieve a reduction in operating costs through smarter working
- Reduce the subsidy of Council occupied properties
- Increase the efficiency and resilience of the organisation through investment in staff and technology
- Deliver savings to improve the forecast budget position by £1.8 million by 2023/24.

**Section 2: CORPORATE PLAN: EFFECTIVE COUNCIL**

- 1.1 The Council is in the progress of agreeing its new Corporate Plan which sets out the national and local context in which the Council delivers services and provides community leadership.
- 1.2 The Council will prepare service plans and agree annual service targets to deliver its corporate priorities.
- 1.3 The following strategies provide more analysis on how the Council will manage resources allocated for the delivery of Borough services:-

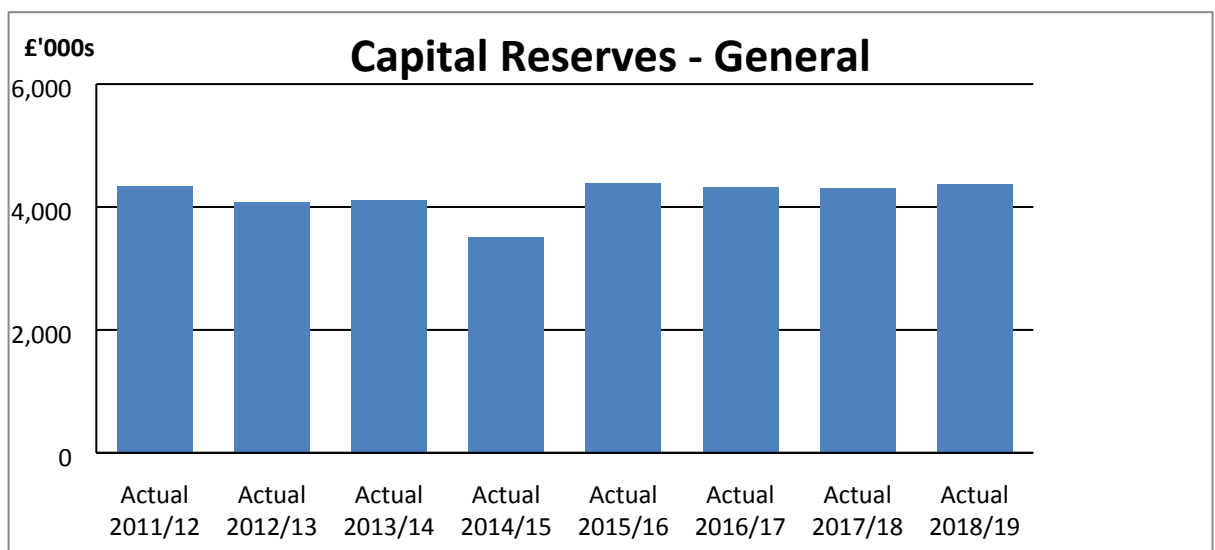
<b>Supporting Strategies &amp; Plans</b>	<b>Objectives</b>
<b>Financial Plan / Medium Term Financial Strategy</b>	<ul style="list-style-type: none"> <li>• Maintain sound Council finances.</li> <li>• Allocate resources to Council priorities.</li> <li>• Measure financial performance.</li> </ul>
<b>Asset Management Plan</b>	<ul style="list-style-type: none"> <li>• Ensure that operational property is fit for purpose.</li> <li>• Optimise use of operational property for services to residents.</li> <li>• Increase income generated from commercial property.</li> </ul>
<b>Capital Strategy</b>	<ul style="list-style-type: none"> <li>• Effective investment of capital resources (reserves and external funding) for the benefit of the community.</li> <li>• Generate savings or income from spend to save projects.</li> <li>• Ensure borrowing is proportionate and sustainable</li> </ul>
<b>Procurement Strategy</b>	<ul style="list-style-type: none"> <li>• Secure best value in purchasing goods and services.</li> <li>• Realise financial and performance gains from high value procurement.</li> </ul>
<b>Team Strategy</b>	<ul style="list-style-type: none"> <li>• Investment in skilled workforce to maintain high levels of productivity and performance.</li> </ul>
<b>ICT Strategy</b>	<ul style="list-style-type: none"> <li>• Design and implement Information and Communications Technology to increase the effectiveness and efficiency of Councils operations and increase public access.</li> </ul>
<b>Treasury Management Strategy</b>	<ul style="list-style-type: none"> <li>• Maintain secure investment of reserves and cash balances.</li> <li>• Generate a return on cash investments.</li> <li>• Optimise borrowing</li> </ul>
<b>Climate Change Action Plan</b>	<ul style="list-style-type: none"> <li>• Implement actions to deliver reductions in CO2 where financially cost effective and viable</li> </ul>

**Section 3: THE COUNCIL'S FINANCIAL STANDING**

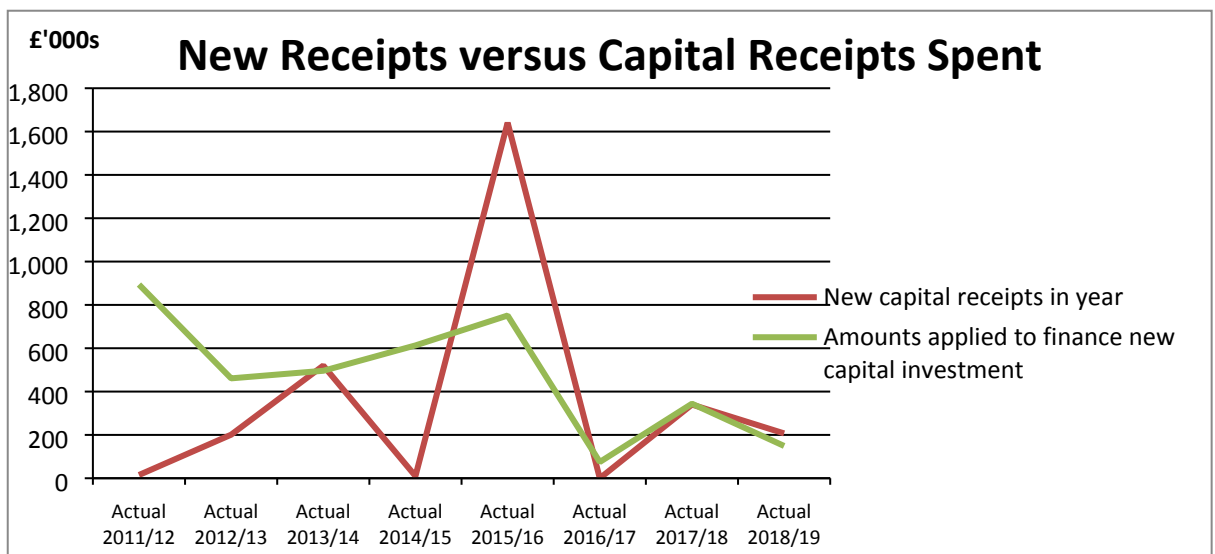
- 1.4 The Council finances its expenditure on services from income received during the year. Any shortfalls need to be financed from reserves and any surpluses can be used to strengthen reserves. The Council aims to achieve a balanced budget although the financial strategy should be flexible to allow a planned use of reserves where this is prudent and sensible.
- 1.5 Under local authority accounting rules expenditure on the delivery of services is charged to the General Fund Revenue Account.
- 1.6 Investment in community assets and Council infrastructure is charged to the General Fund Capital Account.
- 1.7 The level of Council reserves is a key measure of the Council's financial standing and its ability to manage future liabilities and commitments.

**Capital Account**

- 1.8 The following tables trace the level of capital reserves since March 2012.



- 1.9 The Council has managed to retain capital reserves at around £4 million since 2011/12. However, there will be significant pressure on these reserves over the next four years, with over £2m provisionally earmarked to be spent on the capital programme by 2021/22. To mitigate this projected reduction in capital reserves, the Council plans to fund £500,000 of the annual capital programme from revenue funds by 2023/24, although,, other funding options may also need to be considered to finance any additional capital spending plans that arise during this period, unless there is a major development or sale of property.
- 1.10 The Council has generated £2.9 million in new capital receipts in the last 8 years through the sale of property and land to fund the capital programme. £1.6 million was realised through one sale; excluding this disposal the Council generated £1.3 million in new receipts since 2012/13. The Council required use of £2.9 million of its capital receipts over the same period to finance its capital programme.
- 1.11 The Council has managed to limit its use of capital reserves during the last four years with the implementation of a strict qualifying criteria for bids to be included within the annual capital programme. However, it is likely that pressure will increase to use a higher level of reserves over the next four year period as bids deferred in previous years become more critical to the organisation.
- 1.12 The Council also has the capacity to finance affordable housing schemes through the generation of planning gain receipts. These Section 106 funds will be used to fund housing schemes during the four year cycle. Additional funds may be available from Community Infrastructure Levy and New Homes Bonus.

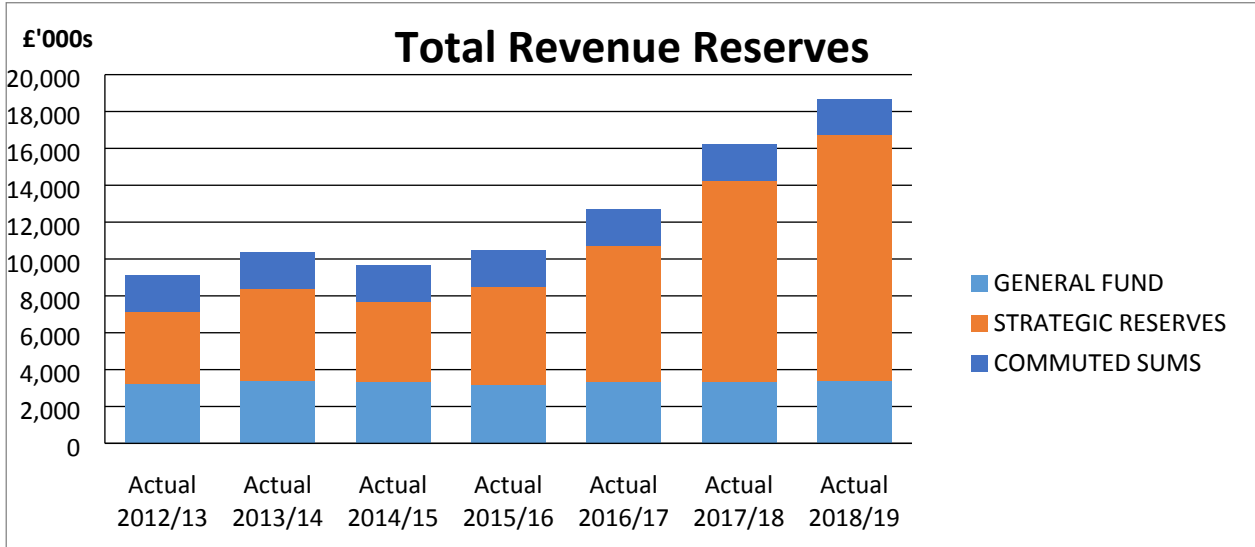


- 1.13 Since 2016 the Council has acquired a number of commercial properties both within and outside the Borough through borrowing. As at the end of 2018/19 had debt totalling £64.4 million and the actual cost of servicing this debt in 2018/19 was £1.6 million.
- 1.14 These recent commercial property acquisitions deliver significant income streams for the Council which are used to finance the cost of servicing the debt as well as making a contribution towards overall running costs of the Council.



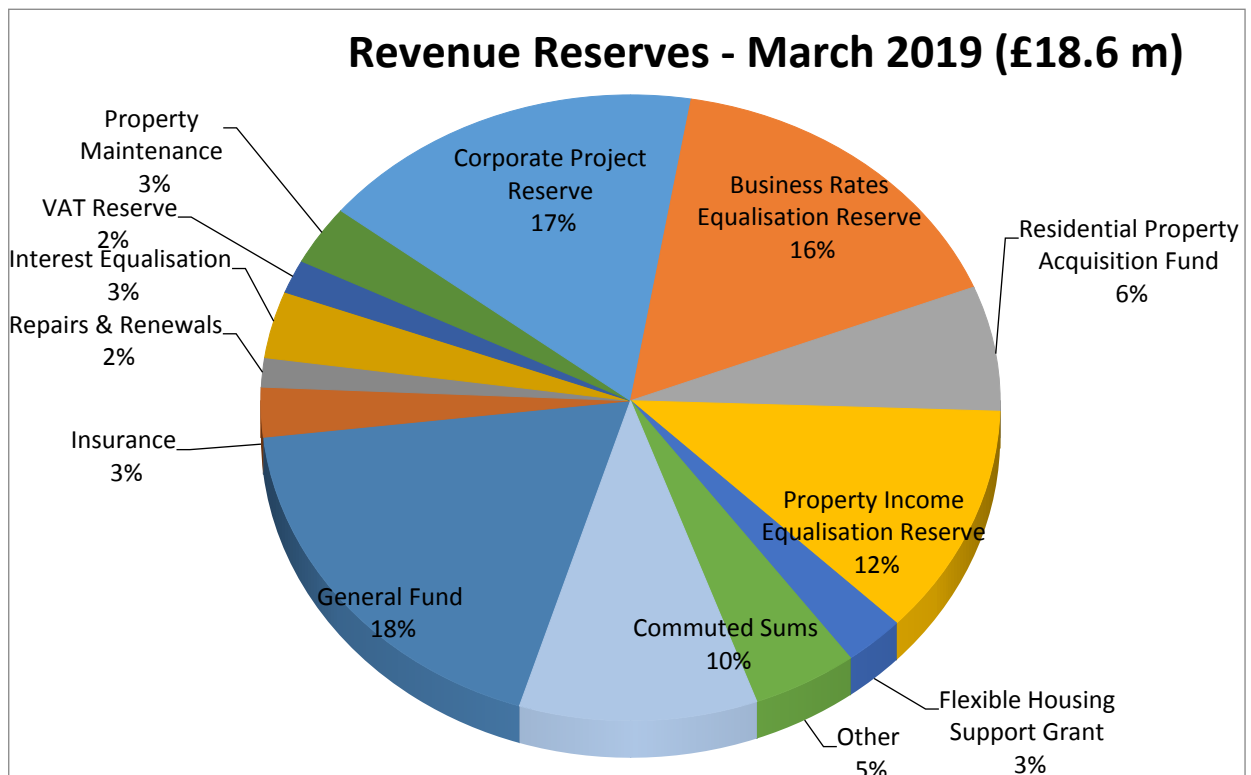
**Revenue Account**

1.15 The following tables trace the level of revenue reserves since March 2013.



	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
General Fund	3,323	3,417	3,333	3,171	3,334	3,348	3,416
Strategic Reserves	3,902	4,956	4,379	5,325	7,388	10,886	13,289
Commutated Sums	1,965	1,965	1,965	1,965	1,965	1,965	1,941

- 1.16 The Council has maintained its level of general fund working balances at just over £3 million for the last four years despite significant cuts to its core funding from central government.
- 1.17 Strategic reserves have increased over the same four year period principally due to one-off gains from New Homes Bonus and other grants and the financial benefit achieved from being part of the Surrey Pilot for Business rates in 2018/19.
- 1.18 In the last four years the Council has taken on external borrowing to finance the acquisition of several investment properties that provide valuable rental income to support the running of Council services. It has been agreed to mitigate risks associated with these acquisitions that funds are set aside that cover 1 year’s rental income for each of the properties, a target of (c£5 million). The balance on this reserve as at the end of the financial year 2018/19 was £2.2 million.
- 1.19 The following Chart identifies the significant revenue reserves held as at the end of March 2019.



- 1.20 The Council reviews its financial reserves annually to:-
  - manage financial and service risks
  - assist medium term planning and decision making
  - help finance services to residents
  - provide greater certainty over future investment

1.21 The following reserves and provisions were held at March 2019:-

<b>Purpose of Reserve</b>	
<b>CAPITAL</b>	
CAPITAL RECEIPTS - general	Funds raised by the past sale of Council property assets. Used to fund capital programme where external funding not available. Unspent balance invested and interest generated used to help finance the General Fund Revenue Account provision of services.
CAPITAL RECEIPTS - hospital cluster	Transferred sums to fund development of hospital cluster site.
SECTION 106 - unapplied capital reserves	Planning Gain Receipts set aside for capital infrastructure schemes fulfilling terms of agreement with developers
<b>REVENUE</b>	
COMMUNITY SAFETY PARTNERSHIP	Support for partnership community safety work in the Borough.
PARTNERSHIP FUND	Partnership reserves held to provide funding to support specific partnership initiatives.
HIA HARDSHIP FUND	Fund exists to provide funding for the Home Improvement Agency Service.
SPORTS & LEISURE DEVELOPMENT PROJECTS FUND	External funding set aside to support sports & leisure development projects
HISTORIC BUILDINGS	Earmarked to fund historic building repairs
HOSPITAL CLUSTER INTEREST	To manage the risk of repayment of Horton chapel funds including interest if a viable community use cannot be established.
INSURANCE	Provision for self-insured liability claims.
CORPORATE PROJECT RESERVE	Contingency for unplanned projects, including additional one-off costs. The reserve is also used to finance revenue and capital 'spend to save' initiatives.
VAT RESERVE	Reserve against liabilities for unrecoverable VAT payments including breach of partial exemption rule.

