

# Public Document Pack

Legal and Democratic Services



## FINANCIAL POLICY PANEL

Wednesday 29 January 2020 at 6.00 pm

Committee Room 1 - Epsom Town Hall

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

Councillor Eber Kington (Chairman)  
Councillor Kate Chinn  
Councillor Nigel Collin  
Councillor Neil Dallen

Councillor David Gulland  
Councillor Colin Keane  
Councillor Barry Nash  
Councillor Clive Smitheram

Yours sincerely

A handwritten signature in black ink, appearing to read 'J.C. Belden'.

Chief Executive

For further information, please contact Democratic Services, tel: 01372 732122 or [Democraticservices@epsom-ewell.gov.uk](mailto:Democraticservices@epsom-ewell.gov.uk)

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## **AGENDA**

### **1. DECLARATIONS OF INTEREST**

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

### **2. MINUTES (Pages 5 - 8)**

The Panel is asked to confirm the Minutes of the Meeting of the Panel held on 3 December 2019 (attached) and to authorise the Chairman to sign them.

### **3. 2020/21 BUDGET AND FINANCIAL PLAN 2020 - 2024 (Pages 9 - 74)**

This report provides an update on the preparation of the budget for 2020/21. The report seeks any final guidance from the Panel prior to the preparation of the Budget and Council Tax report for the Council on 13 February 2020. The report also seeks final guidance on the Medium Term Financial Plan for 2020-2024, including assumptions on future government funding.

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**Minutes of the Meeting of the FINANCIAL POLICY PANEL held on 3 December 2019**

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**PRESENT -**

Councillor Eber Kington (Chairman); Councillors Kate Chinn, Nigel Collin, Neil Dallen, David Gulland, Colin Keane, Barry Nash and Clive Smitheram

In Attendance: Nazmin Miah (Link Asset Services)

Absent:

Officers present: Lee Duffy (Chief Finance Officer) and Brendan Bradley (Chief Accountant)

**4 DECLARATIONS OF INTEREST**

No declarations of interest were made by councillors regarding items on the agenda for the meeting.

**5 TREASURY MANAGEMENT INTERIM REPORT - 2019/20**

The Panel received a training presentation from the Council's external treasury advisor, Link Asset Services. Members discussed the current economic environment, including the current US-China trade negotiations, and their implications for the Council's treasury management policies and returns.

The panel requested a copy of the Council's Treasury Management Strategy 2019/20, which officers agreed to circulate after the meeting. (*Post meeting note - the Treasury Management Strategy is published on the Council's website [here](#)*)

Members noted that they would have the opportunity to review 2020/21's Treasury Management Strategy when it is presented to Council in February 2020.

Members asked about the cost of the Council's external advisors and how frequently they were used. Officers responded that the annual cost was around £9,000, and the advisors were used by officers frequently, specifically whenever a significant investment or borrowing decision arose. The advisors also provide officers with daily market updates relating to treasury matters, assist with producing a compliant Treasury Management Strategy, and provide the annual training presentation to Members.

Members asked whether the Council considered the 'climate change' agenda in its Treasury Management policies. Officers responded that the Council had to comply with CIPFA's Treasury Management and Prudential Codes, which stipulate 'Security, Liquidity & Yield' as the priorities of treasury management. If a suitable 'sustainable climate' investment opportunity arises, which meets the criteria of CIPFA's Treasury Management and Prudential Codes and of the Council's TM Strategy, then it would be considered on its merits.

Following consideration, the Panel agreed to:

- (1) Receive the presentation from Link Asset Services – Treasury Solutions.
- (2) Note the performance on return of investments for the first six months of 2019/20
- (3) Note the current investment decisions being made within the terms set out in the Treasury Management Strategy.

## 6 CAPITAL PROGRAMME 2020/21

The Panel received and considered a report that sought guidance on the capital programme for 2020/21.

Members noted that the provisional programme had been scrutinised and recommended by the Capital Member Group.

Members asked whether there is flexibility to amend the criteria for assessing capital schemes in future. Officers responded that the criteria had been in place for a number of years, as a means of assessing and prioritising capital schemes consistently and to protect the Council's diminishing capital reserves. Although the Council's capital reserves remain at a low level, the criteria are agreed within the Capital Strategy annually by Members, so there is scope for them to be reviewed/amended in future.

Following consideration, the Panel agreed with the advice of the Capital Member Group to submit the following 2020/21 capital programme to Council for approval in February, subject to the relevant policy committees first approving project appraisals:-

- (1) Prioritised schemes totalling £908,000, funded from capital receipts of £651,000; S106 funds of £23,000; revenue reserves of £34,000; and a budgeted revenue contribution of £200,000.
- (2) A Disabled Facilities Grant scheme totalling £600,000, subject to external funding sources.

## 7 S106 AND CIL UPDATE REPORT

The Panel received and considered a report on the Council's S106 and CIL fund balances.

Members noted that the majority of S106 funds were held within the 'Affordable Housing' category, and that no new S106 receipts (other than for affordable housing) were expected in future.

Following consideration, the Panel agreed to note:

- (1) The current position on S106 funds held by the authority;
- (2) The current position on CIL funds held by the authority.

**8 MINUTES**

The Minutes of the Meeting of the Financial Policy Panel held on 10 September 2019 were agreed as a true record and signed by the Chairman.

