EPSOM & EWELL BOROUGH COUNCIL

PLEASE NOTE: this will be a 'virtual meeting'.

The link to the meeting is: https://attendee.gotowebinar.com/register/7883237100153101584
Webinar ID: 835-021-707

Telephone (listen-only): 020 3713 5022, Telephone Access code:568-708-482

09 February 2021

SIR OR MADAM

I hereby summon you to attend a meeting of the Council of the Borough of Epsom and Ewell which will be held virtually on **TUESDAY, 16TH FEBRUARY, 2021** at **7.30 pm**. The business to be transacted at the Meeting is set out on the Agenda overleaf. A link to the meeting is provided above.

Prayers will be said by the Mayor's Chaplain prior to the start of the meeting.

K. Beldon

Chief Executive

Public information

Please note that this meeting will be a 'virtual meeting'

This meeting will be held online and is open to the press and public to attend as an observer using free GoToWebinar software, or by telephone.

A link to the online address for this meeting is provided on the first page of this agenda and on the Council's website. A telephone connection number is also provided on the front page of this agenda as a way to observe the meeting, and will relay the full audio from the meeting as an alternative to online connection.

Information about the membership of the Council is available on the Council's website. The website also provides copies of agendas, reports and minutes.

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

Exclusion of the Press and the Public

There are no matters scheduled to be discussed at this meeting that would appear to disclose confidential or exempt information under the provisions Schedule 12A of the Local Government (Access to Information) Act 1985. Should any such matters arise during the course of discussion of the below items or should the Mayor agree to discuss any other such matters on the grounds of urgency, the Council will wish to resolve to exclude the press and public by virtue of the private nature of the business to be transacted.

Questions from the Public

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

COUNCIL

Tuesday 16 February 2021

7.30 pm

https://attendee.gotowebinar.com/register/7883237100153101584

For further information, please contact Democratic Services, democraticservices@epsom-ewell.gov.uk or tel: 01372 732000

AGENDA

1. DECLARATIONS OF INTEREST

To receive declarations of the existence and nature of any Disclosable Pecuniary Interests from Members in respect of any item to be considered at the meeting.

2. MINUTES (Pages 5 - 8)

To confirm the Minutes of the Meeting of the Council held on December 2020.

3. MAYORAL COMMUNICATIONS/BUSINESS

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

4. EPSOM & EWELL BOROUGH COUNCIL PAY POLICY STATEMENT (Pages 9 - 28)

This report seeks approval of the draft Epsom & Ewell Borough Council Pay Policy Statement 2021/2022.

5. BUDGET REPORT 2021 - 2022 (Pages 29 - 142)

This report fulfils the statutory requirement to agree a budget for 2021/22, comprising both revenue and capital expenditure plans, and to set a Council Tax for the year.

The council tax recommendation as supported by the Financial Policy Panel is for an increase of £4.95 per annum (Band D property), an equivalent increase of 2.43%.

6. MOTIONS (Pages 143 - 150)

This report sets out notices of motions ruled in order by the Mayor in consultation with the Chief Legal Officer.

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EPSOM AND EWELL

Minutes of the Meeting of the COUNCIL of the BOROUGH OF EPSOM AND EWELL held virtually on 8 December 2020

PRESENT -

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

Absent: Councillors Arthur Abdulin, Previn Jagutpal and Jan Mason

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

13 DECLARATIONS OF INTEREST

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

14 MINUTES

The Minutes of the meeting of the Extraordinary Meeting of the Council held on 14 July 2020 and Meeting of the Council held on 21 July 2020 were agreed as a true record and the Mayor was authorised to sign them.

15 MAYORAL COMMUNICATIONS/BUSINESS

The Mayor announced the sad passing of former Councillors Denis Ward and Paul Dallen. Denis Ward had served as a Councillor for Stamford Ward for 8 years from 1995 to 2003. Paul Dallen had served as a Councillor for Woodcote Ward from 2011 to 2015. The Council observed a minute's silence in remembrance.

The Mayor made a number of announcements relating to noteworthy virtual and in person events which he had attended over the past four months and to forthcoming Christmas events.

16 CHAIRMEN'S STATEMENTS

Council received written statements from the Chairs of the Community & Wellbeing Committee, Licensing & Planning Policy Committee and Strategy & Resources Committee.

Councillor David Reeve, Chair of the Licensing and Planning Policy Committee provided the Council with a verbal update on his statement. Councillor Reeve informed the Council that subsequent to the publication of the agenda for this meeting a response had been received from the Minister for Housing and that details of this correspondence would be provided to Members.

Three questions were asked relating to the statements and responded to by the Committee Chairs.

17 ANNUAL REPORT OF THE AUDIT, CRIME & DISORDER AND SCRUTINY COMMITTEE 2019/20

The Council received the Annual Report of the Audit, Crime & Disorder and Scrutiny Committee 2019/20 in accordance with the requirements of Article 6 of the Council's Constitution.

Councillor Steve Bridger MOVED the recommendation in the report.

Upon being put, the recommendation was **CARRIED** with a majority vote in favour.

Following consideration, it was resolved to:

(1) receive the Annual Report of the Audit, Crime & Disorder and Scrutiny Committee 2019/20.

18 CALENDAR OF MEETINGS 2021-2022

The Council received a report requesting it to approve the extended Municipal Calendar from May 2021 to July 2022.

Councillor Eber Kington MOVED the recommendation in the report.

Councillor Clive Smitheram SECONDED the recommendation in the report.

Upon being put, the recommendation was **CARRIED** with a majority vote in favour.

Following consideration, it was resolved to:

(1) Approve the Municipal Calendar for 2021-2022.

The meeting began at 7.30 pm and ended at 8.05 pm

COUNCILLOR HUMPHREY REYNOLDS
MAYOR

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EPSOM & EWELL BOROUGH COUNCIL PAY POLICY STATEMENT

Head of Service:	Shona Mason, Head of HR & Organisational Development
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	
Appendices (attached):	1: draft Pay Policy Statement 2021/2022 2: Scale of Returning Officer Fees 2021/22

Summary

This report seeks approval of the draft Epsom & Ewell Borough Council Pay Policy Statement 2021/2022.

Recommendation (s)

The Council is asked to:

(1) That the Council approves the Pay Policy Statement for 2021/2022.

1 Reason for Recommendation

1.1 The Council's has a statutory duty to publish an annual Pay Policy Statement.

1.2 The draft Pay Policy Statement needs approval from the Strategy & Resources Committee before being presented to Full Council for approval prior to publication on the Council's website. The Strategy & Resources Committee approved the draft Pay Policy Statement on 28 January 2021.