Purpose of Reserve	
HOUSING & PLANNING DELIVERY GRANT	Provision for planning-related investments.
INTEREST EQUALISATION	Contingency provision for interest rate reductions to help manage variations in interest rates each year.
PROPERTY MAINTENANCE FUND	Provision for urgent unplanned backlog repairs and maintenance that cannot be funded within annual approved budgeted programme.
REPAIRS & RENEWALS	Provides for the replacement of plant and equipment where no revenue budget is available. Manages the risk of unplanned expenditure at all Council properties, including health and safety expenditures.
RESIDENTIAL PROPERTY ACQUISITION FUND	Provides funding to acquire residential properties to limit the impact on the cost of homelessness.
PREVENTION, PERSONALISATION & PARTNERSHIP FUND	Funding from ring fenced grant for local authorities to undertake their new public health functions.
PROPERTY INCOME EQUALISATION RESERVE	The reserve is to be maintained at a level to cover the potential loss of one year's rental income from each property acquired through the use of borrowing.
BUSINESS RATES EQUALISATION RESERVE	Reserve used to protect funding from the Council's share of localised business rates, used to smooth out the impact of annual changes in funding
GENERAL FUND REVENUE ACCOUNT WORKING BALANCE	Provision for unforeseen expenditure and used to support Revenue Budget in the medium term. Interest on balance used to finance the General Fund revenue account.
FLEXIBLE HOUSING SUPPORT GRANT	Grant funding used to support homelessness
RECREATION COMMUTED SUMS	Transferred payments ring-fenced for investment with returns used to finance grounds maintenance costs following transfer of Hospital Cluster Land

**Section 4: THE STARTING POINT**

1.1 The following table summarises estimated income and expenditure for 2020/21:-

	£m	£m	£m
<b>INCOME</b>			
<u>General Grant and Taxes</u>			
Revenue Support Grant	0.0		
Retained share of Business Rates Income	1.6		
Prior year Business Rates surplus	1.4		
Council Tax Income	6.7		
	Sub-Total	9.7	
<u>Service Income</u>			
Fees and Charges	11.0		
Rents	3.8		
Grants and Subsidies	18.1		
Interest on Balances / Reserves	0.2		
Income from EEPIC	3.3		
Use of Reserves	0.3		
Internal Asset Credits	2.7		
	Sub-Total	39.3	
	<b>Budgeted Income</b>		49.0
<b>EXPENDITURE</b>			
Employee Costs	12.9		
Premises Costs	3.2		
Transport Costs	1.5		
Contracted Services and Supplies (incl. grants)	7.2		
Housing & Council Tax Benefits	16.3		
Interest on Borrowings	1.6		
Minimum Revenue Provision	0.9		
Contributions to Reserves	2.7		
Internal Asset Charges	2.7		
	Sub-Total	49.0	
	<b>Budgeted Expenditure</b>		49.0

**Section 5: FOUR YEAR BUDGET FORECAST**

- 1.2 The main focus for budget forecasts is the Councils net budget requirement which comprises service spending less income generated from those services.
- 1.3 It is a Government requirement that Councils provide residents with spending figures focused on the Council Tax Requirement. This is the amount of spending that will be funded from council tax payments in the Borough.
- 1.4 For 2020/21 the Council's spending can be analysed as follows:-

	£000	£000
<b>NET EXPENDITURE</b>		
Gross Expenditure on Services	51,707	
Less: Gross Income on Services	- 39,295	
Sub-Total (policy committee net spend)		12,412
Less: Internal recharges (asset rentals)		- 2,669
Forecast Net Expenditure		<b>9,743</b>
<b>FUNDING</b>		
Retained Business Rates	1,617	
Council Tax	6,713	
Business Rates Prior Year Surplus	1,402	
Council Tax Prior Year Surplus	11	
Aggregate External Finance		<b>9,743</b>

1.5 The following table summarises the Council's four year budget forecast prepared in February 2020 for the 2020/21 budget report:-

	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>
	<u>Budget</u> £000	<u>Forecast</u> £000	<u>Forecast</u> £000	<u>Forecast</u> £000
Net Cost of Service b/f	8,328	8,609	8,811	8,720
Pay & Prices Increases	+ 507	+ 598	+ 606	+618
Contingency for Service Changes and Pressures	+ 732	+ 150	+ 150	+ 250
Reduced contributions to the Property Income Equalisation Reserve	0	0	- 500	0
Increases in Fees & Charges	- 353	- 210	- 210	- 216
Changes to External Funding	+ 80	0	0	0
Star Chamber / Service Savings	- 685	- 336	- 137	- 215
<b>Forecast Net Cost of Services</b>	<b>8,609</b>	<b>8,811</b>	<b>8,720</b>	<b>9,157</b>
Interest on Balances	-130	- 175	- 240	- 270
Transfer to/(from) Business Rates Equalisation Reserve	1,380	- 200	- 150	- 100
Use of Flexible Housing Support Grant	-116	0	0	0
Transfer from Working Balance (-)	0	0	0	0
<b>Forecast Net Expenditure</b>	<b>9,743</b>	<b>8,436</b>	<b>8,330</b>	<b>8,787</b>
Retained Business Rates Forecast	1,617	893	925	959
Council Tax Income Forecast	6,713	6,934	7,158	7,385
Council Tax Surplus	11	0	0	0
Retained Business Rates Surplus	1,402	0	0	0
<b>Collection Fund Income</b>	<b>9,743</b>	<b>7,827</b>	<b>8,083</b>	<b>8,344</b>
<b>Funding Shortfall</b>	<b>0</b>	<b>- 609</b>	<b>- 247</b>	<b>- 443</b>

1.6 The following factors have been used to prepare the forecast.

<b>ASSUMPTIONS USED</b>	<b>BASE £000</b>	<b>2020/21 Budget</b>	<b>2021/22 Forecast</b>	<b>2022/23 Forecast</b>	<b>2023/24 Forecast</b>
<b>General Inflation - prices</b>	9,500	2.0%*	2.0%	2.0%	2.0%
<b>Annual pay award</b>	11,000	2.0%*	2.0%	2.0%	2.0%
<b>Fees &amp; Charges allowance: annual increased yield on discretionary charges</b>	-6,600	3.0%**	3.0%	3.0%	3.0%
<b>Interest rate used</b>		1.25%	1.5%	1.5%	1.5%
<b>Increase in Council Tax income</b>	-6,525	Annual increase of £5 for a Band D equivalent property			

\* assumes annual pay increases limited to 2% and allows for unavoidable inflation only

\*\* increases to parking charges are applied every 2 years

1.7 The following table shows the financial impact of variations to the assumptions used.

	<b>+ / -</b>	<b>Impact on Each Year £000</b>	<b>Cumulative Impact (4 years) £000</b>
<b>Price Inflation</b>	1%	95	380
<b>Pay Inflation</b>	1%	110	440
<b>Fees &amp; Charges</b>	1%	66	264
<b>Interest on Balances</b>	0.5%	65	260
<b>Council Tax</b>	1%	65	260

1.8 The General Fund Working Balance was £3.4 million at 31 March 2019 and is forecast to remain at this level by the end of the financial year 2019/20.

1.9 Subject to delivery of targeted savings the working balance will be maintained at this level for the next four years.

1.10 In the light of the outcome of government's Fair Funding Review some flexibility will be required and the Council's policy is to maintain a minimum working balance of £2.5 million at 31 March 2024.



## Section 6: ECONOMIC OUTLOOK

- 1.11 The Office for Budget Responsibility's Economic and Fiscal Outlook in March 2019 provided the following overview:-

<b>UK</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Gross Domestic Product	1.4%	1.2%	1.4%	1.6%	1.6%	1.6%
CPI Inflation	2.5%	2.1%	1.9%	2.0%	2.0%	2.0%
Average Earnings (all sectors)	3.0%	3.1%	3.0%	3.1%	3.1%	3.3%
Unemployment	4.1%	4.1%	4.1%	4.1%	4.0%	4.0%

- 1.12 The table on the following page provided by the Council's treasury management advisers in December 2019 forecasts future interest rates.

## UK Interest Rate Forecast

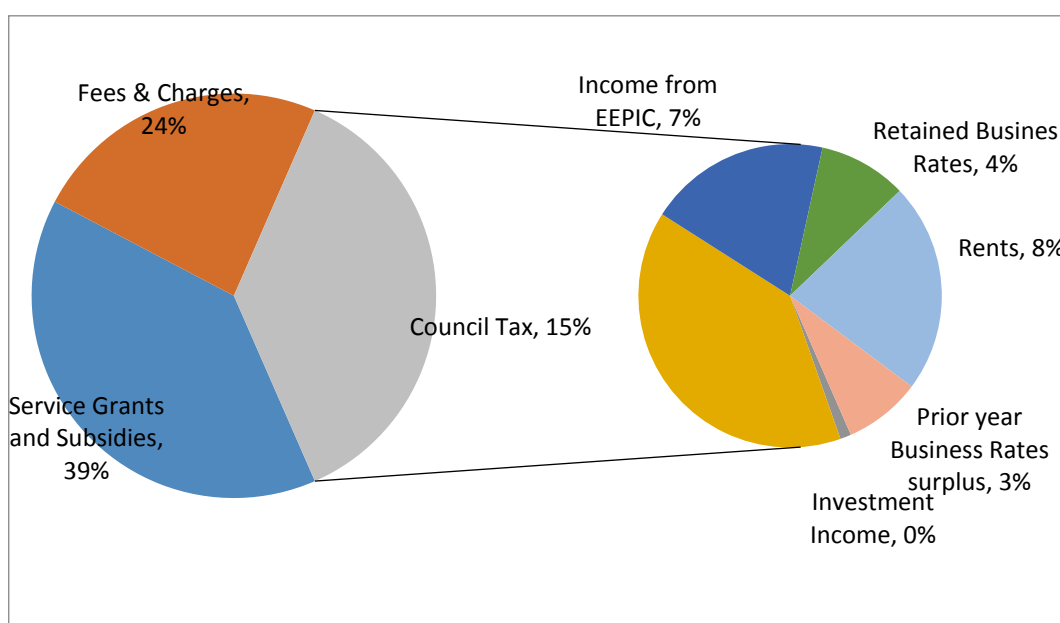
<b>Bank Rate</b>											
	NOW	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%
Capital Economics	0.75%	0.75%	0.75%	0.50%	0.50%	0.50%	-	-	-	-	-
<b>5yr PWLB Rate</b>											
	NOW	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	2.31%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%
Capital Economics	2.31%	2.40%	2.40%	2.40%	2.40%	2.40%	-	-	-	-	-
<b>10yr PWLB Rate</b>											
	NOW	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	2.53%	2.60%	2.70%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%
Capital Economics	2.53%	2.60%	2.60%	2.60%	2.60%	2.60%	-	-	-	-	-
<b>25yr PWLB Rate</b>											
	NOW	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	3.11%	3.20%	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%
Capital Economics	3.11%	2.90%	2.90%	2.90%	2.90%	2.90%	-	-	-	-	-
<b>50yr PWLB Rate</b>											
	NOW	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	2.97%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%	3.80%
Capital Economics	2.97%	3.00%	3.00%	3.00%	3.00%	3.00%	-	-	-	-	-

**Section 7: RESOURCES**

1.13 The Council’s budgeted turnover for 2020/21 is £49.0 million.

1.14 The following chart shows the main sources of income to fund the General Fund revenue budget:-

**FUNDING SOURCES 2020/21 BUDGET**



1.15 The most significant income sources are service specific funding from Central Government:-

- Housing Benefits Subsidy is a reimbursement of benefits paid locally
- Housing and Council Tax Benefit Administration Grant is a contribution towards administrative costs
- Homelessness Prevention Grant provides funding for housing initiatives

1.16 A total of £18 million is estimated to be received from these sources and £1.6 million from retained Business Rates to help fund the general provision of services.

1.17 The Government’s latest provisional funding settlement covered only 2020/21. Due to recent political uncertainty the Government announced a delay in the Fair Funding review and the outcome for Epsom and Ewell

Borough Council will not be known until 2021/22. As a result the settlement for 2020/21 is not indicative of the levels of funding that will be available in the future.

- 1.18 It is anticipated that the outcome of the Fair Funding review will result in a redistribution of retained business rate income from district councils to those councils with Social Care responsibilities.
- 1.19 These changes will have a significant impact on the Council's turnover and have an impact on the Council's resources for providing services to residents.
- 1.20 Central government specific grants provide reimbursement for services that are determined at a national level. The Council provides a mix of other services which need to be funded locally. This includes those services for which the Council has a statutory duty, such as waste collection and street cleansing, as well as those which the Council decides to do, such as social and leisure venues. The level of local services that the Council can provide depend on the amount of income raised from council tax, fees and charges, rents and retained business rates.
- 1.21 In 2019/20 Council approved to remove any reliance on New Homes Bonus grant funding to support services and that this funding is set aside in the Corporate Projects Reserve to finance the cost of one-projects and initiatives.
- 1.22 Resources are considered in more detail in the following sections:-
  - Section 8: Government Grants and Business Rates Retention
  - Section 9: Council Tax
  - Section 10: Fees, Charges, Rents and Interest earned on balances
  - Section 11: Property related income, including income from the Property Company (EEPIC)

**Section 8: GOVERNMENT FUNDING / BUSINESS RATE RETENTION**

- 1.23 The Funding Settlement comprises any Revenue Support Grant and the baseline level of funding from retained business rates
- 1.24 The headline core funding is used as an equalisation of resources between local authorities and is allocated to councils by the Ministry of Housing, Communities and Local Government.
- 1.25 MHCLG introduced localisation of business rates in 2013/14 and this represented a significant change in funding for local councils.
- 1.26 Under the local retention scheme councils enjoy gains or suffer losses from the variations to the business rates collected, whether that is due to changes in collection rates or more /fewer businesses.
- 1.27 In February 2016 this Council agreed to the Government's Four Year settlement covering the financial years 2016/17 to 2019/20. Included within the settlement figures for 2019/20 was negative revenue support grant payments of £625,000, which the Council would have to make to MHCLG.
- 1.28 The Government subsequently announced that it was removing the negative RSG payments from the 2019/20 settlement and this has been repeated for 2020/21. However, there is significant risk that these payments will feature as part of future financial settlements following the conclusion of the Government's Fair Funding Review, which will impact funding levels from 2021/22.
- 1.29 The Government's provisional funding settlement announced in December 2019 provides the Council with details regarding the potential income from this source of funding for 2020/21. The settlement identified an increase in core funding for this Council next year of £23,000, an increase of 1.65%. However, it provided no indication of future settlements for Epsom and Ewell Borough Council beyond 2020/21.
- 1.30 The Council's provisional central government funding settlement for 2020/21 is £1.42 million, which is shown in the following table together with the forecasts used for the four year MTFS:-

	<b>2019/20 Actual</b>	<b>2020/21 Provisional Settlement</b>	<b>2021/22 Forecast</b>	<b>2022/23 Forecast</b>	<b>2023/24 Forecast</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revenue Support Grant	0	0	0	0	0
Retained Business Rates - Baseline	1,397	1,420	893	925	959

<b>Government Baseline Funding</b>	<b>1,397</b>	<b>1,420</b>	<b>893</b>	<b>925</b>	<b>959</b>
<b>Surplus retained business rates</b>	<b>188</b>	<b>197</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Funding included in Financial Plan</b>	<b>1,585</b>	<b>1,617</b>	<b>893</b>	<b>925</b>	<b>959</b>

- 1.31 The Council's underlying position on business rate collection fund is that its share of retained business rates is around £200,000 higher than the income stated in the 'baseline' position. The 'baseline' reset due for 2021/22 will remove the surplus income the Council currently retains.
- 1.32 The 2021/22 position assumes a reduction in core funding following the Fair Funding Review, to reflect the expected re-introduction of negative revenue support grant payments through the business rates baseline level.

### **NEW HOMES BONUS**

- 1.33 The new homes bonus scheme was introduced in April 2011 and was designed by central government to provide financial incentives and rewards for councils and communities who wish to build new homes in their area.
- 1.34 Since the introduction of the new homes bonus scheme Government has made changes to the methodology for awarding the grant. This has subsequently resulted in a significant reduction in the award of grant for this Council.
- 1.35 As part of the provisional settlement for 2020/21 it was announced that legacy payments received for prior year performance will be removed from the grant allocation altogether by 2023/24.

- 1.36 The following table provides an analysis of the decline in new homes bonus grant the Council has been awarded since 2016/17.

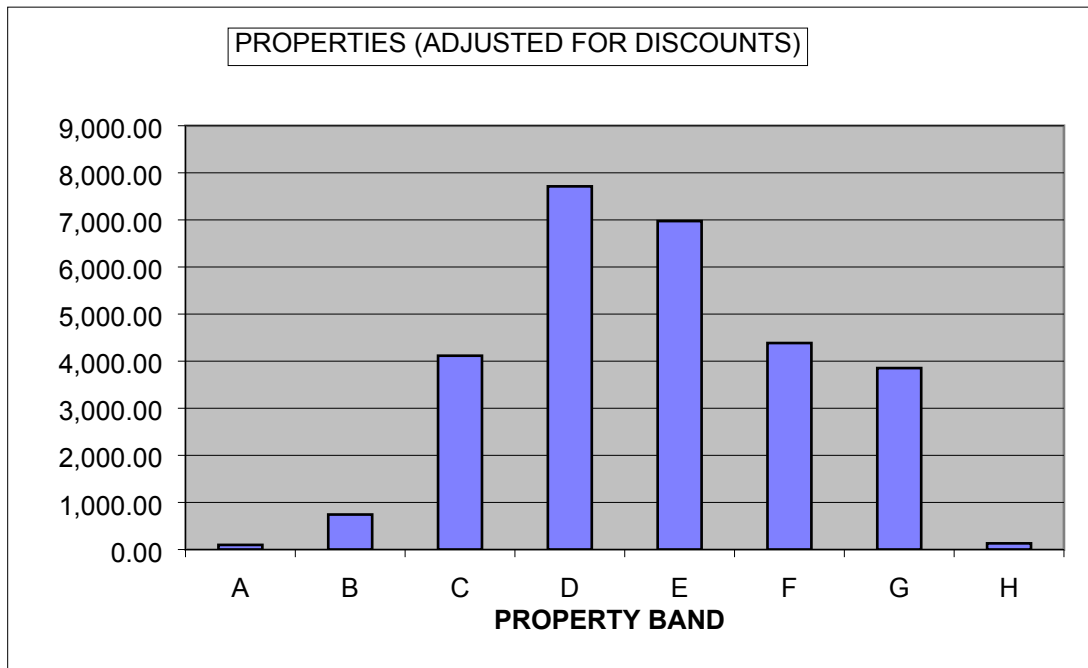
**NEW HOMES BONUS**

	Actuals					Projected	
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000	£000	£000
2011/12 Actual	108						
2012/13 Actual	500						
2013/14 Actual	344	344					
2014/15 Actual	595	595					
2015/16 Actual	411	411	411				
2016/17 Actual	158	158	158	158			
2017/18 Actual		46	46	46	46		
2018/19 Actual			219	219	219	219	
2019/20 Actual				21	21	21	21
2020/21 Actual					100		
<b>Total Grant</b>	<b>2,116</b>	<b>1,554</b>	<b>834</b>	<b>444</b>	<b>386</b>	<b>240</b>	<b>21</b>

- 1.37 The Council agreed as part of the 2019/20 budget to remove any reliance on this grant to provide funding towards the on-going costs of operating Council Services.

**Section 9: COUNCIL TAX**

- 1.38 There are over 31,000 domestic properties in the Borough.
- 1.39 Council Tax levels are based upon the District Valuer’s assessment of property bands for each home.
- 1.40 The Borough’s council tax base as at December 2019 is illustrated below:-

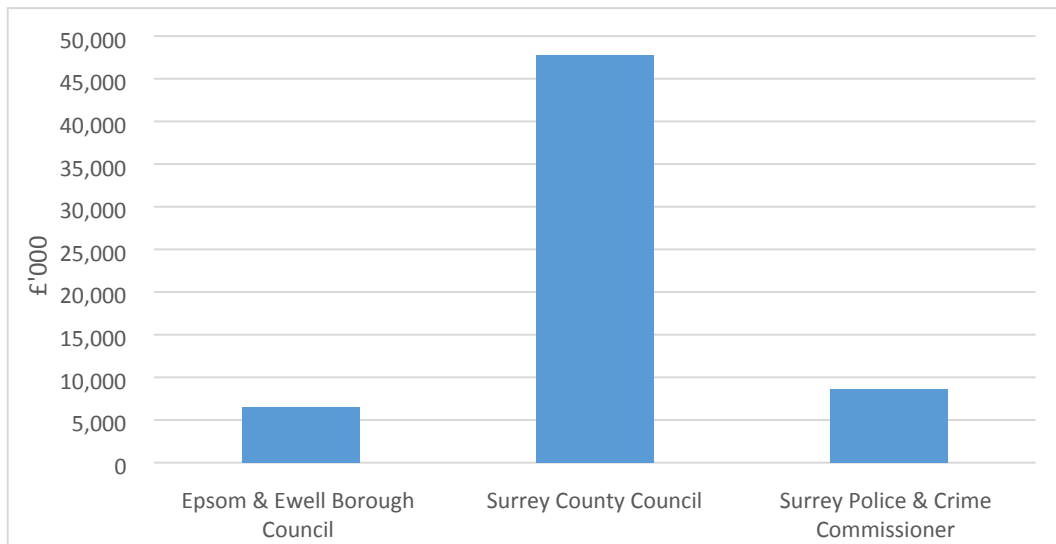


- 1.41 Allowing for the different amounts payable for each property band, the average amount that is raised from Council Tax is equivalent to more than 33,000 properties at the headline Band ‘D’ charge.
- 1.42 Comparative annual council tax charges published for 2019/20 were as follows:-

<b>Council Tax</b>	<b>Surrey (average)</b>	<b>Epsom &amp; Ewell</b>
<b>Shire District only</b>	£202	£198
<b>Shire District including Parishes</b>	£219	£198
<b>Total Bill in Two Tier Areas</b>	£1,933	£1,912



- 1.43 The Council collects council tax on behalf of Surrey County Council and Surrey Police who levy a precept on the Surrey District Councils (i.e. tell the districts how much they must collect on their behalf).
- 1.44 The amount of Council Tax due to be collected by Epsom and Ewell Borough Council in 2019/20 was £63 million:-



- 1.45 The Borough Council can only make decisions on its share of the bill which raises £6.6 million each year for Borough services which is calculated as follows:-

- Council Tax Base (No. of Band 'D' equivalent Properties) x Charge for Band D Properties.