*The meeting began at 6.00 pm and ended at 7.35 pm*

COUNCILLOR EBER KINGTON (CHAIRMAN)

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## **2020/21 BUDGET AND MEDIUM TERM FINANCIAL PLAN 2020 - 2024**

<b>Head of Service/Contact:</b>	Lee Duffy, Chief Finance Officer
<b>Urgent Decision?(yes/no)</b>	No
<b>If yes, reason urgent decision required:</b>	
<b>Annexes/Appendices (attached):</b>	Annexe 1: Summary of 2020/21 Estimates Annexe 2: Draft Medium Term Financial Plan 2020-24 Annexe 3: Key Components of the Medium Term Financial Strategy 2020-24 Annexe 4: Efficiency Plan 2020-24
<b>Other available papers (not attached):</b>	Draft Budget Book 2020/21 Policy Committee Budget Reports 2020/21

### **Report summary**

**This report provides an update on the preparation of the budget for 2020/21. The report seeks any final guidance from the Panel prior to the preparation of the Budget and Council Tax report for the Council on 13 February 2020. The report also seeks final guidance on the Medium Term Financial Plan for 2020-2024, including assumptions on future government funding.**

### **Recommendation (s)**

**That the Panel :**

- (1) Provides the Chief Finance Officer with any further guidance needed on the presentation of the 2020/21 Budget and Council Tax report and on the Financial Plan 2020-2024.**
- (2) Notes the provisional Government financial settlement for 2020/21.**
- (3) Supports that the surplus business rates income generated in 2018/19 from being part of the Surrey Pilot is set aside to mitigate the future impact of the 'Fair Funding Review'.**
- (4) Notes that the Council was successful in its attempt to be part of a Surrey Pool for Business Rates income for 2020/21.**

- (5) Confirms support that there will no use of working balances (general fund reserve) in the 2020/21 budget.**
- (6) Agrees to support a recommendation to Council of a council tax increase of £4.95 for a Band D property, equivalent to an annual increase of 2.5%.**
- (7) Confirms support for the Financial Plan 2020-24 and Medium Term Financial Strategy.**

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

1.1 The Strategy and Resources has agreed the following key service priority:-

- Prepare new Medium Term Financial Strategy and Four Year Financial Plan (2020-2024) including a 10 year forecast on the Council's future financial position.

## **2 Introduction**

2.1 Service estimate reports have been prepared for each of the three policy committees. The estimates are contained in the draft Budget Book 2020/21 which has been issued to all Councillors.

2.2 The estimates were prepared on the basis of budget guidelines agreed by the Council last September.

2.3 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.
- That Capital Member Group seeks to maintain a minimum capital expenditure programme to control the use of capital reserves between 2020 and 2024, subject to an appropriate prioritisation of spend to save and externally funded schemes.

- 2.4 The funding of the capital programme was agreed in December, subject to schemes being supported by the policy committees in the January Committee cycle.
- 2.5 Subject to the decisions of the policy committees, the proposed increases to discretionary fees and charges are estimated to generate £353,000 in 2020/21.
- 2.6 This report provides details of the provisional local government finance settlement and seeks guidance from the Panel on the presentation of the budget and council tax report for 2020/21.
- 2.7 The report also seeks guidance on finalising the Financial Plan 2020-2024.

### 3 2020/21 Provisional Government Settlement

- 3.1 Details of the provisional local government finance settlement were sent by e-mail to all councillors on 24 December 2019.
- 3.2 The following table shows the provisional grant figures for 2020/21:-

	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>

- 3.3 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.

- 3.4 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.
- 3.5 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.

#### 4 New Homes Bonus Grant

- 4.1 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.
- 4.2 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.
- 4.3 As part of the provisional settlement for 2020/21 it was announced that from 2021/22 funding methodology would change for new homes bonus grant and legacy payments would be removed from the annual award by 2023/24.
- 4.4 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

- 4.5 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.
- 4.6 Included with the Settlement, Government also announced a future change to the award of New Homes Bonus Grant, from 2021/22 legacy payments will be reduced and removed completely by 2023/24 from the annual awarded grant.

## 5 Core Spending Power

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

	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

- 5.2 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%.

## 6 Budget Overview

- 6.1 The service estimates, as recommended to the policy committees, are contained in the Budget Book 2020/21.
- 6.2 The Budget Book currently shows no use of working balances and no use of New Homes Bonus grant to fund services.

- 6.3 The Budget Book includes a £200,000 contribution from revenue to assist in the funding of the annual capital programme.
- 6.4 The funding position included within the Budget Book does not reflect the financial benefit receivable from being in the Surrey Business Rates Pool for 2020/21, as any gain will be set-aside in reserves to mitigate the impact of the 'Fair Funding Review'.
- 6.5 The budget funding position for 2020/21 reflects the Government decision to remove the Negative RSG payment of £625,000 within the provisional financial settlement for 2020/21.
- 6.6 The 2020/21 budget includes an increase in homelessness costs by £391,000 which has been partly funded by allocation of £116,000 from Flexible Homeless Support Grant.
- 6.7 The budget includes a provision of £400,000 for the annual increase in staff pay and a further £150,000 for increased employer pension fund contributions as a result of the latest Pension Fund tri-annual review.
- 6.8 The Strategy and Resources Committee budget currently includes a £50,000 general contingency to mitigate any unforeseen costs in implementing changes to services identified as part of the 2020/21 budget process, or due to unforeseen additional expenditure on agreed policies and priorities. This budget reduces the need for services to hold their own individual contingencies.

## **7 Funding Received from Commercial Property Company (EEPIC)**

- 7.1 Council agreed on 19th September 2017 to set up a Local Authority Property Investment Trading Company with one of its primary objectives to enable the acquisition of investment properties outside the Borough that will generate additional income for the Council.
- 7.2 Since the inception of the Company (EEPIC), the company has acquired two properties outside the Borough and these are expected to deliver a benefit to the Council's General Fund for 2020/21 of £905,000.
- 7.3 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.
- 7.4 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.

## 8 Retained Business Rates

- 8.1 Funding retained by the Council from business rates relates to levels of income collectable in year. However, the Government sets a level business rates that should be collectable by the local authority and then determines how much of this can be retained by the Council based on a formula.
- 8.2 In September Epsom and Ewell Borough Council agreed to be considered in a pooling arrangement with Surrey County Council and other Surrey district councils for 2020/21, on the terms that this Council gets to retain a share of the levy payments it currently has to pay to Central Government. The Ministry of Housing, Communities and Local Government agreed to this pooling arrangement in December.
- 8.3 The following table shows an overview of Central Government's calculation for retained business rates and compares that to those included within the 2019/20 budget and the latest forecast.