2 Background

2.1 The Localism Act requires each local authority to publish a statement which identifies the Council's approach to pay and in particular sets out pay arrangements for the senior chief officer posts. Under Section 38(1) of the Localism Act 2011 the Council is required to prepare a Pay Policy Statement, for the financial year, which is approved by full Council.

2.2 The statement sets out the levels of remuneration for the Council's senior officers as well as a general approach to pay which is lifted from the Council's HR Employee Pay & Reward Procedure 2020-2024.

2.3 Once agreed by the Council, the Pay Policy Statement will form part of the basis on which the Council remunerates employees particularly those at the senior officer level, as required by Section 41 of the Localism Act 2011.

2.4 The information set out in the pay policy statement meets the requirements of the legislation and details the relationship between those employees who are lowest paid and Chief Officers.

- The policy statement outlines the following key areas:
- Level and elements of remuneration for each senior officer
- Remuneration of chief officers on recruitment
- Increases and additions to remuneration for each chief officer
- The use of performance related pay for chief officers
- The approach to the payment of chief officers on their ceasing to hold office or to be employed by the authority
- The publication of and access to information relating to remuneration of chief officers
- Pay multiple (ratio) between Chief Officers' pay and all other employees
- Election fees
- Policy on employing someone who has taken redundancy
- Policy on employing someone who is also drawing a pension
- Policy on lowest paid

2.5 The Pay Policy Statement, which is prescribed in terms of content, sets out the Council's policies in respect of remuneration. The statement is simply a summary of the key provisions as required by the Localism Act.

2.6 The Council is therefore not being asked to approve the policies, but simply approve the statement which sets out existing policies.

2.7 The proposed draft Pay Policy Statement is attached at Appendix 1, and Appendix 2 sets out the draft Returning Officer fees and charges.

2.8 It should be noted that the figures within the Pay Policy Statement are based on 2021/22 pay figures which includes the proposed pay award of 0.5% from April 2021. The proposed pay award is in line with the Council's Employee Pay & Reward procedure and is based on CPI from September 2020.

2.9 Senior salary information is also published as part of the Final Statement of Accounts. However the Localism Act 2011 (Section 38) requires the Council to publish an annual Pay Policy Statement.

2.10 The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 (in force from 31 March 2017) require public sector employers operating in England to provide gender pay reports by 30 March each year detailing the mean gender pay gap in hourly pay as at 31 March the previous year.

2.11 Although Gender Pay Gap data is also required to be published publicly on the Government website, this requirement was suspended by the Government for the 2019-20 reporting year due to the pandemic.

2.12 Due to other priorities the HR team did not submit the Council's Gender Pay Gap data for 2019/20 but will be completing reporting for both 2019/20 and 2020/21 in the New Year ready for submission.

2.13 In the meantime HR have provided the headline statistic within the Gender Pay Gap Information for the purpose of this report. The mean hourly rate for 2019-20, shows a positive picture in favour of women of 8.1% and positions the Council positively in terms of women's mean pay. Gender pay illustrates the differences in the average pay between men and women.

2.14 Only full Council can approve the Pay Policy Statement before it can come into effect.

2.15 Once approved by Full Council the pay policy statement will be published on the Council's website

3 Risk Assessment

Legal or other duties

3.1 Impact Assessment

3.1.1 None arising from the contents of this report.

3.2 Crime & Disorder

3.2.1 None arising from the contents of this report.

3.3 Safeguarding

3.3.1 None arising from the contents of this report.

3.4 Dependencies

3.4.1 None arising from the contents of this report.

3.5 Other

3.5.1 None arising from the contents of this report.

4 Financial Implications

4.1 The 0.5% cost of living increase for 2021/22 is based on CPI inflation for September 2020, in accordance with the Council's agreed Pay Policy for 2020-24.

4.2 Annual cost of living adjustments linked to CPI inflation have been the Medium Term Financial Strategy for 2020-24.

4.3 **Section 151 Officer's comments**: None arising from the contents of this report.

5 Legal Implications

5.1 These are contained with the body of the report.

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

6 Policies, Plans & Partnerships

6.1 **Council's Key Priorities**: The following Key Priorities are engaged:

- Effective Council.

6.2 **Service Plans**: The matter is not included within the current Service Delivery Plan.

6.3 **Climate & Environmental Impact of recommendations**: None arising from the contents of this report.

6.4 **Sustainability Policy & Community Safety Implications**: None arising from the contents of this report.

6.5 **Partnerships**: None arising from the contents of this report.

7 Background papers

7.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Epsom & Ewell Borough Council Pay Policy Statement 2021/22, Strategy & Resources 28 January 2021
- Epsom & Ewell Borough Council Pay Policy Statement 2020/21, Council, 13 February 2020

Other papers:

- Openness and accountability in local pay: guidance under section 40 of the Localism Act 2011 https://www.gov.uk/government/publications/openness-and-accountability-in-local-pay-guidance

- Openness and accountability in local pay: guidance under section 40 of the Localism Act 2011: supplementary guidance https://www.gov.uk/government/publications/openness-and-accountability-in-local-pay-supplementary-guidance

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Pay Policy Statement

2021/2022

Version number: 4
Date: January 2021

Tracking

Policy Title	Pay Policy Statement 2021/2022		
LT sign off			
Committee	Strategy & Resources Full Council	**Date approved**	28 January 2021 16 February 2021 (TBC)
Review due date	12 months	**Review completed**	
Service	HR & Organisational Development		

Revision History

Revision Date	Revisor	Previous Version	Description of Revision
March 2019	Shona Mason	Version 2	Updated for 2019/20
January 2020	Debbie Childs	Version 3	Updated for 2020/21
January 2021	Debbie Childs	Version 4	Updated for 2021-22

Document Approvals

Each revision requires the following approvals:

Sponsor Approval		Name	Date
S&R	Version2		2 April 2019
Full Council	Version 2		30 April 2019
S&R	Version 3		30 January 2020
Full Council	Version 3		13 February 2020
S&R	Version 4		28 January 2021
Full Council	Version 4		16 February 2021 (TBC)

Contents

1. Introduction and background summary

1.1 Under the Localism Act 2011 the Council is required to publish an annual pay policy statement which has been approved by full Council. The information is set out under headings which have been prescribed by the Localism Act and relates to 2021/22 financial year.

2. Purpose

2.1 The statement sets out the levels of remuneration for the Council's senior officers as well as a general approach to pay which is lifted from the Council's HR Employee Pay & Remuneration Policy.