- 1.46 For 2020/21 the figures are as follows:-

$$33,020 \times \pounds 203.31 = \pounds 6,713,000$$

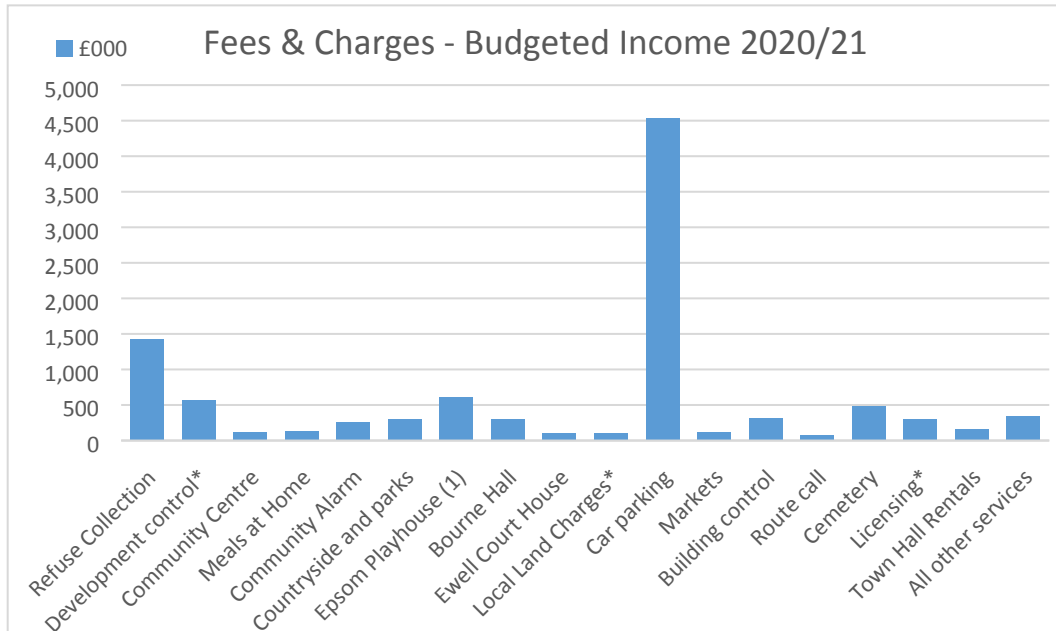
- 1.47 The Financial Plan for 2020-2024 includes a forecast of an additional yield the equivalent of a £5 per annum increase on a band D property from the Borough's share of Council Tax.

- 1.48 This will raise an additional £160,000 to £170,000 per annum to pay for Borough council services and cost the average Band D taxpayer an extra 10 pence per week. The increases are in line with the Government's capping limits set at the higher of £5 for a Band D property or 2%. These increases are close to the Government's target for inflation which is 2% and therefore broad aims to maintain council tax at current levels in real terms.

**Section 10: INCOME FROM FEES, CHARGES, RENT & INTEREST**

Fees and Charges

- 1.49 At around £11m per annum, the revenue from fees and charges significantly exceeds council tax income.
- 1.50 Some fees are determined by the Council and others are subject to central government regulation.



\* fees subject to regulation

(1) Playhouse income is shown net of Box Office payments

- 1.51 Fees will be re-assessed annually as part of the budget review process:
  - To reduce the subsidy required to provide services and venues
  - To generate income to help fund other services
  - To recover costs incurred and maintain existing assets

Interest on Balances

- 1.52 The Council invests its revenue and capital reserves and cash flow balances and uses the interest generated to help fund services, in the short term by using the interest to finance the revenue budget and, in the long term, by allocating part of the interest earned to specific funds.
- 1.53 A proportion of the Council's cash balances are transferred to a fund manager who operates with a policy agreed by the Council as set out in the Treasury Management Strategy Statement.
- 1.54 Short term cash and treasury investments totalled £13.6m at 31 March 2019.
- 1.55 The level of investments is expected to increase gradually in the medium term as the Council sets aside Minimum Revenue Provision each year in preparation for the eventual repayment of its long term debt, the majority of which will mature in 2067.

- 1.56 Interest rates are expected to remain low with minimal gradual increases over the next four years.

### Section 11: PROPERTY RELATED INCOME, INCLUDING INCOME FROM PROPERTY COMPANY (EEPIC)

#### Commercial Property Related Income

- 1.57 During 2016/17 and 2017/18, the Council established two Commercial Property Acquisition Funds totalling £80m and £300m for the purchase of in- and out-of-Borough commercial properties respectively, financed by prudential borrowing. The main purpose was to generate additional income to address budget deficits in the previous MTFs 2016-20, thereby protecting and enhancing services to residents where possible.

#### £300m Fund

- 1.58 To invest this fund and to meet the requirements of the Localism Act 2011, Full Council agreed to establish a wholly owned subsidiary company, Epsom & Ewell Property Investment Company (EEPIC), in September 2017. EEPIC subsequently acquired two out-of-Borough commercial properties for a combined £60.3m in late 2017 which, after deducting interest payments and contributions to reserves, will provide a budgeted net annual benefit to the Council's general fund of around £906,000 in 2020/21.
- 1.59 In April 2018, the Ministry of Housing, Communities and Local Government (MHCLG) implemented new statutory local government Investment Guidance, restricting the ability of Councils to borrow to invest in commercial property purely for profit, through the following clause 46:

*“Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed”.*

- 1.60 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.
- 1.61 As such, in September 2018 Strategy and Resources Committee noted the suspension of further investment property acquisitions, where the purpose is purely to profit. Consequently no further out-of-Borough commercial property acquisitions have since been made by EEPIC (or the Council).
- 1.62 The guidance does not impact on the two out-of-Borough purchases already made by EEPIC in 2017, since they occurred before the new guidance took effect.

#### £80m Fund

- 1.63 This fund has been used by the Council to acquire three commercial properties, within the Borough and prior to April 2018, for a combined £24.4m.
- 1.64 It should be noted that under MHCLG's Statutory Guidance introduced in April 2018, there are circumstances where commercial property acquisitions

funded by borrowing are still acceptable, provided the main purpose for the investment is not purely for profit, but (for example) for regeneration. This would imply that future acquisitions would have to be within, or very close to, the Council's boundary, in order to demonstrate that they are not purely for profit.

- 1.65 The three in-Borough acquisitions, after deducting interest payments and contributions to reserves, will provide a budgeted net annual benefit to the Council's general fund of around £513,000 in 2020/21, as set-out in the following table:

<b>Commercial Property Fund Acquisitions</b>	<b>Net Contribution to Council's 2020/21 Budget</b>
<u>In-Borough</u>	
2 Roy Richmond Way	£150,647
Parkside House	£248,965
64-74 East Street	£113,599
<b>Sub-Total</b>	<b>£513,211</b>
<u>Out-of-Borough</u>	
EEPIC Properties	<b>£905,524</b>
<b>Total Net Contribution to 2020/21 Budget</b>	<b>£1,418,735</b>

- 1.66 The remaining balances on both Commercial Property Acquisition Funds are shown in the following table. It must be noted that the £80m and £300m funds are not reserves held by the Council; they are limits (approved by Full Council) up to which borrowing could be undertaken.

<b>Commercial Property Acquisition Funds</b>	<b>Commercial Property</b>		<b>Total</b>
	<b>In-Borough</b>	<b>Out-of-Borough</b>	
	<b>£000</b>	<b>£000</b>	
Opening fund balance	80,000	300,000	380,000
Purchases during 2016/17	( 19,206)	0	(19,206)
Purchases during 2017/18	( 5,148)	( 60,293)	( 65,441)
Purchases during 2018/19	0	0	(0)
YTD purchases during 2019/20	0	0	(0)
<b>Fund balances at 31/12/2019</b>	<b>55,646</b>	<b>239,707</b>	<b>295,353</b>

#### 2020-2024

- 1.67 Looking forward to the period 2020-2024, due to the provisions of MHCLG's Statutory Investment Guidance outlined above, it is now considered appropriate for the Council to formally close the £300m Fund to future acquisitions (ie the remaining £239.7m will not be spent).
- 1.68 However, considering the Council's remaining projected budget deficit in this MTFS 2020-2024, and given that under the Statutory Investment Guidance there remain circumstances where commercial property investments funded

by borrowing are still acceptable, it is considered appropriate to keep the £55.6m Fund open for future potential acquisitions within (or close to) the Borough's boundary in the period 2020-2024.

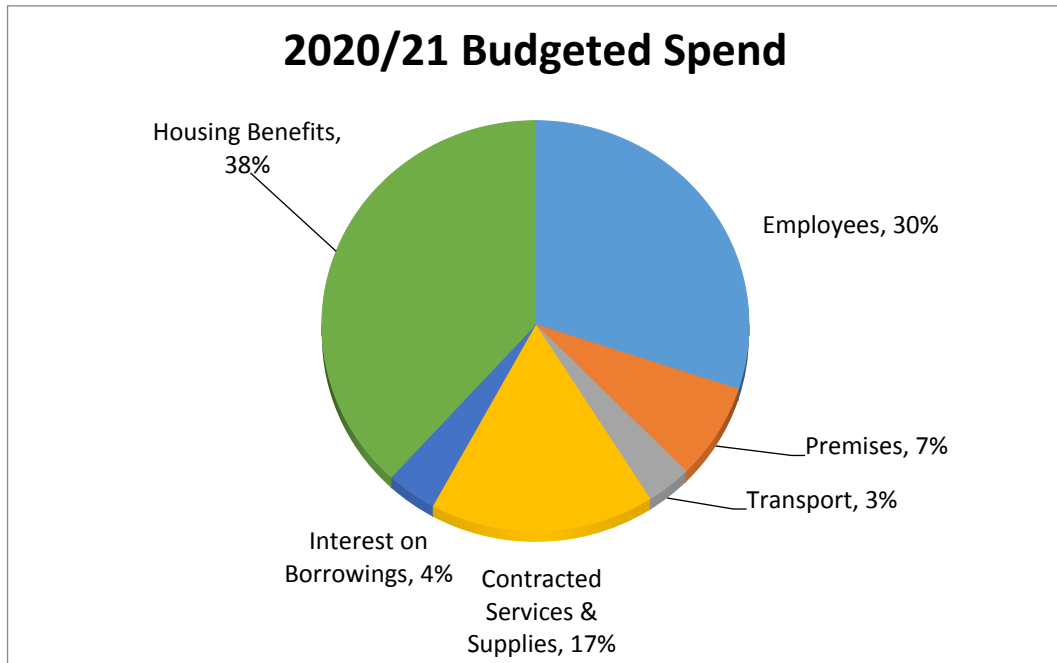
- 1.69 The remaining £55.6m fund will continue to be governed by the Council's existing Property Acquisition Strategy.

Risk Management

- 1.70 All commercial property acquisitions are governed by the Council's Property Investment Strategy, and are robustly assessed by an Investment Property Group consisting of members and senior officers before completion.
- 1.71 To mitigate risks associated with the Council's reliance on income generated from commercial properties funded by borrowing, the Council holds a Property Income Equalisation Reserve. This reserve aims (as soon as practicable) to hold a balance equivalent to one year's rental income from each property acquired through borrowing.

**Section 12: COST ANALYSIS**

1.72 The following chart analyses forecast costs for 2020/21:-



1.73 During 2020/21 the main area of expenditure is on housing benefit payments which are made in accordance with government regulations. The Council effectively acts an administering agent for central government.

1.74 The level of housing benefit payments has reduced by c£6 million in the last four years with the implementation of Universal Credit (where housing benefits will no longer be administered by Councils). It is anticipated that the significant reductions in spend on this area will continue over the next four years with a falling number of claimants within the old housing benefit system.

1.75 The interest on borrowing of £1.6 million is as a result of purchasing commercial properties through external borrowing, these acquisition generate rental income for the Council which is used to service the debt and contribute towards the cost of providing services.

**Section 13: CONTINGENCIES FOR SERVICE CHANGES**

- 1.76 The following section sets out the main statutory service changes expected to affect the Council's finances over the next four years.
- 1.77 It was not possible to provide detailed estimates of the impact of central government funding reviews at the time that this Financial Plan was prepared.
- 1.78 The following additional contingencies have been made in the financial forecast.

	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>Total</u>
	<u>Budget</u> <u>£000</u>	<u>Forecast</u> <u>£000</u>	<u>Forecast</u> <u>£000</u>	<u>Forecast</u> <u>£000</u>	<u>Forecast</u> <u>£000</u>
1. Loss of income from SCC at Bourne Hall	80	0	0	0	<b>80</b>
2. Provision for major property maintenance / repairs work	50	50	50	50	<b>200</b>
3. Funding for projects within the capital programme	100	100	100	100	<b>400</b>
4. Pension Fund Valuation	150	0	0	100	<b>250</b>
5. Increased cost of homelessness	391	0	0	0	<b>391</b>
<b>Contingency for Service Changes and Pressures</b>	<b>771</b>	<b>150</b>	<b>150</b>	<b>250</b>	<b>1,321</b>

**1. Loss of income from SCC at Bourne Hall**

The Council has made a provision within the budget to cover the potential loss of rental income from Surrey County Council at Bourne Hall. The County currently occupies a significant area within the Bourne Hall building and makes a contribution towards the cost of operating the venue. Surrey has indicated that it is in the process of reviewing its Libraries Service and as a result there is risk that they will withdraw or alter their service provision from Bourne Hall.

**2. Provision for major property maintenance / repairs work**

Upon the completion of the Council's new Asset Management Plan it is likely to highlight that there is insufficient funds available to carry out major repairs or maintenance to our properties when required. Previously this expenditure would have been funded through the capital programme out of capital receipts. However, due to the current levels of capital funding available we are unable to continue funding these works through the capital programme and need to provide sustainable funding for these potential projects through the revenue budget.

### 3. Funding for projects within the capital programme

The Council was made aware of diminishing levels of capital reserves when approving the last Financial Plan in 2016. The reliance on capital receipts being the main source of funding of the annual capital programme was unsustainable without bringing in regular significant new receipts to replenish balances. As part of the budget for 2019/20 it was agreed that £100,000 of revenue funding would be used to finance the annual capital programme and the MTFs provides funds to increase this by £100,000 year on year to enable funding of the sustainable core capital programme on an on-going basis.

### 4. Pension Fund Valuation

The Council's pensions are administered by Surrey County Council, as part of the Surrey Pension Fund.

The position on the Pension Fund was reviewed as at 31 March 2019 and showed that it was in deficit by £5 million and the funding level was 93%. The deficit needs to be addressed over the next 20 years and the budget for 2020/21 includes payments of £880,000 and increases in employer contribution rates to reduce the shortfall on the fund.

In context, the 93% funding level is lower than the target level of 100% but significantly better than most government pensions which are unfunded. The fund is still cash flow positive and the deficit is based on current assets plus a forecast of future contributions and an estimate of payments and other liabilities.

Past changes to the Local Government Pension Scheme has relieved pressure on employer pension costs and over the long term the changes are expected to reduce pension costs. Pension contributions are also affected by other factors such as investment returns. The Surrey Pension Fund will be next re-valued as at 31 March 2022.



**5. Increased cost of homelessness**

Since December 2018 the Council has experienced a significant increase in its homelessness numbers and as a result the budget has been increased to meet the additional demand for this service.

**Section 14: COST REDUCTION**

- 1.79 The Council is seeking to improve its forecast budget position by £1.8 million by 2023/24.
- 1.80 A programme has been implemented to deliver the necessary savings over the next four years.
- 1.81 The key features of the programme comprise:-
- A 'Star Chamber' exercise where Service Heads presented options for their services on how savings to the Council can be generated over the next four years.
  - A number of Service Reviews to be undertaken over the next four years for services with the aim of increasing efficiency, effectiveness and cost.
  - Property Related Review – to realise cost reduction of Council operational buildings, increase income from investment properties and generate new receipts from surplus buildings/land.
  - Income Generation Review – to include analysis of charging powers and service utilisation and identify options for income generation.

**Section 15: CAPITAL INVESTMENT**

- 1.82 The Council's level of financial risk remains high due to the public sector funding cuts and increased urgency for major works to be carried out to existing Council properties.
- 1.83 The Council considered a number of bids totalling £0.5 million for works to Council properties which are excluded from the 3 year capital programme, however, the works will reviewed upon completion of the Council's new Asset Management Plan.
- 1.84 The full programme is set out in the Council's Capital Strategy 2020-2023 and summarised below:-

	Original Budget 2020/21 £'000	Proposed Budget 2021/22 £'000	Proposed Budget 2022/23 £'000	Total Provision 2020/21 – 2022/23 £'000
The Disabled Facilities Grant Programme	600	600	600	1,800
ICT Programme of works	250	0	0	250
Clocktower envelope repairs	100	0	0	100
Hogsmill streams and horse pond repairs	292	0	0	292
Hook Road Car Park replacement surface	80	0	0	80
Playhouse refurbishment	128	0	0	128
Bourne Hall Bungalow roof covering	35	0	0	35
Outdoor gym equipment in park	23	0	0	23
<b>Total</b>	<b>1,508</b>	<b>600</b>	<b>600</b>	<b>2,708</b>

- 1.85 The programme contains:-
- Core Programme of Priority 1 Works (funded by reserves or grant)
  - Schemes to be progressed subject to external funding being achieved
  - Spend-to-Save schemes only to be progressed where the business case is demonstrated

1.86 The programme will be funded as follows:-

<b>FINANCED BY;</b>	<b>Budget 2020/21 £000</b>	<b>Budget 2021/22 £000</b>	<b>Budget 2022/23 £000</b>	<b>Total £000</b>
Capital Reserves (Core Programme)	651	0	0	651
Revenue Reserves	234	0	0	234
Government Grants and other funding	623	600	600	1,823
<b>TOTAL</b>	<b>1,508</b>	<b>600</b>	<b>600</b>	<b>2,708</b>

1.87 Unlike the revenue account, capital funding is not constrained by financial years. It is likely that schemes will be carried forward into the programme from the 2019/20 budget and there will be rescheduling of the programme throughout the planning period.