<b>2019/20</b>	<b>Gov't Baseline £'000</b>	<b>EEBC Budget £'000</b>	<b>EEBC Forecast £'000</b>
Rates Collectable	25,482	24,919	25,031
Less: Payable to Government	-12,741	-12,459	-12,515
Less: Payable to SCC	-2,548	-2,492	-2,503
Epsom & Ewell Share	10,193	9,968	10,012
Less Tariff (Payable to Government)	-8,796	-8,796	-8,796
	1,397	1,172	1,216
Add Grant Funding for Reliefs	0	602	602
EEBC Share of Income prior to Levy	1,397	1,774	1,818
Baseline Funding (Set by Government)	1,397	1,397	1,397
Estimated surplus above	0	377	421
50% Retained by EEBC	0	188	211
Net Retained Business Rates by EEBC	1,397	1,585	1,608

- 8.4 The latest forecast shows that the Council is expecting to make a surplus of £23,000 on business rates income for 2019/20 when compared to budget.
- 8.5 The Business Rates Collection fund carried forward a surplus of £1.4 million for Epsom and Ewell Borough Council from being part of the Surrey Pilot for 2018/19 and the surplus will be repaid to the Council in 2020/21.
- 8.6 The Budget Book currently shows retained business rates income for 2020/21 of £1,617,000 based on provisional rates income figures.
- 8.7 The Panel will note that the safety net threshold for 2020/21 is set at £1,313,000 compared to £1,617,000 used in the draft estimates, this limits the exposure of losses to £304,000.

**9 Council Tax Options**

- 9.1 It was announced as part of the Government provisional settlement for 2020/21 that District Councils will be allowed to increase their council tax by either £5 per annum (property D equivalent) or up to 2% before needing to hold a referendum. This represents a change from 2019/20 where Councils were able to increase council tax by up to 3% before triggering the referendum limit.
- 9.2 The reduction to the referendum limit has resulted in the Council losing out on potential income from an increase of c3% of approximately £30,000 per annum.
- 9.3 For financial planning purposes, the draft 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.
- 9.4 To the average band ‘D’ council tax payer (those not receiving discounts or support), the charge for borough services is would increase from £198.36 to £203.31 per property.
- 9.5 For the Council’s finances, revenue from council tax provides critical income to pay for services, assisting in replacing funding lost from government revenue support grant and new homes bonus grant.
- 9.6 The Panel supports a 2.5% increase be included in the budget report to full Council, this rise will provide for an additional on-going funding of services of £163,000 per annum, and any reductions in that percentage will have to be met from additional savings.

<b>Increase</b>	<b>Current</b>	<b>2.5%</b>
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Council Tax (Band D)	£198.36	£203.31
Increase per annum	£0	£4.95
Increase per week	0p	9½p
Additional Income Generated 2020/21	£0	£163,000
Adjustment needed to Draft Budget Book	£163,000 Adverse	£0
On-going Income received in Future Years	£0	£163,000

9.7 **Annex 1** comprises an overview of the draft budget for 2020/21 showing the impact of levels of council tax with an increase of 2.5%.

9.8 Surrey County Council's cabinet has proposed a 3.99% council tax increase to help their future funding position. The Surrey County Council and Surrey Police Authority charges (precepts) will be determined early in February.

## 10 Capital Programme and Level of Capital Reserves

10.1 The Draft Capital Programme for 2020/21 recommended by FPP in December totalled £1,508,000 with £651,000 of schemes from capital reserves and £234,000 from revenue. If the Programme is to be funded in this way it will reduce the level of uncommitted capital reserves down to £2.1 million by the end of 2020/21.

10.2 The Council agreed within its current Medium Term Financial Strategy to maintain a minimum level of capital reserves of £1 million.

10.3 The draft new Financial Plan includes an additional £100,000 of funding each year from revenue over the next four years to provide resources for a sustainable capital programme.

## 11 Financial Plan 2020 -2024

11.1 The Financial Plan at Annexe 2 has been prepared to provide context for the Medium Term Financial Strategy.

11.2 A final draft of the Medium Term Financial Strategy is contained in Section 1 of the Financial Plan (page 6 of Annexe 2).

11.3 The Panel are asked to recommend the Financial Plan 2020-24 and Medium Term Financial Strategy for approval by the Council.

## 12 Financial Forecasts 2020/21 to 2029/30

- 12.1 The 2020/21 Budget does not require the use of any of our working balances to achieve a balanced budget.
- 12.2 2020/21 represents the first year of the new Medium Term Financial Strategy and a 10-year forecast (2020/21 to 2029/30) has been produced that removes the reliance on funding from retained business rates to finance the running of council services. The position also provides funding for a sustainable capital programme from revenue by the end of 2026/27.
- 12.3 To be able to remove reliance on these external sources of funding the Council will need to deliver additional savings or income of around £2.8 million by the end of 2029/30.

## 13 Local Government Settlement

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

## 14 Financial and Manpower Implications

- 14.1 The forecast budget position for 2020/21 is summarised in this report.
- 14.2 The planned transfers to reserves are as follows:-
- 14.3 The revenue budget incorporates a transfer of £1,380,000 to the Business Rates Equalisation Reserve a share of the financial gain generated from being in the Surrey Pilot in 2018/19, to be used to mitigate the impact of changes to future funding as a result of the 'Fair Funding Review';
- 14.4 The draft Capital Programme for 2020/21 recommends using approximately £651,000 of capital reserves and £234,000 of revenue to fund capital schemes.
- 14.5 There is no use of New Homes Bonus Grant to fund services and the full grant allocation is to be transferred to the Corporate Projects Reserve to fund one-off initiatives.
- 14.6 **Chief Finance Officer's comments:** *As detailed in this report.*

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

- 15.1 There are no specific implications arising from the contents of this report.
- 15.2 **Monitoring Officer's comments:** *None for the purposes of this report.*

**16 Proposals**

- 16.1 It is requested that the Panel provides the Chief Finance Officer with any final guidance needed to finalise the 2020/21 budget and council tax report.
- 16.2 It is also requested that the Panel recommend the Financial Plan 2020-24 for Council approval.
- 16.3 The Budget and Council Tax meeting is on 13 February 2020.