2.2 The information set out in the pay policy statement meets the requirements of the legislation and details the relationship between those employees who are lowest paid and Chief Officers.

2.3 The policy statement outlines the following key areas:

- Level and elements of remuneration for each senior officer
- Remuneration of chief officers on recruitment
- Increases and additions to remuneration for each chief officer
- The approach to the payment of chief officers on their ceasing to hold office or to be employed by the authority
- The publication of and access to information relating to remuneration of chief officers
- Pay multiple (ratio) between Chief Officers' pay and all other employees
- Election fees
- Policy on employing someone who has taken redundancy
- Policy on employing someone who is also drawing a pension
- Policy on lowest paid

3. Level and elements of remuneration for each senior officer

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

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

3.2 For the purposes of this policy statement, all references to "Chief Officers" is taken to include the Chief Executive, Chief Operating Officer and Heads of Service. Their salary scales are set out in the table below:

Post	Bottom of salary range p.a.	Top of salary range p.a.
Chief Executive	£103 157	£120 967
Chief Operating Officer	£82 838	£97 215
Heads of Service	£64 078	£74 229

3.3 In addition to basic pay these officers may receive the following benefits, where applicable:

- Payment into the pension scheme (employer's contribution at 17.4% of pensionable pay) if the employee has opted in and pays contributions at the required employee level themselves
- Chief Executive and Chief Operating Officer lump sum payment of 4% of basic salary in respect of subsistence and other expenses thereby reducing administration and providing a cap on the cost
- Payment of up to two annual subscriptions to professional institutions where this is an essential requirement of the role. Costs of memberships vary but most are around £200.
- Monitoring Officer and Section 151 Officer allowance of 15% of basic salary for the additional responsibilities for the statutory requirements of each role
- Lump sum payment for the requirement to have a car for the effective performance of duties. The amount varies according to the role of the individual.

3.4 Our policy is to pay appropriately to attract competent and experienced senior staff to lead the organisation, we do not aim to be in the upper quartile of payment levels locally but nearer the mid-point or median.

3.5 We recognise that the cost of housing in Epsom & Ewell is amongst the highest in the Southeast and that we are within commuter distance of London and the higher salaries there, and we take this into account when determining salary levels from the benchmarking information.

3.6 The overall consideration is what is reasonable and financially affordable.

4. Remuneration of chief officers on recruitment

4.1 Our policy is to appoint at the bottom of the salary scale, or near the bottom taking into account relevant skills and experience, progression through the grade is subject to successful performance in accordance with our performance management scheme.

4.2 On occasion it may be necessary to appoint above the bottom point, in this case consideration will be given to the justification for doing so and will dependent upon factors such as experience and market conditions.

4.3 Appointments to the post of Chief Executive are made by the Council. Appointments of Directors can be made by an Appointments Panel and appointments of Heads of Service is the responsibility of the Chief Executive.

5. Increases and additions to remuneration for each chief officer

5.1 Cost of living pay increases for all staff are considered every four years (in line with the Council's Pay Policy for 2020-24) through consultation with the Staff Consultative Group, which is made up of employee representatives and is the body which the Council consults with on terms and conditions of employment and other employee related matters.

5.2 The latest financial forecasts include an annual 2% cost of living increase for 2020/1 – 2024/5 and this is based on the Government's target for CPI.

5.3 Based on the CPI figure for September 2020, a 0.5% cost of living increase will be applied to the pay scales for 2021/22.

5.4 When determining pay awards we take into account financial affordability as well as the increase in cost of living for all staff.

5.5 All employees (including Chief Officers) can be awarded a single increment on the salary scale annually. This is dependent on satisfactory performance with no automatic progression through grades. All employees are expected to perform their duties to a satisfactory standard to progress through the grade.

5.6 Once an employee reaches the top of their salary scale there is no opportunity for further progression, however, any cost of living increase will apply.

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

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

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

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

6.3 The Restriction of Public Sector Exit Payments Regulations 2020 came into force on 4 November 2020 and introduce a £95,000 cap on the aggregate value (before tax) of exit payments made to public sector employees. These include redundancy payments, voluntary exit payments and actuarial strain costs paid by an employer to a pension scheme to facilitate early retirement pensions on an unreduced basis.

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

7.1 Our annual pay policy statement will be published on the website where it can be easily accessed by any interested parties such as tax payers and external organisations.

7.2 Information about Chief Officer remuneration is also published as part of the Final Statement of Accounts. The pay scales for all employees can also be found on the website.

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

8.1 The pay of all employees is set according to the Council's pay scales. There is a fixed relationship between each point on each of the grades. There are no predefined pay ratios between different groups of employees or specific posts.

8.2 The bottom of our lowest pay scale is £19,327 and the top of the Chief Executive scale is £120,967. This is a pay multiple of 1:6.3.

8.3 This is well within the maximum ratio 1:20 identified as a maximum pay multiple in the Hutton Review of Public Sector Pay.

8.4 As at 30 November 2020 the mean average pay for employees other than Chief Officers was £29,439; therefore currently the ratio of mean average Chief Officer pay to mean average pay of other employees was 1:2.6.

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

9. Election fees

9.1 Fees in respect of the role of Returning Officer for, borough and county elections are paid separately from and in addition to the relevant officer's salary package. The amount payable varies according to the size of the electorate and number of postal voters and is calculated as set out in the attached Annex 1 ELECTION OF COUNTY/ BOROUGH / PARISH COUNCILLORS IN SURREY: SCALE OF RETURNING OFFICER'S FEES AND CHARGES – 2020/21.

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

10. Gender Pay Gap Information

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

10.2 As a result of the Coronavirus pandemic, the requirement to report Gender Pay Gap information was suspended by the Government for the 2019-20 reporting year.

11. Policy on employing someone who has taken redundancy

11.1 Employees who leave the Council voluntarily are free to apply for jobs that are advertised.

11.2 Employees who leave the Council with a redundancy payment and subsequently apply and are successful for a position within the Council must repay any redundancy payment if the appointment is within 4 weeks of their termination date.

11.3 If the appointment start date is longer that 4 weeks the employee can return to work in the position offered in accordance with the Redundancy Modifications Order and will lose any contractual rights to have their continuous service recognised for all purposes.

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

12.1 We employ staff on merit and pay the full salary applicable to the role. We would not take into account whether a person was already in receipt of a pension in respect of previous employment with the Council or otherwise.

12.1 We will consider requests from staff who wish to draw their pension but continue working in a reduced capacity either through a reduction in working hours or levels of salary / responsibility.