1.88 Based on the programme recommended for approval by Council in February 2020, capital reserves are projected at £2.1 million at 31 March 2021:-

<b>CAPITAL RESERVES FORECAST</b>	<b>£m</b>	<b>£m</b>
Capital Reserves 1 April 2019		4.4
New capital receipts		0.1
Estimated use of Capital Reserves for 2019/20		- 1.7
<b>Uncommitted Capital Reserves at 31 March 2020</b>		<b>2.8</b>
Capital Programme 2020-2021	1.5	
Less: External and Revenue Funding	- 0.8	
Estimated Use of Capital Reserves 2020-2021		-0.7
<b>Forecast Balance of Capital Reserves at 31 March 2021</b>		<b>2.1</b>
Contingency for additional funding		- 1.1
Minimum Level of Capital Reserves		1.0

1.89 The Council's new Asset Management Plan is likely to identify significant future investment within our current properties. The Council will need to identify options on how any future investment can be managed in context of the Council finances.

1.90 The Council's capital programme includes the use of Section 106 and Community Infrastructure Levy (CIL) receipts. These are earmarked for specific community infrastructure projects.

- 1.91 The Council's capital programme will be reviewed by the Capital Member Group and additional schemes brought forward where external funding including Section 106 or CIL funding is received.
- 1.92 The programme will be reviewed annually and the updated Capital Strategy Statement contained in the Budget and Council Tax Report.

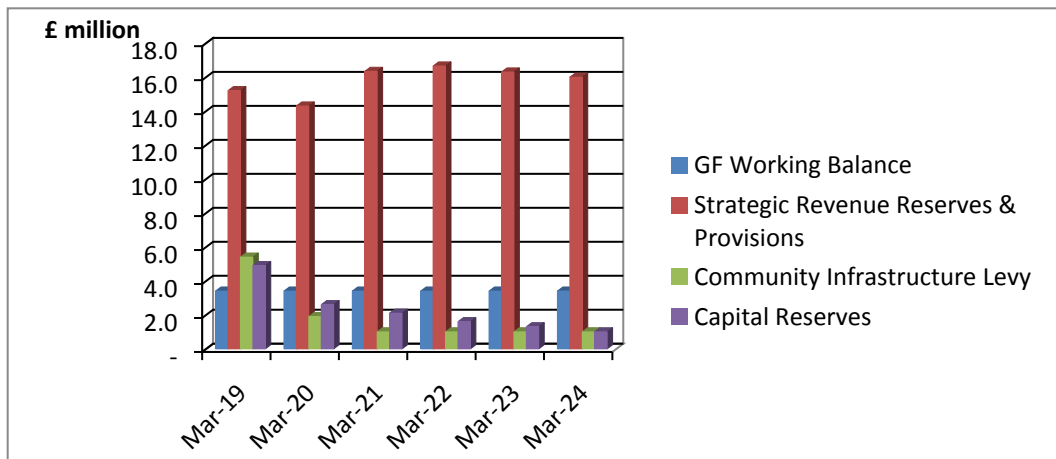
**Section 16: RESERVES FORECAST**

1.93 The following analysis is covered in this report:-

- Historic Levels of Capital and Revenue Reserves (Section 3)
- Current level of Revenue Reserves and Provisions (Section 3)
- Capital Reserves Forecast (Section 15)

1.94 The following is an overview of the forecast level of reserves and provisions.

	March 2019	March 2020	March 2021	March 2022	March 2023	March 2024
	£m	£m	£m	£m	£m	£m
GF Working Balance	3.4	3.4	3.4	3.4	3.4	3.4
Strategic Revenue Reserves & Provisions	15.2	14.3	16.3	16.6	16.3	16.0
Community Infrastructure Levy	5.4	1.9	1.0	1.0	1.0	1.0
Capital Reserves	4.4	2.8	2.1	1.6	1.3	1.0



1.95 This overview is based on the following assumptions.

- **General Fund Working Balance:** See four year budget forecast (section 5)
- **Strategic Revenue Reserves & Provisions:** Assumes that levels of each reserve are reviewed annually but overall the Council will maintain its current level of prudence.

- **Community Infrastructure Levy:** The forecast assumes that the Council retains a balance of £1 million of unspent CIL receipts.
- **Capital Reserves:** The forecast reflects the approved use of reserves to fund the three year capital programme (section 14).

**Section 17: RISK MANAGEMENT**

- 1.96 The Council's level of financial risk has increased in the last four years. Due to continued cuts in government funding, the Council has needed to secure alternative sources of funding to enable it to maintain services to its residents. These alternative sources of funding are not as secure as previous grant funding and are subject to changes in the economy and risk of default on payment of income.
- 1.97 With the impending Fair Funding Review the Council anticipates that existing retained business rate income is under threat and there is a likelihood of the outcome of the review resulting in a significant reduction in the Council's future funding from retained business rates.
- 1.98 The Council maintains corporate and operational risk registers.
- 1.99 A financial risk assessment will be completed annually as part of the Budget and Council Tax report. The assessment will provide the scale of financial risk. The following analysis covers the major funding risk anticipated between 2020 and 2024.

<b>RISKS</b>	<b>CAUSES</b>
<b>Government Funding Cuts</b>	<ul style="list-style-type: none"> <li>• Reduction in Government funding through retained share of business rates income</li> <li>• Business Rate Negative Growth (appeals, collection rate)</li> <li>• Specific Grants ended/reduced (e.g. discretionary grants)</li> </ul>
<b>Income from Fees and Charges below forecast</b>	<ul style="list-style-type: none"> <li>• Drop in demand for services, local competition</li> <li>• Reduced use of Town Centre (parking)</li> <li>• Planning Fee changes not implemented</li> <li>• New charging regulation (local land charges)</li> </ul>
<b>Income from Interest on Balances</b>	<ul style="list-style-type: none"> <li>• Interest rates do not rise in future years</li> <li>• Reduced level of Council reserves</li> </ul>
<b>Rent loss</b>	<ul style="list-style-type: none"> <li>• Reduced use of Council property by other organisations</li> <li>• Loss of tenants and rental income to support services</li> <li>• Downward rent reviews</li> </ul>
<b>Debt financing costs</b>	<ul style="list-style-type: none"> <li>• Capital resources exhausted requiring long term borrowing</li> <li>• Insufficient income to finance debt repayments</li> </ul>
<b>Pension Costs</b>	<ul style="list-style-type: none"> <li>• Pension Fund performance below forecast</li> <li>• Fall in Equity Market</li> </ul>
<b>Homelessness and Housing Support Costs</b>	<ul style="list-style-type: none"> <li>• Cost of accommodating households</li> <li>• Impact of Welfare Changes</li> <li>• Lack of new affordable housing and temporary accommodation</li> </ul>
<b>Failure to deliver savings target</b>	<ul style="list-style-type: none"> <li>• Planned service changes not implemented</li> <li>• Savings identified not achievable</li> </ul>
<b>Housing benefits</b>	<ul style="list-style-type: none"> <li>• Funding changes during transfer of housing support to Universal Credit</li> <li>• Changes to benefits system create additional burden on council services (e.g. homelessness)</li> </ul>
<b>Tax Collection</b>	<ul style="list-style-type: none"> <li>• Recession / unemployment</li> </ul>



<b>(Council Tax and Business Rates)</b>	<ul style="list-style-type: none"> <li>• Welfare benefit reform</li> <li>• Business contraction</li> </ul>
<b>Salaries Expenditure</b>	<ul style="list-style-type: none"> <li>• Inflation increases higher than expected</li> <li>• Risks on resilience</li> </ul>
<b>Maintaining Council Fixed Assets</b>	<ul style="list-style-type: none"> <li>• Cost of major repairs affecting rent income</li> <li>• Cost of urgent work/replacement or overspends on planned works</li> </ul>

**Section 18: ANNUAL REVIEW AND SUPPORTING INFORMATION**

1.101 The following table sets out the annual service and budget review process.

<b>Service and Financial Planning Framework</b>		
<b>Annual Review</b>	<b>Service Planning</b>	<b>Financial Planning</b>
<b>June – July</b>	<ul style="list-style-type: none"> <li>• Performance Review</li> <li>• End of Year Performance Reports</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Review</li> <li>• End of Year Financial Reports</li> <li>• Agree approach for service &amp; financial planning in the annual budget review</li> <li>• Agree year end transfers to/from strategic reserves</li> </ul>
<b>August – September</b>	<ul style="list-style-type: none"> <li>• Service Review</li> </ul>	<ul style="list-style-type: none"> <li>• Review of reserves</li> <li>• Budget Targets for following year</li> <li>• Review of Income and Expenditure</li> <li>• Capital Funding Review</li> <li>• Financial Planning Brief</li> </ul>
<b>October – November</b>		<ul style="list-style-type: none"> <li>• Capital Appraisals</li> <li>• Capital Finances</li> </ul>
<b>December</b>	<ul style="list-style-type: none"> <li>• Draft Service Plans</li> <li>• Cost Centre Targets</li> </ul>	<ul style="list-style-type: none"> <li>• Estimates and Budget Options</li> <li>• Capital Appraisals</li> <li>• Capital Finances</li> </ul>
<b>January</b>	<ul style="list-style-type: none"> <li>• Budget Book</li> <li>• Performance Targets for the following year</li> </ul>	<ul style="list-style-type: none"> <li>• Service estimates and investment plans for following year</li> </ul>
<b>February</b>	<ul style="list-style-type: none"> <li>• Finalise Service Plans</li> </ul>	<ul style="list-style-type: none"> <li>• Determine Budget and Council Tax</li> </ul>
<b>March</b>	<ul style="list-style-type: none"> <li>• Annual Service Targets</li> </ul>	<ul style="list-style-type: none"> <li>• Publish Budget</li> <li>• Council Tax Information &amp; Billing</li> </ul>
<b>April</b>	<ul style="list-style-type: none"> <li>• Publish Service and Performance Plans</li> </ul>	

1.102 The following updates to the Financial Plan will be prepared each year during the four year period:-

<b>Financial Standing:</b>	Financial Statements – July
	Treasury Management - July
	Review of Reserves - September
<b>Budget Position:</b>	Budget Targets Report – September

## Revenue and Capital Budget – February

**Capital Programme:** Funding Position – December

Annual Capital Programme – February

1.103 The following finance documents are available on the Council's web site:-

<b>Document</b>	<b>Contains</b>	<b>Where</b>
<b>The Budget Book</b>	Budget Overview, Revenue Estimates and Capital Programme, Reserves, Performance Targets	Council Finance Documents
<b>Council Tax Guide</b>	Information on council tax charges and discounts	Council Finance Documents
<b>Treasury Management Strategy</b>	Approach to borrowing and investment	Council Finance Documents
<b>Annual Report for Council owned subsidiary</b>	Financial performance and future projections for Council owned Company	Council Finance Documents
<b>Statement of Accounts</b>	Published Financial Statements	Council Finance Documents
<b>External Audit Reports</b>	Audit plan, Annual Governance Report, Annual Audit Letter	Council Finance Documents
<b>Financial Regulations</b>	Financial rules of procedure	Constitution
<b>Contract Standing Orders</b>	Contract rules of procedure	Constitution

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**FINANCIAL PLAN 2020 - 2024**  
**AND**  
**MEDIUM TERM FINANCIAL STRATEGY**

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Further Information

Address: Epsom and Ewell Borough Council, Town Hall, The Parade, Epsom, Surrey, KT18 5BY

Telephone: 01372 732000

E-mail: [contactus@epsom-ewell.gov.uk](mailto:contactus@epsom-ewell.gov.uk)

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

If you require a translation in your language, please contact:

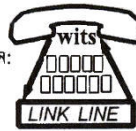
ਜੇਕਰ ਤੁਹਾਨੂੰ ਆਪਣੀ ਜ਼ਬਾਨ 'ਚ ਅਨੁਵਾਦ ਚਾਹੀਦਾ ਹੈ, ਤਾਂ ਕ੍ਰਿਪਾ ਕਰਕੇ ਰਾਬਤਾ ਕਰੋ:

જો તમને પોતાની ભાષામાં ભાષાંતર જોઈએ છે, તો સહૈરબાની કદીને સંપર્ક સાધો:

Se necessitar de uma tradução, contacte por favor:

যদি আপনার নিজের ভাষায় অনুবাদ চান তাহলে অনুগ্রহ করে যোগাযোগ করুন:

اگر آپ کو ترجمہ اپنی زبان میں چاہئے تو براہ کرم براہ مہربانی رابطہ کریں۔



**01483 750548**

**BUDGETS RECOMMENDED BY THE POLICY COMMITTEES**

<b>BUDGET SUMMARY</b>	<b>2018/19 Actual</b>	<b>2019/20 Budget</b>	<b>2019/20 Revised Estimates</b>	<b>2020/21 Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>GROSS EXPENDITURE</b>				
STRATEGY AND RESOURCES COMMITTEE	28,226,544	26,924,562	25,061,700	25,394,993
ENVIRONMENT COMMITTEE	10,360,793	9,857,040	10,368,132	10,101,620
COMMUNITY AND WELLBEING COMMITTEE	10,973,043	10,056,199	10,835,234	10,823,061
<b>TOTAL GROSS EXPENDITURE</b>	<b>49,560,380</b>	<b>46,837,801</b>	<b>46,265,066</b>	<b>46,319,674</b>
<b>GROSS INCOME</b>				
STRATEGY AND RESOURCES COMMITTEE	(29,092,043)	(25,359,120)	(24,420,600)	(24,143,630)
ENVIRONMENT COMMITTEE	(8,637,719)	(7,618,204)	(7,355,122)	(7,891,086)
COMMUNITY AND WELLBEING COMMITTEE	(4,823,634)	(3,924,167)	(4,129,070)	(4,242,307)
Less ASSET RENTS (Internal Recharges)	(2,879,470)	(2,669,015)	(2,669,015)	(2,669,015)
<b>TOTAL GROSS INCOME</b>	<b>(45,432,866)</b>	<b>(39,570,506)</b>	<b>(38,573,807)</b>	<b>(38,946,038)</b>
<b>CONTRIBUTION TO / (FROM) STRATEGIC RESERVES</b>	<b>3,587,617</b>	<b>(880,453)</b>	<b>(1,271,219)</b>	<b>2,369,284</b>
<b>NET EXPENDITURE</b>	<b>7,715,131</b>	<b>6,386,842</b>	<b>6,420,040</b>	<b>9,742,920</b>
CONTRIBUTION TO / (FROM) GENERAL RESERVE FOR YEAR	68,050	0	(33,198)	570
<b>NET BUDGET REQUIREMENT</b>	<b>7,783,181</b>	<b>6,386,842</b>	<b>6,386,842</b>	<b>9,743,490</b>

<b>COMMITTEE TOTALS</b>	<b>2018/19 Actual</b>	<b>2019/20 Budget</b>	<b>2019/20 Revised Estimates</b>	<b>2020/21 Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
STRATEGY AND RESOURCES COMMITTEE	1,709,374	833,162	(220,880)	3,818,172
ENVIRONMENT COMMITTEE	2,479,467	2,187,076	2,699,767	2,154,922
COMMUNITY AND WELLBEING COMMITTEE	6,405,760	6,035,619	6,610,168	6,438,841
ASSET RENTS (Internal Recharges)	(2,879,470)	(2,669,015)	(2,669,015)	(2,669,015)
CONTRIBUTION TO / (FROM) GENERAL RESERVE FOR YEAR	68,050	0	(33,198)	570
<b>TOTAL</b>	<b>7,783,181</b>	<b>6,386,842</b>	<b>6,386,842</b>	<b>9,743,490</b>

<b>FUNDED BY</b>	<b>2018/19 Actual</b>	<b>2019/20 Budget</b>	<b>2019/20 Revised Estimates</b>	<b>2020/21 Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
COUNCIL TAX PRECEPT	6,289,942	6,525,177	6,525,177	6,713,278
REVENUE SUPPORT GRANT	0	0	0	0
NNDR	1,203,289	983,187	983,187	972,615
SMALL BUSINESS RATE RELIEF GRANT	328,942	602,260	602,260	644,746
COLLECTION FUND SURPLUS - COUNCIL TAX	141,095	79,760	79,760	10,570
COLLECTION FUND DEFICIT - BUSINESS RATES	(180,087)	(1,803,542)	(1,803,542)	1,402,281
<b>TOTAL</b>	<b>7,783,181</b>	<b>6,386,842</b>	<b>6,386,842</b>	<b>9,743,490</b>

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**MAIN SERVICE BUDGET CHANGES 2019/20 TO 2020/21**

	<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>		
Reduction in government funding for housing benefit		1,344
Reduction in housing benefit payments	(1,499)	
Increase in employer pension contributions		150
Reduced New Homes Bonus Grant		137
Reduction in transfers to Corporate Projects Reserve	(125)	
Net change in contribution from the Business Equalisation Reserve		3,224
Changes in provisions	(274)	
Change in revenue funding contribution towards capital projects		100
Increased income from investment properties and Property Company (EEPIC)	(154)	
<b><u>ENVIRONMENT</u></b>		
Increased cost of waste & recycling including reduced funding from SCC		111
<b><u>COMMUNITY &amp; WELLBEING</u></b>		
Review of operations in Parks		71
Funding from the Flexible Housing Support Grant	(116)	
Increase in cost of temporary accommodation		380
Savings from a review of operations at Ewell Court House	(60)	
<b><u>All Committees</u></b>		
Increase in salaries & other overheads including changes to vacancy provision		495
Additional income from increase in Fees and Charges (budget proposals)	(353)	
All other service budget changes (changes all below £60,000)	(75)	
	<b>(2,656)</b>	<b>6,012</b>
<b>Policy Committee Budget Increase</b>		<b>3,356</b>

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**ADDITIONAL INCOME FROM INCREASING FEES  
AND CHARGES FROM APRIL 2020**

	£'000	£'000
<b><u>ENVIRONMENT</u></b>		
Car Parks	240	
Refuse Collection / Recycling	38	
Markets	0	
Development & Building Control	12	
Cemetery	14	
Licensing & Environmental Health	7	
	<hr/>	<b>311</b>
<b><u>COMMUNITY AND WELLBEING</u></b>		
Community & Wellbeing Centre	4	
Community Services	15	
Venues	9	
Epsom Playhouse	6	
Allotments	1	
Parks & Open Spaces	7	
	<hr/>	<b>42</b>
<b>TOTAL</b>		<hr/> <b>353</b> <hr/>

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**EFFICIENCY PLAN - 2020/21 to 2023/24**

	2020/21	2021/22	2022/23	2023/24	Total
	£'000	£'000	£'000	£'000	
Operational efficiencies and income generation	463	76	7	36	582
<b>Strategy &amp; Resources Committee</b>					
Commercial property rent reviews	62	60			122
Acquisition of investment properties		112		96	208
Reduction in costs due to transfer to universal credit				33	33
Borough Insight reduce to 2 publications per annum		8			8
<b>Environment Committee</b>					
Optimise waste collection			100		100
Locking of parks		50			50
<b>Community &amp; Well-Being Committee</b>					
Review of venue operations	60				60
Review of Bourne Hall		30	30		60
Reduce level of subsidy for operating the Community & Wellbeing Centre				50	50
<b>Total Identified Savings</b>	<b>585</b>	<b>336</b>	<b>137</b>	<b>215</b>	<b>1,273</b>
<b>Unidentified savings Target</b>	<b>-</b>	<b>609</b>	<b>362</b>	<b>196</b>	<b>443</b>
<b>Total Savings Delivered to Achieve Balanced Budget</b>	<b>585</b>	<b>945</b>	<b>225</b>	<b>411</b>	<b>1,716</b>

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## FORECASTS FOR THE UK ECONOMY – HM TREASURY (a comparison of independent forecasts)

This edition of the comparison contains 26 new forecasts, all of which were received between January 1st and January 10th 2020. The tables below summarise the average and range of independent forecasts for 2019 and 2020 and show the average of this month's new forecasts.