**17 Conclusion and Recommendations**

- 17.1 The Council has continued to maintain the provision of services despite a sustained period of significant cuts to public spending.
- 17.2 The 2021/22 Financial Settlement due in December 2020 may show an increase in overall funding for Local Authorities, however it is anticipated that this increase in resources will be targeted at authorities that are responsible for services such as Social Care.
- 17.3 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 to finance the increase resources required for social care etc.
- 17.4 The forecast in the Financial Plan assumes that 'Negative RSG' which was previously included within the last four year settlement will feature as part of the funding calculation for 2021/22 for Epsom and Ewell Borough Council.

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

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<b>BUDGET OVERVIEW FOR 2020/21</b>		<i>figures may be subject to minor rounding errors</i>		
<b>BASED ON SERVICE ESTIMATES RECOMMENDED TO POLICY COMMITTEES</b> <i>(policy committee estimates rounded to £000)</i>				
		<b>2019/20</b>	<b>2020/21</b>	<b>2020/21</b>
<b>Illustrated Council Tax Increase:</b>			<b>0.00%</b>	<b>£4.95</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
Strategy & Resources Committee		833	3,819	3,819
Environment Committee		2,189	2,154	2,154
Community and Wellbeing		6,034	6,439	6,439
Less: Internal Asset Rents		-2,669	-2,669	-2,669
Policy Committee Net Expenditure		6,387	9,743	9,743
Use of Working Balance		0	163	0
<b>Net Expenditure</b>		<b>6,387</b>	<b>9,580</b>	<b>9,743</b>
Business Rate Income		1,585	1,617	1,617
Revenue Support Grant		0	0	0
Transitional Grant		0	0	0
Council Tax Surplus		80	11	11
Business Rates Deficit		-1,803	1,402	1,402
Sub-Total		-138	3,030	3,030
Council Tax Income		6,525	6,550	6,713
<b>External Funding Income</b>		<b>6,387</b>	<b>9,580</b>	<b>9,743</b>
Council Tax Base (Band D Equiv. Properties) <i>(reduced due to Localisation of Council Tax Support)</i>		32,895.63	33,019.91	33,019.91
<b>Basic Amount of Council Tax</b>		<b>£198.36</b>	<b>£198.36</b>	<b>£203.31</b>
<u>1/9ths</u>	<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><u>EPSOM &amp; EWELL BOROUGH COUNCIL - CHANGES</u></b>				
<b>2019/20 Council Tax at Band D =</b> <b>£198.36</b>				
Increase in Council Tax (per annum)		£0.00	£0.00	£4.95
Increase in Council Tax (%)		0.00%	0.00%	2.50%
Increase in Council Tax (per month)		£0.00	£0.00	£0.41
Increase in Council Tax (per week)		£0.00	£0.00	£0.10
<b>Income Generated from Council Tax Increase</b>		<b>£0</b>	<b>£0</b>	<b>£163,000</b>
Use of Working Balance		£0	£163,000	£0
Equivalent Council Tax support from use of working balance (per Council Tax payer)		£0.00	£4.95	£0.00
<i>Note: Budget Requirement</i>		6,387	9,580	9,743
<i>Change</i>			3,193	3,356
<i>% Change in Budget Requirement</i>			50.0%	52.5%
<i>Note: Council Tax Requirement</i>		6,525	6,550	6,713
<i>Change (includes tax increase and property number increase)</i>			25	188
<i>% Change in Council Tax Requirement</i>			0.4%	2.9%

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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 (EPPIC). 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>

**Climate Change  
Action Plan**

- Implement actions to deliver reductions in CO2 where financially cost effective and viable