13. Policy on lowest paid

13.1 When determining any pay award we will take into account the needs of the lowest paid along with national living wage requirements set out by Government.

13.2 No employee will be paid below the UK National Living Wage.

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ELECTION OF COUNTY/ BOROUGH / PARISH COUNCILLORS IN SURREY: SCALE OF RETURNING OFFICER'S FEES AND CHARGES - 2020/2021

The scale of Fees and Charges specifies the maximum recoverable amounts available for each electoral area.
It also sets maximum recoverable amounts for specified services and specified expenses.
Neither of these can be exceeded but the Returning Officer is entitled to disburse funds on the different functions specified in the fee scale as he/she sees fit, provided the expenditure is accounted for properly and only spent on what is necessary for the efficient and effective conduct of the election.
This scale of Fees and Charges is also to be used at any referendum held under the regulations listed in the Notes at the bottom of Annex 1.
All references in this document to the Returning Officer or County DRO are to be read and interpreted as applying to the Counting Officer at any Referendum covered by the list of regulations in the Notes at the bottom of Annex 1.

Part A -	**Note: The Returning Officer or County DRO may allocate some of his/her fee to deputies or vire them to another expenditure head.**		
	Calculated by using CBZX 12 month rolling index on National Statistics website for 2007/8 and 2008/9 and average rate of increase in pay across County authorities during 2017 for 2017/18.	2019/2020 Bringing payments up to Living Wage	2020/2021(Hourly Rate) The Hourlty rate is calculated for working 15 1/2 hours
1	(a) Separate County, Borough or Parish Elections		
	First 500 electorate	£32	£32
	For every additional 500 electors, or part thereof	£16	£16
	(b) Combined County / Borough and Parish Elections		
	First 500 electorate (in combined part of area only)	£43	£43
	For every additional 500 electors, or part thereof (in combined part of area only)	£21	£21
	Note 1: Where a combined fee is payable, that fee must be split between the areas. A total combined fee is not payable in each area.		
	Note 2: Where a single election is payable from this fee scale in combination with an election paid by central government, the combination element will only be paid by this local fee scale if there is no payment for combination in the government fee scale.		
	Note 3: Where more than two elections are combined from this fee scale, the following payment will be made per 500 electors or part thereof for each extra election. This is only applicable in the areas in which those elections apply.	£6.00	£6.00
	(c) Uncontested Election *	£27.00	£27.00
	* Fee applicable at by-elections for County / Borough or Parish Councillors or, at Ordinary Elections, when the election of Borough Councillors is contested but the election for the Parish or Parish Ward is uncontested.		
2	In each contested electoral area, for services in connection with the despatch and receipt of postal ballot papers		
	For first 100 postal voters	£7.00	£7.00
	For each additional 75 postal voters or fraction thereof	£6.00	£6.00
3	In each contested electoral area, for services in connection with the preparation and issue of Official Poll Cards (all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll)		
	First 2000 poll cards	£20.00	£20.00
	For every additional 250 poll cards, or fraction thereof	£1.00	£1.00
4	**NOTE: At a contested by-election the total fee payable to the Returning Officer must be at least equal to the sum of the Presiding Officer and Count Assistant fees stated at B1(a) and B4(a)(I) respectively and the amount opposite**	£90.00	£90.00
5	Max fee for training Presiding Officers and Poll Clerks per session (min 25 people at ordinary election. One session only at by-election if training deemed necessary).	£162.00	£162.00
	This fee to be distributed direct to the Trainer(s).		
Part B -	**Expenses of Returning Officer or County DRO for which maximum amounts are specified**		
In no case shall a charge exceed the sum actually and necessarily payable or paid by the Returning Officer or County Deputy Returning Officer. Subject thereto the MAXIMUM charges shall be as follows:			
1	For the Presiding Officer at each Polling Station		
	(i) (a) at separate Borough or Parish Polls (including payment for use of mobile phone £5)	£260.00	£269 (£17.03)
	(I) (b) at combined Borough / Parish Polls (including payment for use of mobile phone £5)	£300.00	£319(£20.25)
	(i) (c) for each extra election above a combined election	£30.00	£30.00
	(ii) Where at a polling place there is more than one polling station, the maximum recoverable amount in respect of one only of the presiding officers at the polling station at such a polling place is increased by	£20.00	£20.00
	NB Where a polling station is situated within the boundary of a District or Borough Council which adjoins a London Borough the fees in B1 (a) & (b) are increased by	£40.00	£40.00
	Max fee per session for training of Presiding Officers as necessary	£43.00	£43.00
2	For each Poll Clerk at each Polling Station		
	(a) at separate Borough or Parish Polls	£145.00	£167(£10.77)
	(b) at combined Borough / Parish Polls	£170.00	£192(£12.39)
	(c) for each extra election above a combined election depending on local circumstances and as the Returning Officer thinks fit	£15.00	£15.00
	Part time Poll Clerk	Will be calculated on hourly rate	Will be calculated on hourly rate
	NB Where a polling station is situated within the boundary of a District or Borough Council which adjoins a London Borough the fees in B2 (a) & (b) are increased by	£40.00	£40.00
	Max fee per session for training of Poll Clerks as necessary	£43.00	£43.00