Forecasts 2019					
	Independent				Average of new forecasts
	Averages		January		
	January	December	Lowest	Highest	
GDP growth (per cent)	1.3	1.3	1.2	1.5	<b>1.3</b>
Inflation rate (Q4: per cent)					
-CPI	1.6	1.7	1.4	2.0	<b>1.5</b>
-RPI	2.2	2.3	1.8	2.3	<b>2.2</b>
LFS unemployment rate (Q4: %)	3.9	3.9	3.7	4.2	<b>3.9</b>
Current account (£bn)	-96.1	-87.7	-104.1	-85.3	<b>-96.7</b>
PSNB (2019-20: £bn)	49.1	46.0	37.8	63.7	<b>48.7</b>

Forecasts 2020					
	Independent				Average of new forecasts
	Averages		January		
	January	December	Lowest	Highest	
GDP growth (per cent)	1.1	1.1	0.5	1.9	<b>1.1</b>
Inflation rate (Q4: per cent)					
-CPI	1.8	1.9	1.4	2.5	<b>1.8</b>
-RPI	2.4	2.6	1.8	3.2	<b>2.5</b>
LFS unemployment rate (Q4: %)	4.0	4.1	3.7	4.4	<b>4.0</b>
Current account (£bn)	-85.8	-76.9	-121.6	-41.3	<b>-86.4</b>
PSNB (2020-21: £bn)	55.1	51.2	20.7	75.0	<b>54.6</b>

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## REVENUE BUDGET 2020/21- RISK ASSESSMENT

<b>STRATEGY &amp; RESOURCES COMMITTEE</b>						
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 and deliver a balanced budget	Delivery of the new MTFS and the Efficiency Plan  Identify additional savings of £443,000 and deliver the identified savings of £1.3M	Effective Council strengthen the Council's financial independence	L1
<b>External Funding</b>	0 (RSG) 0.4 (New Homes Bonus) 1.6 (Business Rates)	<b>High</b>	Loss of income from the Fair Funding Review and the Business Rates Retention scheme  Reduction in New Homes Bonus Grant funding	Identification of other sources of funding	Effective Council strengthen the Council's financial independence	L1
<b>Failure to control Salaries Costs</b>	12.4	<b>High</b>	Escalating salaries cost and pressures on services	Job evaluation  Updated HR & OD Strategy  Monitoring of salaries and agency costs	Support and enable a high performing and adaptable workforce	L2

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
<b>Cost of borrowing</b>	1.6	<b>Med</b>	Over borrowing at incorrect rates Cost of borrowing through PWLB increases	Borrowing to invest decisions Robust business cases Agree governance arrangements and robust reporting Borrow through the PWLB at fixed rates	Effective Council strengthen the Council's financial independence	L1
<b>Net rental returns for the general fund</b>	2.2	<b>High</b>	Failure to achieve the required rental returns from commercial property investments funded by borrowing Loss of tenant	Management of properties Review of all purchasing opportunities and due diligence	Effective Council strengthen the Council's financial independence	L1
<b>Net income from EEPIC</b>	0.9	<b>High</b>	Failure to achieve the required rental returns from commercial property investments funded by borrowing Loss of tenant	On-going management of properties and tenants Review of all new purchasing opportunities and due diligence	Effective Council strengthen the Council's financial independence	L1
Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register



<p><b>Maintain secure investment of reserves and cash balance through the Treasury Management: Strategy</b></p>	<p>0.2</p>	<p><b>Low</b></p>	<p>Generate a sound return on cash Safeguard capital sums invested</p>	<p>Annual review of Treasury Management Strategy Use of external fund manager in accordance with treasury management policy Interest equalisation reserve Monthly review of fund performance Review of market risks using treasury management advisers</p>	<p>Effective Council strengthen the Council's financial independence</p>	<p>L1</p>
<p><b>Pension funds</b></p>	<p>39.5 (Deficit on IAS19 basis as at 31 March 2019)</p>	<p><b>Med</b></p>	<p>The deficit is not addressed over the next 20 years</p>	<p>Pension fund deficit payments will increase from £870k in 2020/21 to £927k in 2022/23 and then will be re-evaluated</p>	<p>n/a</p>	<p>n/a</p>

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
<b>Asset Management</b>	0.9 (exp)	<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 and on going maintenance to council assets	Agree and implement a new Asset Management Plan Property maintenance and prioritised repairs programme Monitor tenant requirements and rent levels	Maximise opportunities to improve use of buildings	L8
<b>Retained Business Rates</b>	1.6	<b>High</b>	Loss of income from the Fair Funding Review and the Business Rates Retention scheme Surrey Business Rates Pool for 2020/21	Await the outcome of the Business rates retention reform	99% of business rates to be collected	n/a

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
<b>Housing Benefit Subsidy</b>	16.3	<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 reforms</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>Manage the implementation of Universal credit</p>	Processing of new benefit claims in 22 days and change in circumstances in 11 days	n/a
<b>Council Tax Income</b>	6.7 (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>Collection performance reported to Directors monthly.</p> <p>Collection Fund separately managed on behalf of precept authorities (SCC &amp; SP)</p>	98.40% of Council Tax collected	n/a
<b>Surrey County Council's Transformation Agenda to achieve efficiencies and</b>	Unknown impact on EEBC	<b>Med</b>	<p>Loss of income</p> <p>Reduced service</p> <p>Increased costs</p>	A Group has been established to assess and monitor the direct and indirect implications of the proposed changes	None	n/a

<b>savings will affect the whole of SCC</b>						
<b>Commercialisation</b>	n/a	<b>Med</b>	Failure to achieve the aims set for commercialisation	Implement the 4 year Income Generation and Enterprise Plan Improve skills and culture	Effective Council strengthen the Council's financial independence	n/a

ENVIRONMENT & SAFE COMMUNITIES 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>	4.2	<b>Med</b>	Income from off street car parks is exposed to adverse weather and economic conditions that can have significant effect on Outturn.	Monthly monitoring and work analysing individual car park performance against target.	Effective Council strengthen the Council's financial independence	n/a
<b>On Street Parking income</b>	0.1	<b>Med</b>	Loss of on street parking income due to termination of current arrangements with SCC	Need to monitor the changes within SCC	Effective Council strengthen the Council's financial independence	n/a
<b>Domestic and Trade Waste Collection</b>	1.4	<b>Med to High</b>	Income from waste recycling fees is exposed to changes in market prices and the changes proposed by SCC.	Monthly monitoring of income against target and monitor the market fluctuations	Recycling rates 54%	n/a
<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

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
<b>Building Control Income</b>	0.3	<b>Med</b>	Changes to economy further impacting on planning and building control income Private competition on Building Control Service has impacted adversely in recent years with the market is difficult to predict	Review of building control service and service delivery.	n/a	n/a
<b>Place Development Income</b>	0.6	<b>High</b>	Risk of designation for planning decisions Non delivery of the Local Plan and Plan E	New PPA agreements and funding to cover costs of staff for large developments	Implement the Local Plan and the national planning statistics	L3, L5 and L9
<b>Cemetery Services</b>	0.5		Lack of space in cemetery Reduction in the no of burials and memorials	Promote new space and services with cemetery	n/a	n/a

**COMMUNITY AND WELL BEING**

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
<b>Homelessness</b>	1.4 (net expenditure)	<b>High</b>	<p>Significant increase in number of households requiring temporary accommodation</p> <p>Lack of affordable housing therefore unable to move households out of TA</p>	<p>Prevention of homelessness Action plan to reduce reliance of TA both short and long term initiatives</p> <p>shout</p>	<p>Have no more than 40 households in temporary accommodation Housing allocation policy to be fully implemented</p> <p>At least 8 households accommodated through PSL</p> <p>At least 30 new households supported through the rent deposit scheme</p>	L10
<b>Venues Income</b>	1.0	<b>High</b>	<p>Not reaching budgeted level of letting income from venue Additional operational costs</p>	<p>External provision for ECH and business plans for Playhouse and Bourne Hall</p>	<p>Maximising returns from property and other investments</p>	L1

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**REVENUE RESERVES FORECAST 2019-2020**

	<b>Balance at 31 March 2019</b>	<b>Forecast Transfers</b>	<b>Forecast Balance at 31 March 2020*</b>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Current Balances</b>			
General Fund	3,416	-33	3,383
<b>Total Current Balances</b>	<b>3,416</b>	<b>-33</b>	<b>3,383</b>
<b>Strategic Reserves</b>			
Insurance	466	-25	441
Repairs and Renewals	274	34	308
Interest Equalisation	631	-231	400
VAT Reserve	320	-69	251
Housing & Planning Delivery Grant	176	-117	59
Property Maintenance	573	-75	498
Commuted Sums	1,941		1,941
Hospital Cluster Interest	233	-233	0
Corporate Project Reserve	3,249	259	3,508
Community Safety	110	-16	94
Historic Buildings	3		3
Partnerships (ex yell young people and local partnerships)	28		28
Residential Property Acquisition Fund	1181		1,181
PPP Reserve	73	-25	48
Business Rate Equalisation Reserve	3066	-2,066	1,000
Flexible Housing Support Grant	492		492
HIA Hardship Fund	75	-35	40
Sports & Leisure Development Projects Fund	87	-5	82
Property Income Equalisation Reserve	2180	1,416	3,596
<b>Total Strategic Reserves</b>	<b>15,158</b>	<b>-1,188</b>	<b>13,970</b>
Other Reserves	72		72
<b>Total Revenue Reserves</b>	<b>18,646</b>	<b>-1,221</b>	<b>17,425</b>

## CAPITAL RESERVES 2019-2022

### Provisional Capital Programme Funding Summary

	Community Infrastructure Levy - 80%	Section 106 S106	Capital Grant-DFG	Capital Receipts	Repairs and Renewals Reserves	Residential Property Fund	Other Contributions	Borrowing	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Available Capital Resources at 1/4/2018</b>	3.953	0.218	0.553	4.367	0.274	1.370	0.000	55.646	64.937
Less receipts earmarked for residential property fund				-0.189					
	3.953	0.218	0.553	4.178	0.274	1.370	0.000	55.646	64.937
Funding the 2019/20 Capital Programme	-3.268	-0.013	-1.245	-1.432	0.000	-0.019	-0.100	0.000	-6.077
Anticipated Receipts in 2019/20	1.200	0.000	0.692	0.060	0.000	0.000	0.100	0.000	2.052
<b>Estimated available Capital Resources at 31/3/2020</b>	<b>1.885</b>	<b>0.205</b>	<b>0.000</b>	<b>2.806</b>	<b>0.274</b>	<b>1.351</b>	<b>0.000</b>	<b>55.646</b>	<b>60.912</b>
<b>Estimated available Capital Resources at 1/4/2020</b>	1.885	0.205	0.000	2.806	0.274	1.351	0.000	55.646	62.167
Anticipated Receipts in 2020/21	1.040	0.000	0.600	0.000	0.000	0.000	0.200	0.000	1.840
Proposed New Bids for 2020/21	0.000	-0.023	-0.600	-0.651	-0.034	0.000	-0.200	0.000	-1.508
<b>Estimated available Capital Resources at 31/3/2020</b>	<b>2.925</b>	<b>0.182</b>	<b>0.000</b>	<b>2.155</b>	<b>0.240</b>	<b>1.351</b>	<b>0.000</b>	<b>55.646</b>	<b>62.499</b>
<b>Estimated available Capital Resources at 1/4/2021</b>	2.925	0.182	0.000	2.155	0.240	1.351	0.000	55.646	62.499
Anticipated Receipts in 2021/22	1.040	0.000	0.600	0.000	0.000	0.000	0.300	0.000	1.940
Proposed New Bids for 2021/22	0.000	0.000	-0.600	0.000	0.000	0.000	0.000	0.000	-0.600
<b>Estimated available Capital Resources at 31/3/2022</b>	<b>3.965</b>	<b>0.182</b>	<b>0.000</b>	<b>2.155</b>	<b>0.240</b>	<b>1.351</b>	<b>0.300</b>	<b>55.646</b>	<b>63.839</b>

#### Notes:

1. The majority of bids have been initially been allocated funding from Capital Receipts, however alternative funding sources could be used e.g Repairs and Renewals, CIL and Section 106.
2. Other contributions relates to the £100k revenue contribution to fund capital schemes in 2019/20; increasing by £100k each year.
3. CIL receipts are 80% of the total collected less earmarked funds.
4. Affordable Housing S106 funds have been excluded from the above figures as these are generally allocated to Registered Provided of social housing, and not able to be used to fund the Council's capital programme.
5. No expenditure has been entered for the residential (bar a carry forward from 18/19 of £19k) and commercial property funds but this will occur when opportunities arise. The timing of the expenditure cannot be forecast, therefore has been left blank at this time.
6. Borrowing is only available to fund the In-Borough Commercial Property Acquisition Fund.

## 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 (Chief Finance Officer) 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 2020/21, the following observations are made:

Preparation of the 2020/21 budget began last year along with the development 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 2020/21 are included within next year's budget after assessing whether they are achievable, deliverable and acceptable. The Policy Committees in Autumn 2019 considered savings or income generating items included within the Efficiency Plan and scheduled to be delivered in 2020/21. The 2020/21 budget incorporates £600,000 of savings and additional income identified from the Efficiency Plan.

The process for determining the 2020/21 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 2020/21 pay award proposed by the Joint Staff Consultative Committee was agreed by Strategy and Resources Committee in November 2019 and a pay award provision of £400,000 has been incorporated within the estimates for 2020/21.

The Council lost its debt free status in 2016/17 when it was agreed to acquire commercial properties funded by 50 year PWLB loans. In 2017 the Council agreed to set up a Local Authority Property Investment Trading Company to enable the acquisition of investment properties outside the Borough, the Company has acquired two properties that are budgeted to benefit General Fund Services by £905,000 of net income in 2020/21. 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.

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 remains under increasing pressure which needs to be addressed and whilst increased provision has been made within the 2020/21 General Fund Revenue Budget the asset management plan currently being developed will assist in developing a long term future maintenance programme which can be incorporated into future financial projections. With earmarked reserves being utilised, uncommitted capital receipts nearing the minimum required level and pressure on revenue funding, the opportunity to fund on-going maintenance is limited.

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 Annex 7. Throughout the budget setting process advice has been provided at various times concerning the estimates made and their underlying assumptions and risks.

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.

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

The 2020/21 budget continues to be affected by changes to how Non Domestic Rates are calculated and distributed which the government introduced in 2013. The 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. Government is undertaking a review of the method for redistribution of Non Domestic Rates in 2020 which will impact on the level of resources that this Council retains and these changes to Council funding will come into effect from 2021/22. To assist with the potential volatility of this income stream the Council has a Business Rates Equalisation Reserve, this reserve can also be potentially used to mitigate against reductions in allocated funding for a period of time whilst compensating savings can be found.

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.

The Council in the last twelve months has experienced a significant increase in the number homeless families it has been required to accommodate. The increased demand for this service has had a major impact on the Council's finances, but to fund the additional cost the Council is using some of its Flexible Housing Support Grant from its earmarked reserves whilst initiatives can be put in place to reduce the number of homeless families.

With Councils experiencing reductions in government funding in recent years and also seeing increasing cost pressures on service delivery, there is a risk that other organisations will look to reduce the funding given to Epsom and Ewell Council to provide services on their behalf or jointly.

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

In conclusion, the 2020/21 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 new Medium Term Financial Plan need to be developed as part of the budget process for 2021/22. 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 July 2019, when the financial statements for 2018/19 were reported. A detailed review of the reserves was carried out by the Financial Policy Panel in September 2019. The minimum working balance in the Medium Term Financial Strategy stands at £2.5m.

In the past, the government has increased local authority exposure to financial risk with the changes to funding from business rates. The risk in part has been offset by 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

The General Fund balance is anticipated to be £3.4 million at 31 March 2020. The budget assumes no withdrawal from the General Fund Balance in 2020/21.

The unallocated capital receipts are anticipated to be £2.1 million at 31 March 2021. The 2020/21 budget funds £200,000 of the capital programme from revenue and £651,000 from capital reserves. With the annual capital programme on average using up around £0.7 million of capital receipts per annum the Council is planning to increase the level funding from revenue by £100,000 per annum to achieve a sustainable capital programme not reliant on the use of diminishing capital receipts.

The Council has other reserves ear-marked for specific purposes and these are detailed in Annexe 8.

With the Council acquiring commercial property, 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.

Having undertaken the review of reserves and given the economic and financial environment the Council is working within during 2020/21 it is believed that the Council is operating at an acceptable level of reserves.