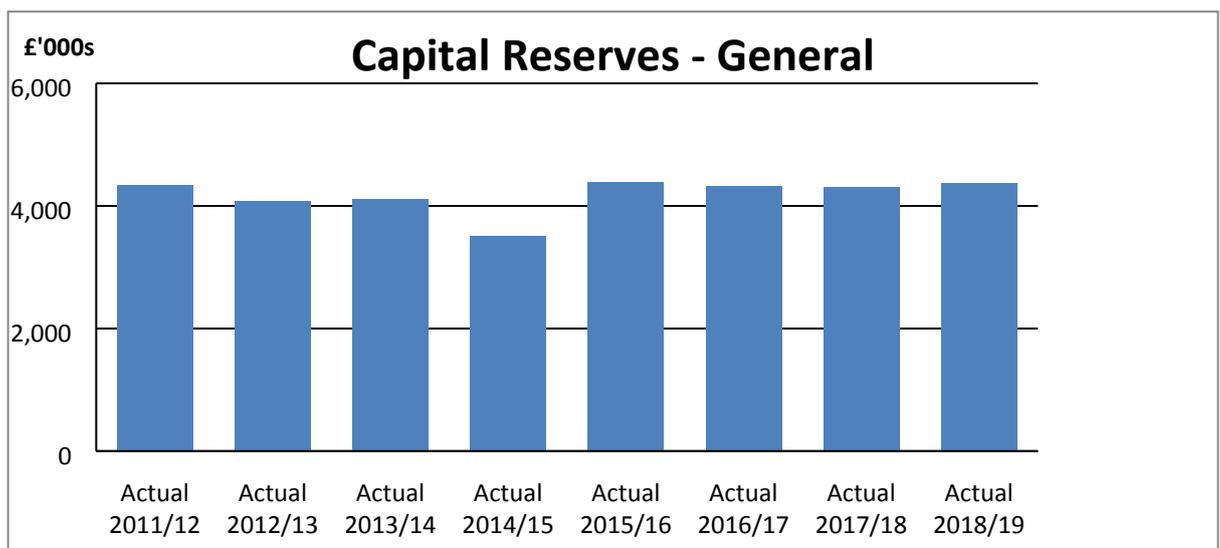


**Section 3: THE COUNCIL'S FINANCIAL STANDING**

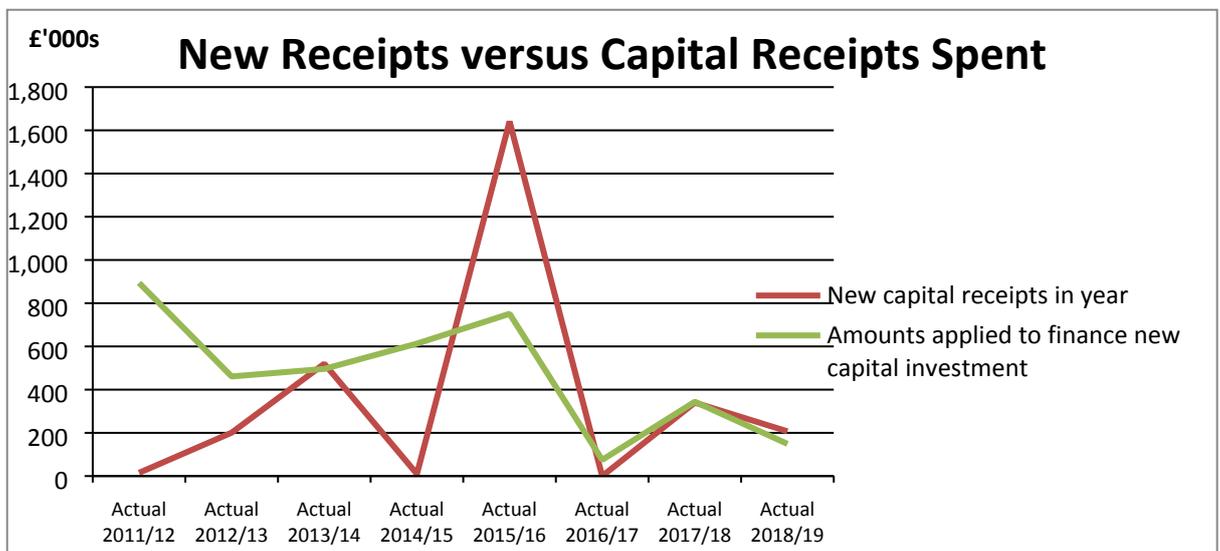
- 1.4 The Council finances its expenditure on services from income received during the year. Any shortfalls need to be financed from reserves and any surpluses can be used to strengthen reserves. The Council aims to achieve a balanced budget although the financial strategy should be flexible to allow 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.



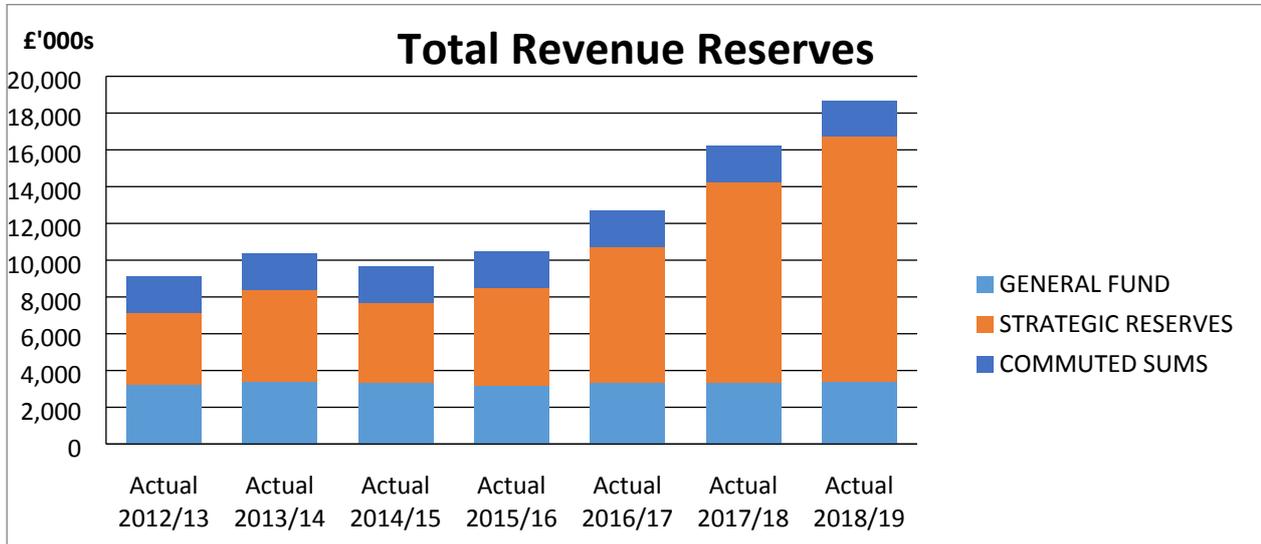
- 1.9 The Council has managed to retain capital reserves at around £4 million since 2011/12. However, there will be significant pressure on these reserves over the next four years, with over £2m provisionally earmarked to be spent on the capital programme by 2021/22. To mitigate this projected reduction 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.