3	For the remuneration of persons employed in the despatch and receipt of postal ballot papers. (**NB.** See C3 below. If external contractors are used to prepare/despatch ballot paper packs then the total fee is actual costs.)		
	For each 100 postal ballot papers, or fraction thereof in each electoral area of the County / Borough / Parish	£75.00	£75.00
4	For the remuneration for persons employed in connection with the count		
	(a) Counting Assistants		
	(i) For overnight counts		£17.00
	(ii) For Weekend Day time counts		£14.00
	(iii) For Day time counts		£11.00
	(b) Count Supervisors		
	(i) For overnight counts		£27.00
	(ii) For Weekend Day time counts		£24.00
	(iii) For Day time counts		£22.00
	(c) Senior Count Supervisors		
	(i) For overnight counts		£33.00
	(ii) For Weekend Day time counts		£30.00
	(iii) For Day time counts		£28.00
5	**For each Electoral Division, Ward or Parish Ward**		
	(a) Contested Elections: * County/Borough Councillors and Parish Councillors		
	(i) Separate Polls		
	First 500 electorate	£35.00	£35.00
	For every additional 500 electorate, or part thereof	£17.00	£17.00
	(ii) Combined Polls (County/Borough & Parish)		
	First 500 electorate (in combined part of area only)	£46.00	£46.00
	For every additional 500 electorate, or part thereof (in combined part of area only)	£23.00	£23.00
	Note: Where a combined clerical fee is payable, that fee must be split between the areas. A total combined fee is not payable in each area.		
	(b) Uncontested Elections * :	£28.00	£28.00
	* Fee applicable at by-elections for County / Borough or Parish Councillors or, at Ordinary Elections, when the election of Borough Councillors is contested but the election for the Parish or Parish Ward is uncontested. The Fee is also applicable at Ordinary Elections where the Parish or Parish Ward is contested but the Borough Ward is uncontested.		
	*For un-contested Parish elections the Returning Officer can charge a maximum administration fee	£150.00	£150.00
6	Preparation and issue of poll cards		
	(all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll)		
	For every 100 cards or fraction thereof	£5.00	£5.00
Part C -	**Expenses of Returning Officer for which NO maximum amounts are specified**		
1	For travelling and overnight subsistence expenses of:		
	(a) the Returning Officer		
	(b) the Deputy Returning Officer(s)		
	(c) any Presiding Officer or Poll Clerk		
	(d) any clerical or other assistants employed by the Returning Officer		
2	Expenses in printing or otherwise producing the ballot papers	Actual costs	Actual costs
3	Expenses in printing or otherwise producing the postal ballot ballot paper packs by external contractors. (**NB** See B3 above. If external contractors are used to prepare/despatch ballot paper packs then the total actual costs apply).	Actual costs	Actual costs
4	Expenses in printing or otherwise producing the official poll cards (all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll) and in delivering them to voters, excluding the expenses referred to in paragraph 6 of Part B above	Actual costs	Actual costs
5	Expenses in printing or otherwise producing and, where appropriate, publishing notices and other documents required by the Representation of the People Acts		
6	Expenses in renting, heating, lighting and cleaning any building or room for the purpose of the election	Actual costs	Actual costs
7	Expenses in adapting any building or room and in restoring it to a fit condition for its normal use	Actual costs	Actual costs
8	Expenses in the provision of voting compartments and any other furniture necessary for polling stations. Prior agreement to be sought from paying authority.		
9	Expenses in the provision of ballot boxes and instruments to stamp on the ballot papers the official mark and also the provision of devices to record the signatures relating to the issue of ballot papers. Prior agreement to be sort from paying authority.		
10	Expenses in the conveyance to and from the polling stations of:		
	(a) the ballot boxes and ballot papers, and	Actual costs	Actual costs

	(b) the voting compartments, any other furniture necessary for polling stations and the instruments to stamp on the ballot papers the official mark or any other equipment required in the administration of the election.	Actual costs	Actual costs
11	Expenses in the provision of stationery and writing implements and in postages, including postal ballot paper postages (but excluding official poll cards - see paragraph 4 of Part C above) telephone, bank charges and other miscellaneous items	Actual costs	Actual costs
12	Expenses in connection with the provision of security measures	Actual costs	Actual costs
13	Expenses in connection with the employer's portion of superannuation contributions for the Returning Officer, Deputy Returning Officer(s), etc		
14	Expenses in the provision of equipment and software for the checking of personal identifiers on the postal voting statements. Prior agreement to be sought from paying authority.		
15	Reimbursement of up to 50% of the costs of any elections management software licence charge in the year in which local elections are held. Further scaled down to a proportionate amount if a by-election held.		
	For maximum levels of expenditure for certain duties under Part C above - see Annex 1 attached.		

ANNEX 1

Maximum Levels of Expenditure under Part C of Scale of Fees and Charges for County / District / Borough / Parish Elections within Surrey

Head	Duty		
C1(c)	Presiding Officer Travel - Fixed w	£25.00	£25.00
C1(c)	Poll Clerk Travel - Fixed w	£10.00	£10.00
	Mileage rates applicable in rural areas where fixed travel is not appropriate	£0.48	£0.48
C1(d)	Fixed Travel of staff to transport boxes at the Count (if not delivered by Presiding Officer)	£21.00	£21.00
C1(d)	Count staff travel - fixed w	£10.00	£10.00
C2	Checking Ballot Papers - per 10,000 ballot papers or part thereof ww	£18.00	£18.00
C4	Poll Cards (all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll) - Hand delivery	£0.19	£0.19
C7	Polling Station Inspectors - maximum payable per person 1 w	£262.00	£269.00 (£17.03)
C8	Preparation of Ballot Boxes & stamping instruments (each polling station)	£9.00	£9.00
C8	Preparation of Stamping Instruments used at postal vote issue	£4.00	£4.00
C10	Transport of Postal Votes to Count - 2 per District / Borough 1 w	£85.00	£85.00
C10	Staff to transport boxes at Count - per District / Borough 1 ww	£635.00	£635.00
C10	Remove bundles of counted votes - 3 per District / Borough 1 w	£141.00	£141.00
C11	Mobile telephones (where no land lines available).	This will now be part of the payment for the duties undertaken	This will now be part of the payment for the duties undertaken
C12	Security at Count - per District / Borough 1 ww	£254.00	£254.00
C12	Security at Count - Fixed Travel 1 w	£14.00	£14.00
	Note: C12 restriction on ordinary day of election only to be removed		

NOTES

1 Applicable only at the Ordinary Day of Election for County /Borough / Parish Councillors

w payable per person

ww maximum payable to be disbursed appropriately

Referendum regulations applicable to this fee scale:

The Local Authorities (Conduct of Referendums) (England) Regulations 2012

The Local Authorities (Conduct of Referendums) (Council Tax Increases) (England) Regulations 2012

The Neighbourhood Planning (Referendums) Regulations 2012

ANNEX 2

Proposed calculation and distribution of core payments - see Word document annexed to this document. Actual payments agreed by each Surrey authority to be recorded in the 'Actual Core Staff Payments' worksheet. Core staff will be paid overtime as per agreed Council policy or if no policy in place a minimum of normal hourly rate is paid

Signed ______________________________

James Whiteman, Returning Officer Guildford Borough Council

On behalf of all Surrey Returning Officers

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BUDGET REPORT 2021 - 2022

Head of Service:	Lee Duffy, Chief Finance Officer
Wards affected:	(All Wards);
Urgent Decision?	Yes
If yes, reason urgent decision required:	Statutory requirement to set council tax
Appendices (attached):	See list of appendices at end of report

Summary

This report fulfils the statutory requirement to agree a budget for 2021/22, comprising both revenue and capital expenditure plans, and to set a Council Tax for the year.