Lee Duffy  
Chief Finance Officer

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## REVENUE BUDGET FOUR YEAR FORECAST

Status: Financial Planning Based on 2020/21 Budget

FOUR YEAR BUDGET PROFILES	MTFS	NEW MTFS				FORECAST					
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Budget	Proposed	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>NET SPEND B/F FROM PREVIOUS YEAR</b>	7,783	6,387	9,743	8,436	8,330	8,787	9,315	9,829	10,299	10,725	11,157
add back: Use of New Homes Bonus in Previous Year	500	0	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	500
add back: Use of Reserves/Provisions in Previous Year	-475	1,845	0	0	0	0	0	0	0	0	0
<b>Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)</b>	<b>7,928</b>	<b>8,328</b>	<b>9,873</b>	<b>8,611</b>	<b>8,570</b>	<b>9,057</b>	<b>9,715</b>	<b>10,329</b>	<b>10,799</b>	<b>11,225</b>	<b>11,657</b>
<b>Allowance for Pay and Price Inflation</b>											
General Inflation - price base	+190	+190	+190	+190	+194	+198	+202	+206	+210	+214	+218
General Inflation pay bill base	+292	+400	+408	+416	+424	+433	+442	+450	+459	+469	+478
Other	+51	-83									
<b>Prices Increases net of Increased Fees &amp; Charges</b>	<b>+533</b>	<b>+507</b>	<b>+598</b>	<b>+606</b>	<b>+618</b>	<b>+631</b>	<b>+643</b>	<b>+656</b>	<b>+669</b>	<b>+683</b>	<b>+696</b>
<b>Increases in costs / Reductions in income</b>											
Pension Fund Valuations 2019 & 2022		+150			+100	+100	+100				
Increase in cost of waste collection	+107	+61									
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						
Property and Regeneration Manager		+50									
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										
Increased cost of homelessness		+391									
<b>Increases in costs / Reductions in income</b>	<b>+807</b>	<b>+732</b>	<b>+150</b>	<b>+150</b>	<b>+250</b>	<b>+200</b>	<b>+200</b>	<b>+50</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>
<b>Changes to External Funding</b>											
Bourne Hall (SCC)		+80									
Use of Flexible Homeless Support Grant											
Loss of Housing Benefit Admin Grant	+25										
Grant funding from DCLG for Local Council Tax Admin Subsidy	+50										
Remove funding from Property Company towards funding capital programme	-115										
Higher Needs	+23										
<b>Changes to External Funding</b>	<b>-17</b>	<b>+80</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>
<b>New Home Bonus</b>											
Estimated New Homes Bonus	-444	-385	-240	-21	-21	-21	-21	-21	-21	-21	-21
Transfer to Corporate Project Reserve	+444	+385	+240	+21	+21	+21	+21	+21	+21	+21	+21
<b>NHB Funding used to support General Fund services</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>

FOUR YEAR BUDGET PROFILES	MTFS	NEW MTFS				FORECAST					
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Budget £000	Proposed £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
<b>Cost Reduction Plan</b>											
Star Chamber	-406	-585	-336	-137	-215						
Acquisition of Commercial Property/ Increased income	-152										
Base review	-75										
EEPIC Dividend		-100									
Savings from Leadership Team restructure	-167										
<b>Cost Reduction Plan</b>	<b>-800</b>	<b>-685</b>	<b>-336</b>	<b>-137</b>	<b>-215</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>
<b>Contributions from Reserves/Provisions</b>											
Funding from business rates equalisation reserve of retained business rates income deficit	-1,845	+1,380	-1,580	+50	+50	+50					
Funding of increased homelessness from Flexible Housing Support Grant		-116	+116								
Reduced contributions to the Property Equalisation Reserve				-500							
	<b>-1,845</b>	<b>+1,264</b>	<b>-1,464</b>	<b>-450</b>	<b>+50</b>	<b>+50</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>
<b>Fees and Charges</b>											
Increased yield on discretionary Fees and Charges	-123	-290	-210	-210	-216	-223	-229	-236	-243	-251	-258
	<b>-123</b>	<b>-290</b>	<b>-210</b>	<b>-210</b>	<b>-216</b>	<b>-223</b>	<b>-229</b>	<b>-236</b>	<b>-243</b>	<b>-251</b>	<b>-258</b>
<b>Interest on Balances (excludes interest credited to strategic reserves)</b>											
Average level of investments											
Investments (average)	12,000	13,000	14,000	16,000	18,000	20,000	20,000	20,000	20,000	20,000	20,000
Interest rate used (supplemented by interest equalisation reserve)	0.80%	1.00%	1.25%	1.50%	1.50%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%
Total Interest Forecast	-96	-130	-175	-240	-270	-400	-500	-500	-500	-500	-500
Add: Use of interest equalisation reserve	0	0	0	0	0	0	0	0	0	0	0
<b>Interest credited to General Fund to Finance Services</b>	<b>-96</b>	<b>-130</b>	<b>-175</b>	<b>-240</b>	<b>-270</b>	<b>-400</b>	<b>-500</b>	<b>-500</b>	<b>-500</b>	<b>-500</b>	<b>-500</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>7,928</b>	<b>8,328</b>	<b>9,873</b>	<b>8,611</b>	<b>8,570</b>	<b>9,057</b>	<b>9,715</b>	<b>10,329</b>	<b>10,799</b>	<b>11,225</b>	<b>11,657</b>
Price Increases (inflation)	+533	+507	+598	+606	+618	+631	+643	+656	+669	+683	+696
Increases in costs / Reductions in income	+807	+732	+150	+150	+250	+200	+200	+50	+0	+0	+0
Changes to External Funding	-17	+80	+0	+0	+0	+0	+0	+0	+0	+0	+0
NHB Funding used to support General Fund services	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0
Cost Reduction Plan	-800	-685	-336	-137	-215	+0	+0	+0	+0	+0	+0
Contributions from Reserves/Provisions	-1,845	+1,264	-1,464	-450	+50	+50	+0	+0	+0	+0	+0
Fees and Charges	-123	-353	-210	-210	-216	-223	-229	-236	-243	-251	-258
Interest credited to General Fund to Finance Services	-96	-130	-175	-240	-270	-400	-500	-500	-500	-500	-500
<b>Forecast Net Cost of Services</b>	<b>6,387</b>	<b>9,743</b>	<b>8,436</b>	<b>8,330</b>	<b>8,787</b>	<b>9,315</b>	<b>9,829</b>	<b>10,299</b>	<b>10,725</b>	<b>11,157</b>	<b>11,595</b>
Final Outturn variance											
<b>Revised Net cost of Services</b>	<b>6,387</b>	<b>9,743</b>	<b>8,436</b>	<b>8,330</b>	<b>8,787</b>	<b>9,315</b>	<b>9,829</b>	<b>10,299</b>	<b>10,725</b>	<b>11,157</b>	<b>11,595</b>
<b>SETTLEMENT ASSESSMENT FUNDING FORECAST</b>											
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	983	1,617	893	925	959	828	695	559	420	278	124
Small Business Rate Relief Grant	602	0	0	0	0	0	0	0	0	0	0

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FOUR YEAR BUDGET PROFILES	MTFS	NEW MTFS				FORECAST					
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Budget £000	Proposed £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
Localism Relief Grant	0	0	0	0	0	0	0	0	0	0	0
<b>Formula Grant / Business Rate Retention</b>	<b>1,585</b>	<b>1,617</b>	<b>893</b>	<b>925</b>	<b>959</b>	<b>828</b>	<b>695</b>	<b>559</b>	<b>420</b>	<b>278</b>	<b>124</b>
Base Income from Council Tax	6,290	6,525	6,713	6,934	7,158	7,385	7,590	7,799	8,015	8,237	8,465
Increase in council tax base	+46	+25	+50	+52	+54	+55	+57	+58	+60	+62	+63
	<b>6,336</b>	<b>6,550</b>	<b>6,763</b>	<b>6,986</b>	<b>7,212</b>	<b>7,441</b>	<b>7,646</b>	<b>7,858</b>	<b>8,075</b>	<b>8,299</b>	<b>8,528</b>
Forecast for increase in Council Tax income (£5 per Band D Property)	+189	+163	+171	+172	+173	+149	+153	+157	+162	+166	+171
<b>Council Tax Income Forecast</b>	<b>6,525</b>	<b>6,713</b>	<b>6,934</b>	<b>7,158</b>	<b>7,385</b>	<b>7,590</b>	<b>7,799</b>	<b>8,015</b>	<b>8,237</b>	<b>8,465</b>	<b>8,699</b>
Surplus / (Deficit) on Retained Business Rates	-1,803	1,402	0	0	0	0	0	0	0	0	0
Council Tax Surplus	80	11	0	0	0	0	0	0	0	0	0
<b>Assumed Collection Fund Income (Formula Grant + Council Tax)</b>	<b>6,387</b>	<b>9,743</b>	<b>7,827</b>	<b>8,083</b>	<b>8,344</b>	<b>8,418</b>	<b>8,494</b>	<b>8,574</b>	<b>8,657</b>	<b>8,743</b>	<b>8,823</b>
<b>Forecast Budget Shortfall (required use of working balance)</b>	<b>0</b>	<b>0</b>	<b>609</b>	<b>247</b>	<b>443</b>	<b>897</b>	<b>1,335</b>	<b>1,725</b>	<b>2,068</b>	<b>2,414</b>	<b>2,772</b>
<b>GENERAL FUND WORKING BALANCE PROJECTION: AFTER SERVICE COST REDUCTION</b>											
Estimated Working Balance b/f	3,416	3,416	3,416	2,807	2,560	2,118	1,220	-114	-1,839	-3,907	-6,321
Resulting Working Balance c/f	3,416	3,416	2,807	2,560	2,118	1,220	-114	-1,839	-3,907	-6,321	-9,093

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**EPSOM AND EWELL BOROUGH COUNCIL**

**CAPITAL STRATEGY STATEMENT  
February 2020**

Capital Investment 2020/21 to 2022/23

## **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 long-term assets.

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

The development of the Capital Strategy and the Asset Management Plan assists the Council in major investment decisions. The Asset Management Plan was last updated in February 2015 to reflect progress made on property and energy management. A refreshed plan, currently being prepared by the Head of Property and Regeneration is due in 2020.

As in previous years, due to the continued public sector funding environment, the core capital programme 2020-2023 has been limited to core projects which comprise mandatory and other prioritised expenditure, investment that can be funded from external funds and is classed as a high priority and 'Spend to Save' schemes that will provide future savings.

## **2. Development of the Capital Strategy**

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

Service and financial planning timetables are submitted to Financial Policy Panel annually. The Capital Strategy is presented to the Council for approval each year. The current strategy includes the current and following two years, proportionate to the size of the authority.

## **3. Commercial Activity & Investment Strategy**

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

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

The commercial property acquisition funds were approved principally to secure long term income streams from commercial property, thereby diversifying the Council's income and reducing reliance on funding from Central Government, which has been reduced and become less reliable in recent years.

In 2016/17, Council established a £3m fund to purchase residential property, principally to assist the Council to manage homelessness and reduce associated costs. By the end of 2018/19, £1.6m of the fund had been invested in residential property.

The expenditure to date and current balance of each property fund is detailed in the following table.

Property Acquisition Funds	Commercial Property		Residential Property	Total
	In-Borough	Out-of Borough*		
	£000	£000	£000	£000
Opening fund balance	80,000	300,000	3,000	383,000
Purchases during 2016/17	( 19,206)	0	( 811)	( 20,017)
Purchases during 2017/18	( 5,148)	( 60,293)	( 562)	( 66,003)
Purchases during 2018/19	0	0	(257)	(257)
YTD purchases during 2019/20	0	0	(20)	(20)
<b>Fund balances at 31/12/2019</b>	<b>55,646</b>	<b>239,707</b>	<b>1,350</b>	<b>296,703</b>

\*Following MHCLG statutory investment guidance in April 2018, Strategy & Resources Committee agreed (in September 2018) to suspend further out-of-Borough investment property acquisitions, where the main purpose is purely to profit. The Council's Medium Term Financial Strategy 2020-24 now formally confirms the closure of the £300m out-of-Borough fund, meaning the remaining £239.7m balance will not be spent.

The Council's Investment Strategy is set out in the Council's Treasury Management Strategy which is included as annex 12 to the same report.

#### 4. Main Capital Programme 2020-23

Based on the available capital resources and subject to external funding, including grants and developer contributions, and securing revenue savings, Council has been asked to approve the following programme for 2020-23 in February 2020.

Project	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Disabled Facility Grants *	600	600	600	1,800
ICT programme of works	250	0	0	250
Clocktower envelope repairs	100	0	0	100
Hogsmill streams and horse pond repairs	292	0	0	292
Hook Road car park - replacement surface covering	80	0	0	80
Playhouse refurbishment	128	0	0	128
Bourne Hall Bungalow roof covering	35	0	0	35
Outdoor gym equipment in Chessington Road	23	0	0	23
<b>Total</b>	<b>1,508</b>	<b>600</b>	<b>600</b>	<b>2,708</b>

\* Subject to additional external funding

In addition schemes may be added where:-

- there is a carry forward from 2019/20 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.

<b>Funding Type</b>	<b>2020/21 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>Total £'000</b>
Capital Receipts	651	0	0	651
S106 Funds	23	0	0	23
Government Grants	600	600	600	1,800
Revenue Reserves & Contributions	234	0	0	234
<b>Total</b>	<b>1,508</b>	<b>600</b>	<b>600</b>	<b>2,708</b>

## 5. 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 capital receipts at 31 March 2020 is £2.8 million. This assumes full delivery of the 2019/20 capital programme and new capital receipts of £60k.

## 6. Capital Financing and Resources

Potential capital resources have been identified from

- estimated capital reserves at the end of March 2020;
- approved sales of property assets, subject to market recovery;
- revenue funding, as identified as part of the revenue budget setting process;
- use of Community Infrastructure Levy (CIL) and S106;
- external funding, including grants and commuted sums.

The Council has earmarked CIL receipts from developers to part finance the Step-free Access to Stoneleigh Station project. The Local Plan seeks to shape development in the borough and, along with the Infrastructure Delivery Plan, will continue to help inform the Council's use of future CIL receipts.

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

In 2020/21, the draft budget includes £200,000 of revenue funding for the 2020/21 capital programme. In subsequent years, the Council's current 10 year forecast projects an annual increase



of £100,000 to the revenue contribution, until an annual contribution of £700,000 is reached in 2025/26. All revenue contributions are subject to annual approval as part of the Council's budget setting process, and are intended to limit the use of diminishing capital reserves such that the capital programme becomes sustainable in future years.

The anticipated level of funding available for the capital programme is shown in the following table.

	CIL & S106	Capital Grant - DFG	Capital Receipts	Residential Property Fund	Revenue*	Borrowing	Total
	£m	£m	£m	£m	£m	£m	£m
<b>2020/21</b>							
<b>Estimated resources at 1/4/2020</b>	2.09	0.00	2.81	1.35	0.27	55.65	62.17
Anticipated Receipts	1.04	0.6	0	0	0.2	0	1.84
Funding Capital Programme	-0.023	-0.6	-0.65	0	-0.23	-55.65	-57.16
<b>Estimated resources at 31/3/2021</b>	<b>3.11</b>	<b>0.00</b>	<b>2.15</b>	<b>1.35</b>	<b>0.24</b>	<b>0.00</b>	<b>6.85</b>
<b>2021/22</b>							
Anticipated Receipts	1.04	0.6	0	0	0.3	0	1.94
Proposed New Bids	0	-0.6	0	0	0	0	-0.6
<b>Estimated resources at 31/3/2022</b>	<b>4.15</b>	<b>0.00</b>	<b>2.15</b>	<b>1.35</b>	<b>0.54</b>	<b>0.00</b>	<b>8.19</b>
<b>2022/23</b>							
Anticipated Receipts	1.04	0.6	0	0	0.4	0	2.04
Proposed New Bids	0	-0.6	0	0	0	0	-0.60
<b>Estimated resources at 31/3/2023</b>	<b>5.19</b>	<b>0.00</b>	<b>2.15</b>	<b>1.35</b>	<b>0.94</b>	<b>0.00</b>	<b>9.63</b>

\*All revenue contributions are subject to annual approval as part of the Council's budget setting process.

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 may include LEP funding, Section 106 agreements, CIL, government grants for Disabled Facilities, partnership funding from other Local Authorities or Public and Voluntary organisations.

## 7. Criteria for Assessing Capital Programme Priorities

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

- investment where there is a guarantee of the scheme being fully externally funded and is classed as a high priority
- investment required to meet Health and Safety or other new legislative requirements
- investment required to continue to deliver the services of the Council (e.g. minimum level of building maintenance)
- investment in 'Spend to Save' schemes that will generate cost savings or additional income generation, providing;

- there is payback of the capital invested within 5 years (up to 7 years for energy reduction initiatives);
- there is a low risk of not achieving return on investment
- there is a clear definition of the cost/benefits of the scheme

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

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

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

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

By assessing schemes against the above criteria, the Council ensures that capital schemes support the corporate plan priorities, as set out in the Corporate Plan. Separate criteria exist to evaluate proposed individual property acquisitions that are funded from the Property Acquisition Funds.

Following Council's adoption of the Climate Change Action Plan in January 2020 and in accordance with the new MTFs, these capital investment criteria will be reviewed during 2020/21, with the aim of further facilitating actions which positively impact the environment.

## **8. Timetable for Approval of Capital Programme**

The timetable and process for approval of the 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 Strategy & Resources Committee
- a forecast of resources reported to Financial Policy Panel and Strategy and Resources Committee in September
- budget targets agreed by the Council in September
- officers, in consultation with Heads of Service, submit new or updated draft summary capital bids to the Capital Member Group to review in September
- Capital Member Group meets in September to agree approach and use the Capital Strategy criteria to decide which of the summary bids should be progressed into full bids for review in November

- Officers submit full capital bids to the Leadership Team to validate and be prioritised in October
- Capital Member Group reviews all bids in November and prepares recommendations on funding to Financial Policy Panel in early December
- prioritisation of all investment proposals within the available resources advised by Financial Policy Panel in December
- detailed scheme proposals and project appraisals, including identification of how any revenue funding requirements could be met for each scheme, recommended by policy committees in January
- capital programme to be recommended by policy committees in January
- capital programme for the following year and the remaining years of the capital programme agreed by Council in February

For any approved capital scheme where additional capital or revenue costs are identified prior to commencement of the scheme, then subject to the thresholds contained in the Council's Financial regulations, the scheme may need to 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.

## **9. Borrowing Strategy**

In February 2017 the Council agreed to extend the borrowing to fund the acquisition of commercial property that provide the Council with a long term rental income from £20 million up to £80 million. The Council will keep the level of borrowing under review.

The Council does not anticipate borrowing for capital projects other than the acquisition of investment properties and the Medium Term Financial Strategy requires that the Council maintains a minimum level of £1 million of capital reserves.

However, should the need to borrow to finance part of the main capital programme arise (which may depend on the levels of new receipts generated, revenue contributions, income generated from CIL and S106 and external grants), the Council will ensure any borrowing is proportionate and sustainable.

## **10. Approach to Procurement**

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.

## **11. Managing and Monitoring the Capital Programme and Risk Management**

### **Managing and Monitoring the Capital Programme**

Detailed monitoring and performance review of the capital programme is the responsibility of the Leadership Team on a quarterly review basis and by the Capital Member Group during the annual review. The officer group sets performance and delivery targets for the year, reviews monitoring information and recommends action where appropriate for reporting to Chief Officers, Members, 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 and CIL funds and capital receipts balances. Budget monitoring reports show the projected outturn and profiled spend for each scheme, highlighting significant variations and slippage and identifying recommended action. Any recommended changes to the programme are submitted to committees during the year as appropriate.

### **Risk Management**

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

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

The Council may conduct 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.

# **Treasury Management Strategy Statement**

## Minimum Revenue Provision Policy Statement and Annual Investment Strategy

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2020/21

# 1.INTRODUCTION

## 1.1 Background

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

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

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

CIPFA defines treasury management as:

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

## 1.2 Reporting requirements

### 1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which will provide the following:

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

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and whether the MHCLG Investment Guidance and CIPFA Prudential Code have been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

### 1.2.2 Treasury Management reporting

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

- a. Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
  - the capital plans, (including prudential indicators);
  - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
  - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
  - an investment strategy, (the parameters on how investments are to be managed).
- b. A mid-year treasury management report** (presented to Financial Policy Panel) – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.
- c. An annual treasury report** (presented to Strategy & Resources Committee) – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

### Scrutiny

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Strategy and Resources Committee, subject to the advice under the terms of reference of the Financial Policy Panel. Under this delegation, the annual treasury report is presented to Strategy & Resources Committee and the mid-year treasury management report is presented to

Financial Policy Panel.