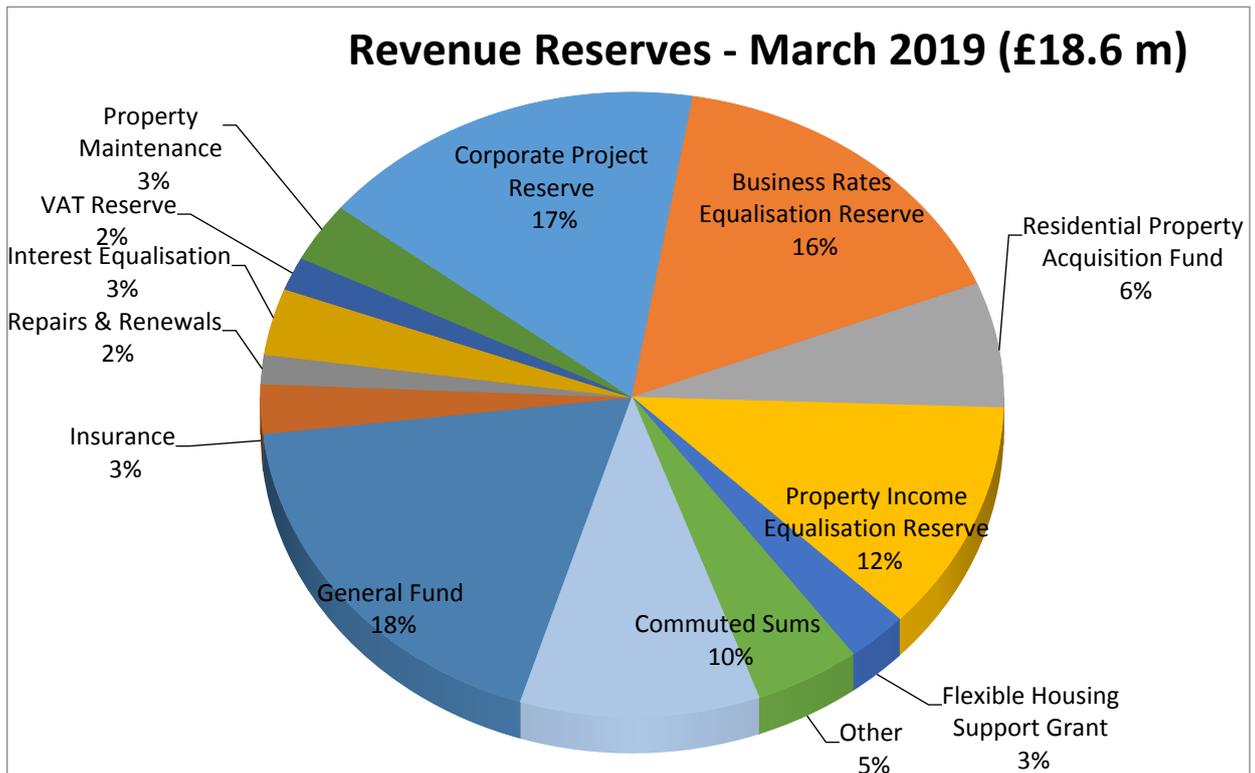
**Revenue Account**

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.

<b>Purpose of Reserve</b>	
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		8,609	8,436	8,330
Pay & Prices Increases		+ 598	+ 606	+618
Contingency for Service Changes and Pressures		+ 150	+ 150	+ 250
Reduced contributions to the Property Income Equalisation Reserve		0	- 500	0
Increases in Fees & Charges		- 210	- 210	- 216
Annual Savings Target		- 945	+ 225	- 411
<b>Forecast Net Cost of Services</b>	<b>8,609</b>	<b>8,202</b>	<b>8,473</b>	<b>8,714</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	+116	0	0
Transfer from Working Balance (-)	0	0	0	0
<b>Forecast Net Expenditure</b>	<b>9,743</b>	<b>7,827</b>	<b>8,083</b>	<b>8,344</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>

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

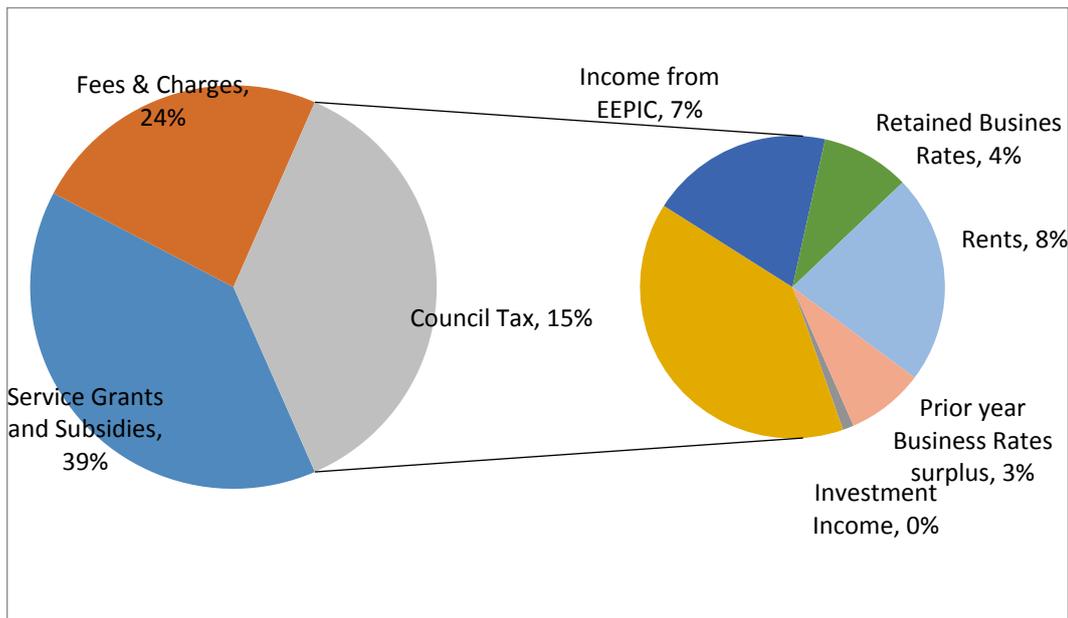
<b>Bank Rate</b>											
	NOW	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%
Capital Economics	0.75%	0.75%	0.75%	0.50%	0.50%	0.50%	-	-	-	-	-
<b>5yr PWLB Rate</b>											
	NOW	Dec-19	Mar-20	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.