The council tax recommendation as supported by the Financial Policy Panel is for an increase of £4.95 per annum (Band D property), an equivalent increase of 2.43%.

Recommendation (s)

Council:

See (1) to (10) below

1. **That it be noted that, under delegated powers, the Chief Finance Officer calculated the amount of the Council Tax Base as 33,149.63 (Band ‘D’ equivalent properties) for the year 2021/22 calculated in accordance with the Local Government Finance Act 1992, as amended (the “Act”).**

2. **That the following estimates recommended by the policy committees be approved:-**

    a. **The revised revenue estimates for the year 2020/21 and the revenue estimates for 2021/22.**

    b. **The capital programme for 2021/22 and the provisional programme for 2022 to 2024, as summarised in the capital strategy statement.**

3 That the fees and charges recommended by the Policy Committees be approved for 2021/22.

4 That the Council Tax Requirement for the Council's own purposes for 2021/22 is £6,903,742.

5 That the Council receives the budget risk assessment at Appendix 6 and notes the conclusion of the Chief Finance Officer that these budget proposals are robust and sustainable as concluded in this report.

6 That the Council receives the Chief Finance Officer Statement on the Reserves as attached at Appendix 8.

7 That the Council agrees the Prudential Indicators and Authorised Limits for 2021/22 as set out in Appendix 11 including:-

a. Affordability Prudential Indicators.

b. The actual and estimated Capital Financing Requirement.

c. The estimated levels of borrowing and investment.

d. The authorised and operational limits for external debt.

e. The treasury management prudential indicators.

8 That the following amounts be now calculated for the year 2021/22 in accordance with sections 31 to 36 of the Act:

a. £57,977,322 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(2) of the Act.

b. £51,073,580 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(3) of the Act.

c. £6,903,742 being the amount by which the aggregate at 8(a) above exceeds the aggregate at 8(b) above, calculated by the Council, in accordance with section 31A(4) of the Act, as its council tax requirement for the year.

d. £208.26 being the amount at 8(c) above divided by the amount at 1. above, calculated by the Council, in accordance with section 31(B) of the Act, as the basic amount of its council tax for the year.

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

SURREY COUNTY COUNCIL

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	1,032.72	1,204.84	1,376.96	1,549.08	1,893.32	2,237.56	2,581.80	3,098.16

SURREY POLICE AUTHORITY

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	190.38	222.11	253.84	285.57	349.03	412.49	475.95	571.14

10 That the Council, in accordance with Section 30 to 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2021/22 for each of the categories of dwellings.

EPSOM AND EWELL BOROUGH COUNCIL

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	138.84	161.98	185.12	208.26	254.54	300.82	347.10	416.52

AGGREGATE OF COUNCIL TAX REQUIREMENTS

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount	1,361.94	1,588.93	1,815.92	2,042.91	2,496.89	2,950.87	3,404.85	4,085.82

1 Introduction

1.1. The Council is required to agree a budget for 2021/22 and, having regard to the cost of service provision and estimates of income, the level of Council Tax for the coming year.

1.2. Legislation also requires:-

- The preparation of budget plans for a three year period
- The setting of prudential indicators which determine the level of Council borrowing and capital expenditure, together with the treasury management

strategy

- The Council's Chief Finance Officer to report on the robustness of the estimates and the adequacy of the reserves

- The Council to consider the risks in its budget strategy.

1.3. The Council has now completed its review of service income and expenditure. The Policy Committees have considered their service estimates and they have recommended budgets, charges and capital investment for the next financial year.

1.4. This report provides an overview of the General Fund Revenue Account budget position for 2021/22 and future years as a basis for determining council tax.

1.5. The budget report is based on the Financial Policy Panel's recommended increase of £4.95 per annum, or 2.43% (for band d property) in council tax reflecting the final grant settlement figures received after the Financial Policy Panel meeting, which allowed district councils to increase council tax by up to £5 or 2% whichever provided the higher increase in income.

1.6. All options are consistent with the council tax policy of ensuring that council tax stays below the average of the Surrey Districts.

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

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

Council Tax

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

Budget Position

- Produce a balanced revenue budget each year.

- Maintain a minimum working balance of £2.5 million at 31 March 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 Council's finances.

3 Current Year Position

3.1. The 'probable outturn' comprises a revised forecast for the current year ending 31 March 2021, based on the mid-year budget review. The following table summarises the financial performance anticipated for the year as reported to each of the policy committees.

3.2. The impact of COVID-19 on the Council financial position for 2020/21 has been significant, creating significant losses in income from services. The overall forecast deficit on the General Fund prior to Government support was c£4.6 million. The Government is expected to provided funding of nearly £3.8 million to part mitigate these losses.

	Current Approved Budget 2020/21	Probable Outturn 2020/21	Variance
	£000	*£000*	*£000*
Strategy & Resources Committee	3,304	315	
Environment & Safe Communities Committee	2,503	4,433	
Community & Wellbeing Committee	6,605	8,449	
Capital Charges	(2,669)	(2,669)	
Total	9,743	10,528	*+785*

3.3. The probable outturn includes a forecast that nearly £719,000 of outstanding rents will not be paid, this is a prudent approach highlighting the increased risk on rental income. However, it is hoped that the majority of these deferred rents will be recovered by year-end.

3.4. The budget included no planned use of the working balance to finance services. For the purpose of preparing this budget report it has been assumed that in 2020/21 the Council will not require a contribution from working balances, as any funding shortfall will be met from the Council's strategic reserves.

4 Budget Strategy

4.1. The 2021/22 revenue budget and the capital investment programme comprise the Council's spending plans for the forthcoming year.

4.2. The overall budget target for 2021/22 was agreed at Strategy & Resources Committee on 22 September 2020 as follows:-

4.3. That estimates be prepared including the delivery of savings already identified in the Financial Plan for 2021/22 totalling £336,000.

4.4. That estimates include options to reduce organisational costs by £1,290,000 subject to government grant announcement, in order to minimise the use of working balances and maintain a minimum working balance of £2.5 million in accordance with the medium term financial strategy.

4.5. That at least £210,000 additional revenue is generated from an increase in discretionary fees and charges.

4.6. That a provision for pay award is made of £408,000 that would allow for a 2% cost of living increase.

4.7. That a £950,000 contingency is provided within the 2021/22 budget to mitigate the potential impact of Covid-19 on the Council's finances in 2021/22.

4.8. That officers are tasked in delivering a list of costed options that can be implemented to address any budget shortfall for 2021/22.