### **1.3 Treasury Management Strategy for 2020/21**

The strategy for 2020/21 covers two main areas:

#### **Capital issues**

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

#### **Treasury management issues**

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

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

### **1.4 Training**

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. In order to meet this requirement, during the last year, members of Financial Policy Panel have received presentations from the Council's external treasury management advisors, Link Asset Services and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

### **1.5 Treasury management consultants**

The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers, and the Council has used Knight Frank and Huggins, Edwards and Sharp in relation to this activity in recent years.



## 2 THE CAPITAL PRUDENTIAL INDICATORS 2020/21 – 2022/23

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

### 2.1 Capital expenditure

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

Capital expenditure £m	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Strategy & Resources	309	1,053	350	0	0
Environment & Safe Communities	284	3,038	372	0	0
Community & Wellbeing	1,182	2,185	786	600	600
<b>Total services</b>	<b>1,775</b>	<b>6,276</b>	<b>1,508</b>	<b>600</b>	<b>600</b>
Residential property fund	257	0	1,370	0	0
Commercial property fund*	0	0	55,646	0	0
<b>Total</b>	<b>2,032</b>	<b>6,276</b>	<b>58,524</b>	<b>600</b>	<b>600</b>

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

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.

Consequently, the remaining £240m balance on the £300m fund has been closed to future acquisitions and has been removed from the Council's capital expenditure forecasts.

The remaining balance of £55.6m from the £80m fund for acquisitions within the Borough remains within the forecasts. For the purposes of forecasting, the full balance is projected to be spent in 2020/21, however, actual expenditure will depend on the timing of when suitable acquisitions are identified. It is possible that should a suitable property be identified in the current financial year, expenditure will be incurred in 2019/20. This possibility is reflected in the prudential indicators for the operational boundary and authorised debt limit on page 11.

Other long-term liabilities - The above financing need excludes other long-term liabilities, such as leasing arrangements that already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure £m	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£'000	£'000	£'000	£'000	£'000
Core capital programme	1,775	6,276	1,508	600	600
Residential property fund	257	0	1,370	0	0
Commercial property fund	0	0	55,646	0	0
<b>Total Expenditure</b>	<b>2,032</b>	<b>6,276</b>	<b>58,524</b>	<b>600</b>	<b>600</b>
<b>Financed by:</b>					
Capital receipts	149	1,652	651	0	0
Capital grants (DFG)	520	1,246	600	600	600
S106 and CIL	522	3,278	23	0	0
Revenue	841	100	1,604	0	0
<b>Total Financing</b>	<b>2,032</b>	<b>6,276</b>	<b>2,878</b>	<b>600</b>	<b>600</b>
<b>Net financing need for the year</b>	<b>0</b>	<b>0</b>	<b>55,646</b>	<b>0</b>	<b>0</b>

The net financing need for commercial activities / non-financial investments included in the above table against expenditure is shown below:

Commercial property fund	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure	0	0	55,646	0	0
Financing costs	0	0	696	1,962	1,976
<b>Net financing need for the year</b>	<b>0</b>	<b>0</b>	<b>55,646</b>	<b>0</b>	<b>0</b>
Percentage of total net financing need %	<b>N/A</b>	<b>N/A</b>	<b>100%</b>	<b>N/A</b>	<b>N/A</b>

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

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

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in

line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £3.4m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
<b>Capital Financing Requirement</b>					
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening CFR	87,517	86,808	85,591	139,940	138,021
Unfinanced capex - commercial properties	0	0	55,646	0	0
Finance Leases	491	32	0	0	0
Less MRP	(1,200)	(1,249)	(1,297)	(1,919)	(1,954)
<b>Closing CFR</b>	<b>86,808</b>	<b>85,591</b>	<b>139,940</b>	<b>138,021</b>	<b>136,067</b>
<b>Movement in CFR</b>	<b>(709)</b>	<b>(1,217)</b>	<b>54,349</b>	<b>(1,919)</b>	<b>(1,954)</b>

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown in 2.1 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Authority's remaining activity.

### 2.3 Core funds and expected investment balances

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

Year End Resources £'000	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fund balances / reserves	3,416	3,416	3,416	3,416	3,416
Capital receipts	4,947	2,715	1,875	1,600	1,300
Earmarked reserves & CIL	20,619	16,200	17,300	17,600	17,300
S106 funds	1,817	1,114	1,091	1,091	1,091
<b>Total core funds</b>	<b>30,799</b>	<b>23,445</b>	<b>23,682</b>	<b>23,707</b>	<b>23,107</b>
Working capital*	7,000	7,000	7,000	7,000	7,000
(Under)/over borrowing	(18,980)	(17,731)	(16,433)	(14,514)	(12,561)
<b>Expected investments</b>	<b>18,819</b>	<b>12,714</b>	<b>14,249</b>	<b>16,193</b>	<b>17,546</b>

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

## 2.4 Minimum revenue provision (MRP) policy statement

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

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

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

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

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

Repayments included in annual finance leases are applied as MRP.

### 3 BORROWING

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

#### 3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2019 and for the position as at 31 December 2019 are shown below for both borrowing and investments.

Treasury Portfolio	Actual at 31 March 2019		Current at 31 December 2019	
	£000	%	£000	%
<b>Treasury Investments</b>				
Banks	3,000	24%	5,000	17%
Money Market Funds	5,300	43%	16,100	55%
<b>Total Managed In House</b>	<b>8,300</b>	<b>67%</b>	<b>21,100</b>	<b>72%</b>
Aberdeen Asset Management Fund	4,139	33%	8,192	28%
<b>Total Managed Externally</b>	<b>4,139</b>	<b>33%</b>	<b>8,192</b>	<b>28%</b>
<b>Total Treasury Investments</b>	<b>12,439</b>	<b>100%</b>	<b>29,292</b>	<b>100%</b>
<b>Treasury External Borrowing</b>				
PWLB	64,427	100%	64,427	100%
<b>Total External Borrowing</b>	<b>64,427</b>	<b>100%</b>	<b>64,427</b>	<b>100%</b>
<b>Net treasury investments / (borrowing)</b>	<b>-51,988</b>	<b>-</b>	<b>-35,135</b>	<b>-</b>

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£'000	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
<b>External Debt</b>					
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Debt at 1 April	87,517	86,808	85,591	139,940	138,021
Expected change in Debt	0	0	55,646	0	0
Other long-term liabilities (OLTL)	491	32	0	0	0
Less MRP	(1,200)	(1,249)	(1,297)	(1,919)	(1,954)
Less use of internal funds	(18,980)	(17,731)	(16,434)	(14,515)	(12,561)
Actual gross debt at 31 March	<b>67,828</b>	<b>67,860</b>	<b>123,506</b>	<b>123,506</b>	<b>123,506</b>
The Capital Financing Requirement	<b>86,808</b>	<b>85,591</b>	<b>139,940</b>	<b>138,021</b>	<b>136,067</b>
(Under)/over borrowing**	<b>(18,980)</b>	<b>(17,731)</b>	<b>(16,433)</b>	<b>(14,514)</b>	<b>(12,561)</b>

Within the above figures the level of debt relating to commercial activities / non-financial investment is:

	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
<b>External Debt for commercial property fund</b>					
Actual debt at 31 March £m	<b>64,427</b>	<b>64,427</b>	<b>120,073</b>	<b>120,073</b>	<b>120,073</b>
Percentage of total external debt %	<b>95</b>	<b>95</b>	<b>97</b>	<b>97</b>	<b>97</b>

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

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

### 3.2 Treasury Indicators: limits to borrowing activity

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

Operational boundary £'000	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Debt relating to commercial property fund	87,517	142,454	141,237	139,940	138,021
Other long term liabilities	3,401	3,078	2,698	2,289	1,884
<b>Total</b>	<b>90,918</b>	<b>145,532</b>	<b>143,935</b>	<b>142,230</b>	<b>139,905</b>

The operational boundary and authorised debt limits provide for the possibility that the remaining £55.6m balance within the Council's Commercial Property Acquisition Fund could be spent in 2019/20 if suitable properties were identified in a short time frame.

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

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

Authorised limit £'000	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Debt relating to commercial property fund	83,407	145,000	145,000	145,000	145,000
Other long term liabilities	3,401	4,000	4,000	4,000	4,000
<b>Total</b>	<b>86,808</b>	<b>104,000</b>	<b>149,000</b>	<b>149,000</b>	<b>149,000</b>

### 3.3 Prospects for interest rates

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

Link Asset Services Interest Rate View														
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

The above forecasts have been based on an assumption that there is some sort of muddle through to an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. Given the current level of uncertainties around the result of the general election due on 12 December and then subsequent developments, this is a major assumption and so forecasts may need to be materially reassessed in the light of events over the coming weeks or months.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit and more recently, due to the impending general election. In its meeting on 7 November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then it is likely the MPC would cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a “gradual pace and to a limited extent”. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were an eventual Brexit with no agreement on the terms of trade between the UK and EU, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth.

**Bond yields / PWLB rates.** There has been much speculation recently that we are currently in a bond market bubble. However, given the context that there are heightened expectations that the US could be heading for a recession, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated, as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at



high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

During the first half of 2019-20 to 30 September, gilt yields plunged and caused a near halving of longer term PWLB rates to completely unprecedented historic low levels. (See paragraph 3.7 for comments on the increase in the PWLB rates margin over gilt yields of 100bps introduced on 9.10.19.) There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but also in the UK due to a correlation between US treasuries and UK gilts; at various times this correlation has been strong but at other times weak. However, forecasting the timing of this and how strong the correlation is likely to be is very difficult to forecast with any degree of confidence. Changes in UK Bank Rate will also impact on gilt yields.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty-year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious to other western economies.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt-fuelled boom that now makes it harder for central banks to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

In addition, PWLB rates are subject to ad hoc decisions by **H.M. Treasury** to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by over 100bps within the next year or so, whether H M Treasury would remove the extra 100 bps margin implemented on 9.10.19.

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

### Investment and borrowing rates

- Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.
- Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9.10.19. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates requires a major rethink of local authority treasury management strategy and risk management.
- This authority may need undertake external borrowing to finance new capital expenditure on commercial property, within the agreed Property Investment Strategy.

### 3.4 Borrowing strategy

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing would be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

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

### 3.5 Policy on borrowing in advance of need

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

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

### **3.6 Debt rescheduling**

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100 bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates.

If rescheduling was done, it would be reported to the appropriate Committee at the earliest meeting following its action.

### **3.7 New financial institutions as a source of borrowing and / or types of borrowing**

Following the decision by the PWLB on 9 October 2019 to increase their margin over gilt yields by 100 bps to 180 basis points on loans lent to local authorities, consideration may be given to sourcing funding at cheaper rates from the following:

- Local authorities (primarily shorter dated maturities)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates)
- Municipal Bonds Agency (no issuance at present but there is potential)

The degree which any of these options proves cheaper than PWLB Certainty Rate is still evolving at the time of writing but our advisors will keep us informed.

## 4 ANNUAL INVESTMENT STRATEGY

### 4.1 Investment policy – management of risk

The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The Council’s investment policy has regard to the following: -

- MHCLG’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2018

The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return).

The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists under the categories of ‘specified’ and ‘non-specified’ investments.
  - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
  - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity.

5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 50% of the total investment portfolio.
6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table.
7. **Transaction limits** are set for each type of investment.
8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**.
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**.
10. This authority has engaged **external advisors**, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.
12. As a result of the change in accounting standards for 2019/20 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.)

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

#### **Changes in risk management policy from last year.**

The above criteria are unchanged from last year.

#### **4.2 Creditworthiness policy**

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

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

Council's prudential indicators covering the maximum principal sums invested.

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

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

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

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

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

- i. Short Term – F1
  - ii. Long Term – A-
- Banks 2 – Part nationalised UK bank – Royal Bank of Scotland ring-fenced operations. These banks can be included provided they continue to be part nationalised or meet the ratings in Banks 1 above.
  - Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
  - Bank subsidiary and treasury operation -. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
  - Building societies - The Council will use all societies which:
    - i. Meet the ratings for banks outlined above;
    - ii. Have assets in excess of £1bn;
 or meet both criteria.
  - Money Market Funds (MMFs) CNAV – AAA
  - Money Market Funds (MMFs) LNAV – AAA
  - Money Market Funds (MMFs) VNAV – AAA
  - Ultra-Short Dated Bond Funds with a credit rating of at least – 1.25
  - UK Government (including gilts, Treasury Bills and the DMADF)

- Local authorities, parish councils etc
- Housing associations
- Supranational institutions
- Pooled property funds

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

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

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

	<b>Fitch Long term Rating (or equivalent)</b>	<b>Money Limit</b>	<b>Transaction limit</b>	<b>Time Limit</b>
<b>Banks 1 higher quality</b>	<i>F1/AAA/B/1</i>	£5m	£5m	5yrs
<b>Banks 1 medium quality</b>	<i>F1/AA-/B/2</i>	£5m	£5m	3yrs
<b>Banks 1 lower quality</b>	<i>F1/A-/C/3</i>	£5m	£5m	1yr
<b>Banks 2 – part nationalised</b>	N/A	£5m	£5m	1yr
<b>Limit 3 category – Council's banker (not meeting Banks 1)</b>	N/A	£5m	£5m	1 day
<b>DMADF (Debt Management Account Deposit Facility)</b>	UK sovereign rating	unlimited	£5m	6 months
<b>Local authorities</b>	N/A	£5m	£5m	1yr
	<b>Fund rating</b>	<b>Money Limit</b>		<b>Time Limit</b>
<b>Money Market Funds</b>	AAA	£5m	£5m	liquid
<b>Enhanced Money Market Funds</b>	AAA	£5m	£5m	liquid

The proposed criteria for specified and non-specified investments are shown in Appendix 5.4 for approval.

### UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

### 4.3 Other limits

Due care will be taken to consider the exposure of the Council’s total investment portfolio to non-specified investments, countries, groups and sectors.

- a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 50% of the total investment portfolio.
- b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** from Fitch or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.
- c) **Other limits.** In addition:
  - no more than 50% will be placed with any non-UK country at any time;
  - limits in place above will apply to a group of companies;
  - sector limits will be monitored regularly for appropriateness.

### 4.4 Investment strategy

**In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where



cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

**Investment returns expectations.**

On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.00% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 0.75%
- Q1 2022 1.00%
- Q1 2023 1.00%

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

2019/20	0.75%
2020/21	0.75%
2021/22	1.00%
2022/23	1.25%
2023/24	1.50%
2024/25	1.75%
Later years	2.25%

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

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

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

<b>Upper limit for principal sums invested for longer than 365 days</b>			
<b>£m</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Principal sums invested for longer than 365 days	£10m	£10m	£10m
Current investments as at 31/12/19 in excess of 1 year maturing in each year	£5m	£0m	£0m

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

#### **4.5 Investment performance / risk benchmarking**

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day LIBID rate.

#### **4.6 End of year investment report**

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

#### **4.7 External fund managers**

Around £8m (at 31/12/2019) of the Council's funds is externally managed on a pooled basis by Aberdeen Asset Management.

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

### 5.1.1 Capital expenditure

Capital expenditure £m	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Strategy & Resources	309	1,053	350	0	0
Environment & Safe Communities	284	3,038	372	0	0
Community & Wellbeing	1,182	2,185	786	600	600
<b>Total services</b>	<b>1,775</b>	<b>6,276</b>	<b>1,508</b>	<b>600</b>	<b>600</b>
Residential property fund	257	0	1,370	0	0
Commercial property fund*	0	0	55,646	0	0
<b>Total</b>	<b>2,032</b>	<b>6,276</b>	<b>58,524</b>	<b>600</b>	<b>600</b>

### 5.1.2 Affordability prudential indicators

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

#### a. Ratio of financing costs to net revenue stream

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

%	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
<b>Ratio</b>	10%	19%	19%	40%	38%

The estimates of financing costs include current commitments and the proposals in this budget report.

### 5.1.3 Maturity structure of borrowing

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

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

<b>Maturity structure of fixed interest rate borrowing 2020/21</b>		
	<b>Lower</b>	<b>Upper</b>
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	20%
5 years to 10 years	0%	20%
10 years to 20 years	0%	20%
20 years to 30 years	0%	20%
30 years to 40 years	0%	20%
40 years to 50 years	0%	100%
<b>Maturity structure of variable interest rate borrowing 2020/21</b>		
	<b>Lower</b>	<b>Upper</b>
Under 12 months	0%	0%
12 months to 2 years	0%	0%
2 years to 5 years	0%	0%
5 years to 10 years	0%	0%
10 years to 20 years	0%	0%
20 years to 30 years	0%	0%
30 years to 40 years	0%	0%
40 years to 50 years	0%	0%

### 5.1.5. Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4.

## 6

**UK. Brexit.** 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January; however, even if a Conservative Government gains an overall majority in the general election on 12 December, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020.

While the Bank of England went through the routine of producing another quarterly Inflation Report, (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers are worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that is worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence the MPC views inflation as causing little concern in the near future.

If economic growth were to weaken considerably,, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and both of the largest parties have made significant promises in their election manifestos to increase government spending. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure. In addition, it has to be borne in mind that even if the post-election Parliament agrees the deal on 31 January 2020, the current transition period for negotiating the details of the terms of a trade deal with the EU only runs until 31 December 2020. This could prove to be an unrealistically short timetable for such major negotiations which leaves open two possibilities; one the need for an extension of negotiations, probably two years, or a no deal Brexit in December 2020.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in October to 1.5%. It is likely to remain close to or under 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market**, growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, this was about half of what had been expected. The unemployment rate fell back again to a 44 year low of 3.8% on the Independent Labour Organisation measure in September, despite the fall in numbers employed, due to numbers leaving the work force. Wage inflation has been edging down from a high point of 3.9% in July to 3.8% in August and now 3.6% in September, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 1.9%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

In the **political arena**, a general election could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

**USA.** President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 1.9% in quarter 3; it is expected to fall further. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening; CPI inflation fell from 2.3% to 2.0% in September.

**The Fed** finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%.. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy \$60bn, whereas it had been reducing its balance sheet by \$50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt).

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China. However, in early November, a phase one deal was agreed between the US and China to roll back some of the tariffs which gives some hope of resolving this dispute.

**EUROZONE.** **Growth** has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside

potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

**The European Central Bank (ECB)** ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of TLTROs**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period**; (at its October meeting it said this would start in November at €20bn per month - a relatively small amount compared to the previous buying programme). It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments will need to help stimulate growth by ‘growth friendly’ fiscal policy.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

**CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

**JAPAN** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

**WORLD GROWTH.** Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the

last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support (i.e. subsidies) to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.

The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

### **INTEREST RATE FORECASTS**

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU**. On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in subsequent years which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.



However, there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has diminished.

#### **The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**. In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.
- **Other minority EU governments**. Austria, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged

up that there was **potential for a rerun of the 2008 financial crisis**, but his time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some \$19trn of corporate debt in major western economies**, if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is \$15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.

- **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

#### **Upside risks to current forecasts for UK gilt yields and PWLB rates**

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

## 7 (TMP)

### TMP1 – CREDIT AND COUNTERPARTY RISK MANAGEMENT

The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

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

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

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

The investment policy proposed for the Council is:

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

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

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

5. A body that is considered of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum Short Term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies .