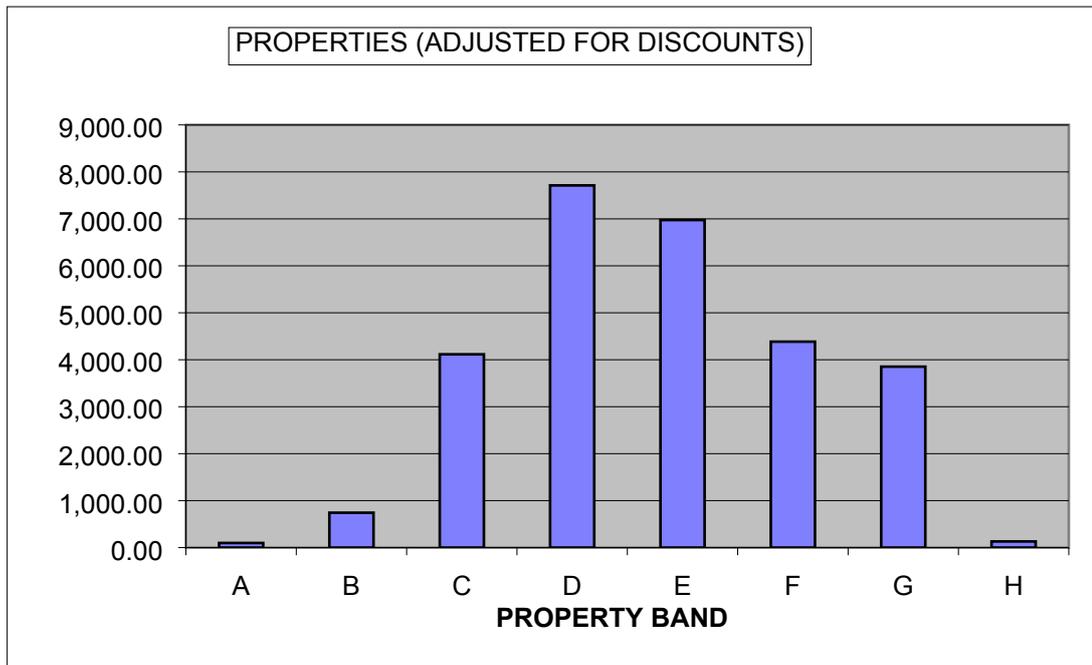
#### NEW HOMES BONUS

	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**

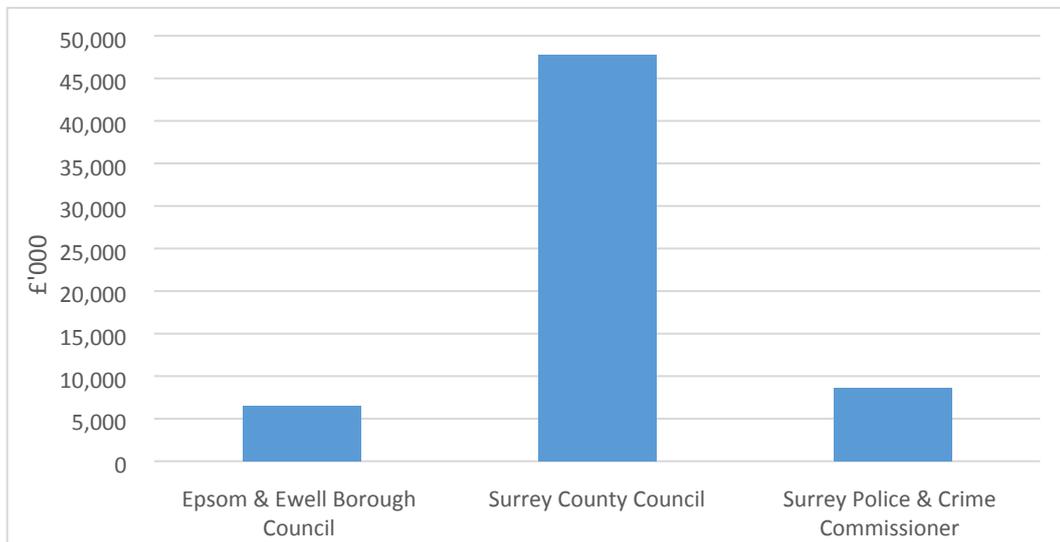
- 1.38 There are over 31,000 domestic properties in the Borough.
- 1.39 Council Tax levels are based upon the District Valuer’s assessment of property bands for each home.
- 1.40 The Borough’s council tax base as at December 2019 is illustrated below:-



- 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	<b>£198</b>
<b>Shire District including Parishes</b>	£219	<b>£198</b>
<b>Total Bill in Two Tier Areas</b>	<b>£1,933</b>	<b>£1,912</b>

- 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:-

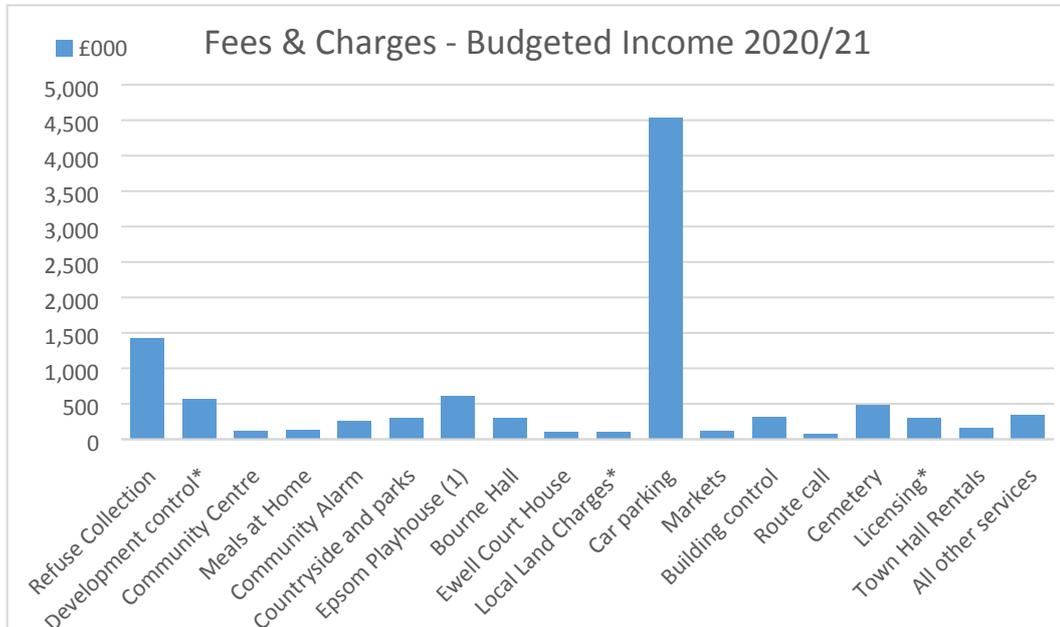
$$33,020 \times £203.31 = £6,713,000$$

- 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.