4.9. The Financial Policy Panel has received regular updates and given guidance on the preparation of the estimates. For more detail, Councillors may wish to refer to background papers on these agendas. The following specific agendas may provide useful background to the budget review programme:-

- September 2020: Review of reserves, local taxation level and budget targets (including efficiency savings, cost reduction plan, staffing and income levels).

- December 2020: Treasury management, capital programme, capital reserves, section 106 funds and CIL.

- February 2021: Government financial settlement, council tax and business rate retention.

5 2021/22 Revenue Budget

5.1. The draft Budget Book was issued to all Councillors via Members' Update on 15 January and was available prior to when the estimates were considered by the policy committees.

5.2. The detailed fees and charges proposals and capital appraisals for all policy committees can be found on the appropriate policy committee agenda (January committee cycle).The estimates for services, as recommended by the policy committees, are summarised at Appendix 1 to this report.

5.3. The main year-on-year changes in the cost of service provision are detailed in Appendix 2 to this report.

5.4. The comparison to the 2020/21 published budget is also shown in the table below at committee total level:-

	2020/21 Published Budget	2021/22 Recommended Budget	Variance
	£000	*£000*	*£000*
Strategy & Resources Committee	3,819	2,380	
Environment & Safe Communities Committee	2,154	2,308	

Community & Wellbeing Committee	6,439	6,593	
Capital Charges	(2,669)	(2,669)	
Total	**9,743**	**8,612**	- 1,131
External Funding (council tax, government grant, retained business rates)	(9,743)	(8,612)	+ 1,131
Shortfall of income to cover planned expenditure & required use of Working Balance	**0**	**0**	0

Staff Budget

5.5. A total of £13.1 million of staff costs, staff on-costs and agency costs have been included in the policy committee estimates compared to £12.5 million in 2020/21. This will form the salary control total for budget monitoring purposes, subject to adjustments needed where service changes are agreed by the Council.

5.6. The budget includes the full staffing costs for Nonsuch JMC and Epsom & Walton Downs Conservators where the Council's liability is 50% and 60% respectively.

5.7. The Strategy and Resources Committee agreed a Pay & Reward procedure for 2020 to 2024 and an annual pay award of 0.5% for 2021/22 in January 2021.

5.8. It is anticipated that a two per cent staff vacancy margin, staff turnover savings net of temporary staff cover, will be required to manage staff costs within the control total.

Pensions

5.9. Following the 2019 pension fund valuation there is an increase to the level of employer's pension on-cost rate from 15.4% to 17.4% to meet the deficit on the fund. No additional provision has been made for deficit funding in 2021/22. The next valuation will be based on the Surrey Pension Fund position at 31 March 2022.

6 Fees and Charges

6.1. Each policy committee has received a report on fees and charges for 2021/22. Income from the recommended charges has been included in the committee estimates.

6.2. A summary of the additional income from increases in discretionary charges included in the budgets recommended by the Committees, totalling £164,000 is attached at Appendix 3.

7 Economic Indicators

7.1. The latest Treasury economic indicators (January 2021) are shown at Appendix 5.

8 Equalities Implications

8.1. The Council will fulfil its statutory obligations and comply with its policy on equalities.

8.2. The budget proposals where they involve a reduction in service to users will require an equalities assessment.

8.3. Assessments will be required for service changes where identified in service plans.

9 Risk Management

9.1. A financial risk assessment was completed for each of the policy committee revenue budgets. The main financial risks have been included in a corporate budget risk assessment at Appendix 6.

9.2. The risks have changed for 2021/22 as a result of COVID-19 and the highest service financial risks are now around income generation and the increasing demands for housing and homelessness prevention services.

9.3. Appendix 6 also identifies the means of managing the risks identified. In relation to the size of the working balance and the capital reserves, which act as a contingency against such risks, the overall level of revenue budget risk in 2021/22 is deemed to be medium to high, dependent on the long-term impact of COVID-19 on demand for Council services.

9.4. A higher risk remains with the financial outlook beyond 2021/22 due to the uncertainty on the outcome on the Government's 'Fair Funding' Review and the possibility of further cuts in core funding for Epsom and Ewell Borough Council in the 2022/23 settlement.

9.5. It is anticipated that the 'Fair Funding Review', the mechanism used by Central Government to determine individual authority settlements will be used to reduce funding for District Councils.

10 Revenue Budget Overview 2021/22

10.1. The Council's budget requirement can be measured by the amount of Council expenditure that will be financed from external finance (revenue support grant and retained business rates) and from council tax income.

10.2. The budget requirement comprises gross expenditure on services, less gross income from services, less the planned use of revenue reserves.

10.3. The Budget Requirement in 2020/21 was £9,743,000. The budget requirement for 2021/22 is calculated as follows:-

Net Expenditure on Services	£000	External Finance	£000
Gross Expenditure	48,806	Covid-19 Support Grant	304
		Lower Tier Services Grant	60
		Retained Business Rate Income	977
Gross Income net of reserve transfers	- 40,194	Small Business Rate Relief Grant	675
		Collection Fund Deficit (business rates)	-302
		Collection Fund Deficit (council tax)	-6
Net Expenditure	8,612	External Finance	1,708
T/F from Working Balance	0	Council Tax Income	6,904
Budget Requirement	8,612	Income from External Finance and Council Tax	8,612

10.4. The reduction in the Budget Requirement (net spending) is 11.6%.

10.5. In April 2012 central government brought in a new measurement of spending defined as the ‘Council Tax Requirement’. This is the estimate of tax to be raised i.e. Band D tax level multiplied by the council tax base (the number of Band D equivalent properties). The Council is required to show this information in the council tax leaflet.

10.6. The Council Tax Requirement for 2021/22 is £6,903,742 subject to agreement at the Council meeting.

10.7. The Council tax requirement will change each year due to:-

- Increases/decreases in domestic properties.
- Increases/decreases in council tax.

11 Local Government Finance Settlement

11.1. Details of the provisional local government finance settlement were sent to all councillors via Members Update in December 2020.

11.2. The spending round is for one year only and, as announced by Rishi Sunak, The Chancellor of the Exchequer, any multi-year settlement containing the outcome of the Fair Funding review and business rates reset has been further delayed until at least 2022/23.

11.3. The following table shows that next year's provisional settlement has been frozen at 2020/21's level:-

Provisional Settlement 2021/22	2020/21	2021/22
	£'000	£'000
Revenue Support Grant (RSG)	0	0
Negative RSG	0	0
Retained Business Rates – Baseline	1,420	1,420
Provisional Settlement Funding Assessment	**1,420**	**1,420**

11.4. The impact of delaying the business rates reset means the Council can retain its surplus business rates income above its baseline for one more year than expected, a favourable benefit of c.£230,000.