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

	Fitch Long term Rating (or equivalent)	Money Limit	Transaction limit	Time Limit
Banks 1 higher quality	F1/AAA/B/1	£5m	£5m	5yrs
Banks 1 medium quality	F1/AA-/B/2	£5m	£5m	3yrs
Banks 1 lower quality	F1/A-/C/3	£5m	£5m	1yr
Banks 2 – part nationalised	N/A	£5m	£5m	1yr
Limit 3 category – Council's banker (not meeting Banks 1)	N/A	£5m	£5m	1 day
DMADF (Debt Management Account Deposit Facility)	UK sovereign rating	unlimited	£5m	6 months
Local authorities	N/A	£5m	£5m	1yr
	Fund rating	Money Limit		Time Limit
Money Market Funds	AAA	£5m	£5m	liquid
Enhanced Money Market Funds	AAA	£5m	£5m	liquid

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

	Non Specified Investment Category	Limit (£ or %)
a.	<p><b>Supranational bonds greater than 1 year to maturity</b></p> <p><b>(a) Multilateral development bank bonds</b> - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.).</p> <p><b>(b) A financial institution that is guaranteed by the United Kingdom Government</b> (e.g. National Rail)</p>	<p>AAA long term ratings, 50% of money invested through external fund manager. Restriction of 5yrs</p>

	The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	maximum maturity
b.	<b>Gilt edged securities</b> with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	50% of money invested through external fund manager. Restriction of 10yrs maximum maturity 50% of money invested through external fund manager. Restriction of 10yrs maximum maturity
c.	<b>The Council's own banker</b> if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	In this instance balances will be minimised as far as is possible.
d.	<b>Building societies not meeting the basic security requirements under the specified investments.</b> The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which have a minimum asset size of £1bn but will restrict these type of investments to 12 months.	£5m per institution.
e.	Any <b>bank or building society</b> that has a minimum long term credit rating of A-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	Maximum of 50% on investments over 1yr
f.	Any <b>non-rated subsidiary</b> of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to the parent bank providing an appropriate guarantee and meeting the ratings outlined above.	£5m per institution.
g.	<b>Share and loan capital</b> in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue	Maximum £5m per institution, subject to minimum rating

	resources will not be invested in corporate bodies. See note 1 below.	of AA- (long term). The exception is Epsom & Ewell Property Investment Company Limited (EEPIC) - Council has separately authorised share capital and loans to EEPIC.
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NOTE 1. This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

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

**Use of external fund managers** – It is the Council's policy to use external fund managers for part of its investment portfolio. The fund managers will use both specified and non-specified investment categories, and are contractually committed to keep to the Council's annual investment strategy.

The Council fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund manager. In order to aid this assessment, the Council is provided with a suite of regular reporting from its manager.

## TMP2 Performance measurement

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

- a. Monthly reviews carried out by the treasury management team
- b. Reviews with our treasury management consultants & external fund manager
- c. Annual review after the end of the year as reported to Strategy & Resources Committee

- d. Half yearly monitoring report to Financial Policy Panel
- e. Quarterly budget monitoring reports

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

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

- a. average investments held during the financial year and average interest rates
- b. investment strategy for the year compared to actual strategy
- c. explanations for variance between original strategies and actual
- d. comparison of return on investments to the investment benchmark
- e. compliance with Prudential and Treasury Indicators

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

- a. In house investments  
7 day LIBID
- b. External fund manager  
7 day LIBID

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

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

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

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

### **TMP3 Decision – making and analysis**

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

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

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

Processes to be pursued:

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

### **TMP4 Approved instruments, methods and techniques**

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

### **TMP5 Organisation, clarity and segregation of responsibilities and dealing arrangements**

#### **Allocation of responsibilities**



**(i) Full council**

- approval of annual treasury management strategy.

**(ii) Strategy & Resources Committee**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing annual monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

**(iii) Financial Policy Panel**

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

**(iv) Chief Finance Officer**

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

**Principles and Practices Concerning Segregation of Duties**

The following duties must be undertaken by separate officers: -

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

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

**The responsible officer**

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

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

### **The Chief Accountant**

The responsibilities of this post will be: -

- a) execution of transactions

- b) adherence to agreed policies and practices on a day-to-day basis
- c) maintaining relationships with counterparties and external service providers
- d) supervising treasury management staff
- e) monitoring performance on a day-to-day basis
- f) submitting management information reports to the responsible officer
- g) identifying and recommending opportunities for improved practices

#### **The Head of the Paid Service – the Chief Executive**

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented
- b) Ensuring that the responsible officer reports regularly on treasury policy, activity and performance.

#### **The Monitoring Officer – the Head of Legal Services**

The responsibilities of this post will be: -

- a) Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- c) Giving advice to the responsible officer when advice is sought.

#### **Internal Audit**

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and treasury management practices.
- b) Reviewing division of duties and operational practice.
- c) Assessing value for money from treasury activities.
- d) Undertaking probity audit of treasury function.

#### **Absence Cover Arrangements**

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

#### **Dealing**

The following posts are authorised to deal: -

- Chief Accountant
- 3 Senior Accountants
- 3 Accountants

## **TMP6 Reporting requirements and management information arrangements**

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

As a minimum, members will receive:

- an annual report on the strategy and plan to be pursued in the coming year, to Full Council
- a mid-year review on the current performance of the treasury management function, to Financial Policy Panel
- an annual report on the performance of the treasury management function, to Strategy & Resources Committee, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

## **TMP7 Budgeting, accounting and audit arrangements**

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

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

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

## **TMP8 Cash and cash flow management**

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

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

## **TMP9 Money Laundering**

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

## **TMP10 Staff training and qualifications**

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

- a) Treasury management staff employed by the Council
- b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time.

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

### **Details of Approved Training Courses**

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

### **Statement of Professional Practice (SOPP)**

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional

responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

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

### **Members charged with governance**

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

### **TMP11 Use of external service providers**

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

### **TMP12 Corporate governance**

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

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

The following documents are available for public inspection: -

Treasury Management Strategy

Annual Investment Strategy

Minimum Revenue provision policy statement

Annual Treasury Review Report

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

Annual accounts and financial instruments disclosure notes

Annual budget

3 Year Capital Plan

Minutes of Council / committee meetings

## 8

This list is based on those countries which have sovereign ratings of AA- or higher at 14/11/2019 (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

### ***Based on lowest available rating***

#### AAA

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

#### AA+

- Finland
- U.S.A.

#### AA

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

#### AA-

- Belgium
- Qatar

## 9 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

**The S151 (responsible) officer is responsible for:**

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



## **10 Changes to Treasury Management Strategy for 2020/21**

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

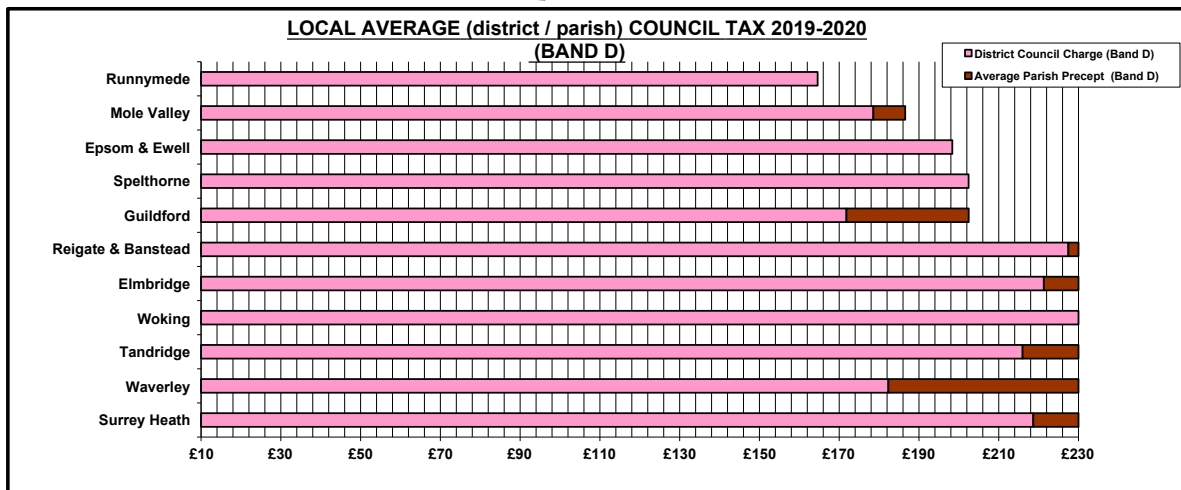
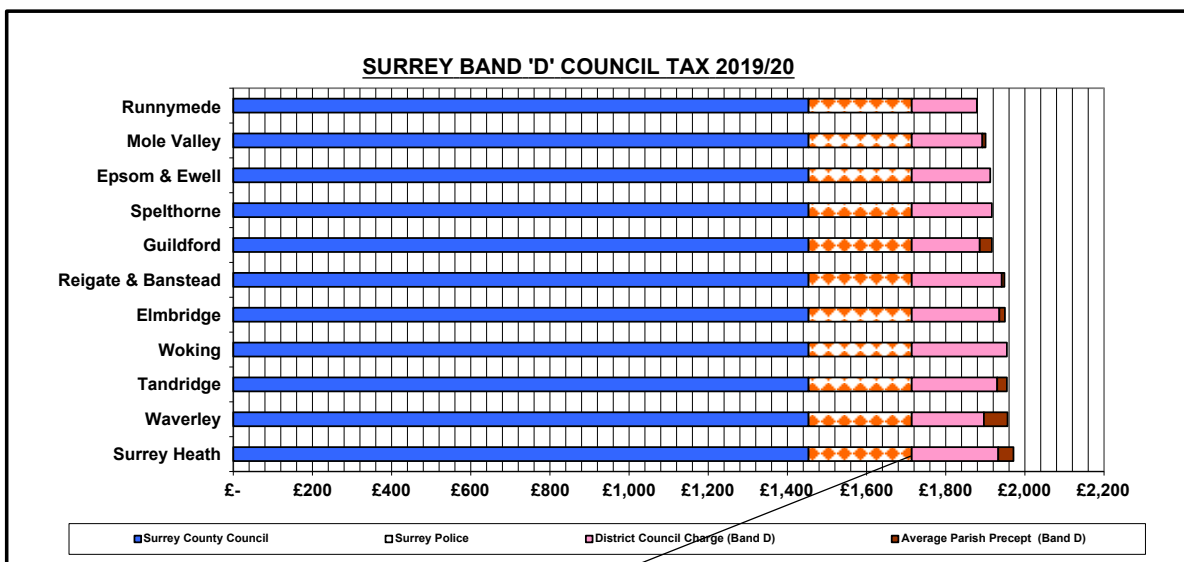
The Prudential Indicators in Section 2 of the Strategy have been updated to reflect the latest figures approved by Council.

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

Section 8 provides a list of approved countries for investment; no new countries have been added to the list for 2020/21.

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2019-2020 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	£ 1,453.50	260.57	164.59	0.00	<b>164.59</b>	1,878.66	
Mole Valley	£ 1,453.50	260.57	178.56	7.99	<b>186.55</b>	1,900.62	
<b>Epsom &amp; Ewell</b>	<b>£ 1,453.50</b>	<b>260.57</b>	<b>198.36</b>	<b>0.00</b>	<b>198.36</b>	<b>1,912.43</b>	
Spelthorne	£ 1,453.50	260.57	202.44	0.00	<b>202.44</b>	1,916.51	
Guildford	£ 1,453.50	260.57	171.82	30.65	<b>202.47</b>	1,916.54	
Reigate & Banstead	£ 1,453.50	260.57	227.46	6.70	<b>234.16</b>	1,948.23	
Elmbridge	£ 1,453.50	260.57	221.30	14.15	<b>235.45</b>	1,949.52	
Woking	£ 1,453.50	260.57	240.46	0.00	<b>240.46</b>	1,954.53	
Tandridge	£ 1,453.50	260.57	215.98	24.49	<b>240.47</b>	1,954.54	
Waverley	£ 1,453.50	260.57	182.33	59.76	<b>242.09</b>	1,956.16	
Surrey Heath	£ 1,453.50	260.57	218.66	38.41	<b>257.07</b>	1,971.14	



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**COUNCIL TAX PROPOSAL: CALCULATION FOR 2020/21 BUDGET REPORT (Includes  
SPCC decision and SCC council tax proposals)**

		<u>2019/20</u>	<u>2020/21</u>	<u>2020/21</u>
	<b>EPSOM AND EWELL BOROUGH COUNCIL</b>	2.99%	0.00%	2.50%
		£	£	£
				<i>Recommendation</i>
	Gross Service Expenditure	46,837,801	46,319,674	46,319,674
	Business Rate Tariff	8,796,075	8,939,392	8,939,392
	Business Rate Estimated Levy	188,488	197,641	197,641
	Gross Expenditure	55,822,364	55,456,707	55,456,707
	Gross Income	40,450,959	36,576,184	36,576,184
	Business Rate Income - (Tariff Element/Levy)	8,984,563	9,137,033	9,137,033
	Budget Requirement	6,386,842	9,580,041	9,743,490
	Business Rate Retained Income	983,187	972,615	972,615
	Small Business Rate Relief Grant	602,260	644,746	644,746
	Revenue Support Grant	0	0	0
	Transitional Grant	0	0	0
	Collection Fund Surplus (Council Tax)	79,760	10,570	10,570
	Collection Fund Deficit (Business Rates)	-1,803,542	1,402,281	1,402,281
	Council Tax Grant	0	0	0
	Collection Fund Income	-138,335	3,030,212	3,030,212
	Council Tax Requirement	6,525,177	6,549,829	6,713,278
	Council Tax Base (Band D Equiv. Properties)	32,895.63	33,019.91	33,019.91
	Basic Amount of Council Tax	£198.36	£198.36	£203.31
	<b>Epsom &amp; Ewell Borough Council</b>			
<i>1/9ths</i>	<u>Valuation Band</u>			
6	A	£132.24	£132.24	£135.54
7	B	£154.28	£154.28	£158.13
8	C	£176.32	£176.32	£180.72
9	D	£198.36	£198.36	£203.31
11	E	£242.44	£242.44	£248.49
13	F	£286.52	£286.52	£293.67
15	G	£330.60	£330.60	£338.85
18	H	£396.72	£396.72	£406.62
	<b>Surrey County Council Basic Amount</b>			
	<b>£1,511.46</b>			
<i>1/9ths</i>	<u>Valuation Band</u>			
6	A	£969.00	£1,007.64	£1,007.64
7	B	£1,130.50	£1,175.58	£1,175.58
8	C	£1,292.00	£1,343.52	£1,343.52
9	D	£1,453.50	£1,511.46	£1,511.46
11	E	£1,776.50	£1,847.34	£1,847.34
13	F	£2,099.50	£2,183.22	£2,183.22
15	G	£2,422.50	£2,519.10	£2,519.10
18	H	£2,907.00	£3,022.92	£3,022.92
	<b>Surrey Police &amp; Crime Commissioner: Basic Amount (RECOMMENDED)</b>			
	<b>£270.57</b>			
<i>1/9ths</i>	<u>Valuation Band</u>			
6	A	£173.71	£180.38	£180.38
7	B	£202.67	£210.44	£210.44
8	C	£231.62	£240.51	£240.51
9	D	£260.57	£270.57	£270.57
11	E	£318.47	£330.70	£330.70
13	F	£376.38	£390.82	£390.82
15	G	£434.28	£450.95	£450.95
18	H	£521.14	£541.14	£541.14

**COUNCIL TAX PROPOSAL: CALCULATION FOR 2020/21 BUDGET REPORT (Includes  
SPCC decision and SCC council tax proposals)**

	<u>2019/20</u> 2.99%	<u>2020/21</u> 0.00%	<u>2020/21</u> 2.50%
<b>EPSOM AND EWELL BOROUGH COUNCIL</b>			
<b>Council Tax Total</b>			
<b>Valuation Band</b>			
A	£1,274.95	£1,320.26	£1,323.56
B	£1,487.45	£1,540.30	£1,544.15
C	£1,699.94	£1,760.35	£1,764.75
D	£1,912.43	£1,980.39	£1,985.34
E	£2,337.41	£2,420.48	£2,426.53
F	£2,762.40	£2,860.56	£2,867.71
G	£3,187.38	£3,300.65	£3,308.90
H	£3,824.86	£3,960.78	£3,970.68
<b>EPSOM &amp; EWELL BOROUGH COUNCIL ELEMENT OF THE COUNCIL TAX - CHANGES</b>			
Council Tax at Band D =	£198.36	£ 198.36	£ 203.31
Increase in Council Tax (%)		0.00%	2.50%
Increase in Council Tax (per annum)		£0.00	£4.95
Increase in Council Tax (per month)		£0.00	£0.41
Increase in Council Tax (per week)		£0.00	£0.10
Income Generated from Council Tax Increase		£0	£163,449
Use of Working Balance		£163,449	£0
Equiv. Council Tax support from use of wkg bal.		£4.95	£0.00
Note:			
Budget Requirement	6,386,842	£9,580,041	£9,743,490
Increase in Budget Requirement		50.0%	52.6%

10% EEBC	£6,713,278
76% SCC	£49,908,273
14% SPA	£8,934,197
	£65,555,748
	£65,555,748

**Council Tax Collection Fund Income and  
Expenditure Account Estimate for the Year  
Ended 31 March 2020**

	2019/20
	£
Expenditure :-	
Surrey County Council Precept	47,813,798
Surrey Police Precept	8,571,614
Epsom & Ewell Borough Council Precept	6,525,177
Distribution of Income in 2019/20 to cover 2018/19 surplus	762,177
Increased Provision for Bad Debts	180,906
	<b>63,853,672</b>
Income :-	
Council Tax Income	63,662,276
	<b>63,662,276</b>
Surplus for the year	(191,396)
Balance Brought Forward 1 April	293,312
Balance Carried Forward 31 March	101,916

Surplus allocation 2020/21 Budget:	£
Surrey County Council	77,459
Surrey Police & Crime Commissioner	13,886
Epsom & Ewell Borough Council	10,571
	<b>101,916</b>

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**Retained Business Rates Collection Fund  
Income and Expenditure Account Estimate  
for the Year Ended 31 March 2020**

	2019/20
	£
Expenditure :-	
Central Government (includes tariff & levy)	21,444,250
Surrey County Council	2,491,937
Epsom & Ewell Borough Council	983,187
Increased Provision for Bad Debts	187,720
Increased Provision for Appeals	-
Cost of Collection Allowance	83,273
Transitional Protection	-
	<b>25,190,367</b>
Income :-	
Business Rates Income	25,138,620
Reduced Provision for Appeals	65,923
Transitional Protection	97,132
Funding from Preceptors in 2019/20 to cover 2018/19 deficit	4,499,478
	<b>29,801,153</b>
Surplus for the year	4,610,786
Balance Brought Forward 1 April	100,589
Balance Carried Forward 31 March	4,711,375

Surplus allocation 2020/21 Budget:	£
Central Government	77,914
Surrey County Council	3,231,180
Epsom & Ewell Borough Council	1,402,281
	<b>4,711,375</b>

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