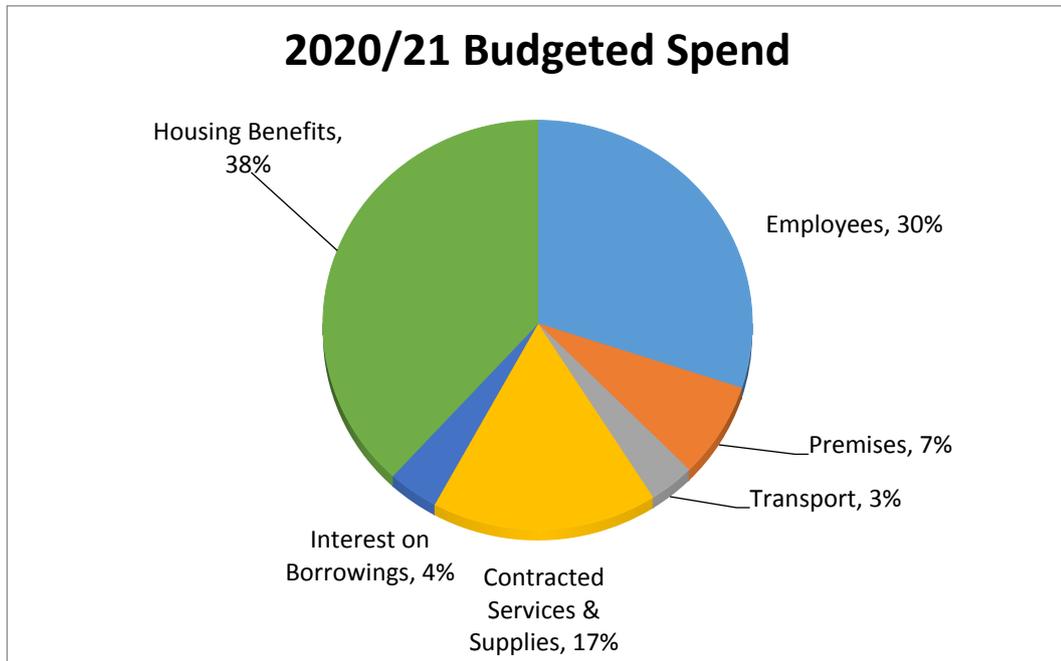
- 1.69 The remaining £55.6m fund will continue to be governed by the Council's existing Property Acquisition Strategy.

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.

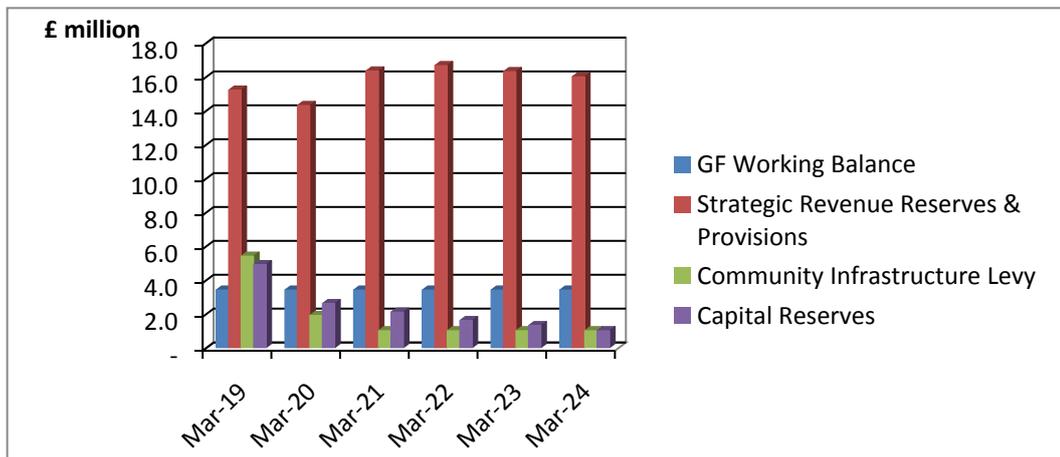
**Section 16: RESERVES FORECAST**

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.

RISKS	CAUSES
<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:

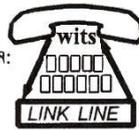
ਜੇਕਰ ਤੁਹਾਨੂੰ ਆਪਣੀ ਜ਼ਬਾਨ 'ਚ ਅਨੁਵਾਦ ਚਾਹੀਦਾ ਹੈ, ਤਾਂ ਕ੍ਰਿਪਾ ਕਰਕੇ ਰਾਬਤਾ ਕਰੋ:

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**

**KEY COMPONENTS OF THE MEDIUM TERM  
FINANCIAL STRATEGY 2020-2024**

The Council's Medium Term Financial Strategy sets out the approach that the Council has agreed to manage its finances.

**COUNCIL TAX**

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

**BUDGET POSITION AND REVENUE RESERVE**

- Produce a balanced revenue budget each year
- Maintain a prudent level of strategic reserves and a minimum of £1 million in Corporate Projects Reserve
- Utilise reserves pro-actively to manage major risks to the Council's finances
- Maintain a minimum working balance of £2.5 million at 31 March 2024
- 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 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 million
- 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

<b>EFFICIENCY</b>
• 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 so as to improve the forecast budget position by £1.8 million by 2023/24.

**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
<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
Locking of parks		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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