11.5. The delay of the Fair Funding Review means that Negative RSG continues to be excluded from 2021/22's settlement. This in turn means that EEBC is absolved, for another year, from the additional c.£625,000 annual budget pressure that Negative RSG would bring. However, it is still unclear whether Negative RSG will be re-introduced from 2022/23, once Government completes its Fair Funding Review.

12 New Homes Bonus Grant

12.1. The Council benefits from New Homes Bonus, which is awarded by Government based on the number of new residential properties built in the borough in the preceding year, with a supplement for affordable housing.

12.2. The amount of funding available from New Homes Bonus has diminished substantially since Government changed the methodology for awarding the grant from 2018/19 onwards.

12.3. Originally the Council received a rolling 6 years of individual allocations, but from 2018/19 this was reduced down to 4 years, alongside further reductions by only awarding funding for growth in homes above a 0.4% per annum baseline.

12.4. In 2020/21, further changes were announced to remove new homes bonus grant and legacy payments from the annual award by 2023/24.

12.5. For context, back in 2016/17 the Council received in excess of £2 million, but now expects to receive less than £250,000 in 2021/22, with further reductions expected in subsequent years.

New Homes Bonus	2020/21	2021/22
	£'000	£'000
2017/18	46	
2018/19	219	219

2019/20	21	21
2020/21	100	[redacted]
2021/22	[redacted]	9
Total	**386**	**249**

12.6. It can be seen that through the Government's removal of legacy payments from 2020/21, the Council will miss out on £100,000 next year, and on legacy payments in subsequent years.

12.7. Since 2019/20, the Council's budget has removed any reliance on New Homes Bonus Grant as a source of funding to support on-going services. All New Homes Bonus funding is transferred to the Corporate Project Reserve to fund one off projects.

13 Other Grants

13.1. In addition to the Finance Settlement and New Homes Bonus, Government announced one-off funding totalling £364,000 to help support the Council in 2021/22 only. This funding comprises a new Lower Tier Services Grant of £60,000 and a Covid-19 Support Grant of £304,000, however, neither source of funding can be relied on beyond 2021/22.

14 Core Spending Power

14.1. In its spending announcements the Ministry of Housing, Communities and Local Government also refers to changes in 'core 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 New Homes Bonus and council tax.

14.2. In its assessment of core spending power, Government assumes that Councils should increase council tax by the maximum permissible amount.

Core Spending Power	2020/21	2021/22
	£'000	£'000
Retained Business Rates	1,420	1,420
Compensation for Gov't under-indexing the business rates multiplier	57	74
New Homes Bonus	386	249
Council Tax *	6,713	6,932
Lower Tier Services Grant	0	60
Core Spending Power	**8,576**	**8,735**

* From Government's provisional financial settlement

14.3. Nationally there is an increase in spending power for 2021/22 of 4.5%. However, for Epsom and Ewell Borough Council's spending power will increase by £159,000 or 1.9%.

14.4. This is supplemented by the one-off Covid-19 Support Grant of £304,000, which is not counted by MHCLG in its core spending power calculations.

15 Retained Business Rates

15.1. The 2021/22 government settlement includes £1,420,000 for this Council as a 'settlement funding assessment' which is solely from Business Rates Baseline funding.

15.2. Under the local business rates retention scheme, Councils can enjoy gains or suffer losses if the actual level of business rates collected varies from expected level of rates collectible in the year, whether due to changes in collection rates or more/fewer businesses.

15.3. In 2020/21, Epsom and Ewell Borough Council agreed to participate in a pooling arrangement with Surrey County Council and other Surrey districts, on the terms that this Council gets to retain a share of the surplus levy payments it currently has to pay to Central Government. The outcome of the pooling arrangement is still being assessed, however, EEBC has not been selected to continue within the pool for 2021/22, as it would not optimise the pool for next year.

15.4. The Financial Policy Panel recently received more information on the business rate collection forecast and the latest position is summarised in the table below:.

	Gov't Baseline 2020/21 *£000*	**EEBC Budget 2020/21 (NNDR1)** *£000*	**EEBC Latest Forecast 2020/21** *£000*	**EEBC Budget 2021/22 (NNDR1)** *£000*	
Rates Collectable	25,898	25,274	9,889	25,373	
Less: payable to central government	-12,949	-12,637	-4,944	-12,686	50%
Less: payable to SCC	-2,590	-2,527	-988	-2,537	20% of local share
NNDR Baseline	10,359	10,110	3,955	10,149	Rates kept before tariff
Less 'Tariff'	-8,939	-8,939	-8,939	-8,939	Tariff set by govt to go to 'top-up authorities'
Retained Business Rates	1,420	1,171	-4,983	1,210	
Less: loss of 50% of underlying growth		-198	-181	-232	
Est. of Retained Business Rates	1,420	973	-5,164	978	

	Gov't Baseline 2020/21	EEBC Budget 2020/21 (NNDR1)	EEBC Latest Forecast 2020/21	EEBC Budget 2021/22 (NNDR1)	
Add back: Small Business Rate Relief Grant		645	645	674	Separate grant funding for extension of SBRR
COVID-19 Grant Funding		0	6,121		
EEBC Income including relief grants	**1,420**	**1,618**	**1,602**	**1,652**	

15.5. The above table includes the estimate of income received from retained business rates plus government grant awarded to councils to compensate for the additional business rate reliefs in 2020/21 due to Covid-19.

15.6. The safety net threshold for 2021/22 is set at £1,313,000 compared to £1,652,000 income used for the 2021/22 estimates, this limits the exposure to losses to £339,000.

Business Rates Equalisation Reserve

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

Business Rate Equalisation Reserve Forecast	***£000***
Balance 31 March 2020	**1,291**
Prior Year Surplus from Collection Fund	1,380
Forecast balance 31 March 2021	**2,671**
Planned use to offset Prior Year Deficit	-308
Forecast balance 31 March 2022	**2,363**

15.8. The Council agreed in September 2020 to fund any deficit between the forecast and planned level of income from retained business rates for 2020/21 and 2021/22 from the business rates equalisation reserve.

16 Funding from Commercial Property Company

16.1. Epsom & Ewell Property Investment Company Ltd (EEPIC), the Council's wholly-owned subsidiary, holds two commercial properties outside the Borough. The properties were acquired in 2017 to generate additional income for the Council, before the introduction of new MHCLG statutory guidance in 2018, which restricted the ability to acquire further properties outside the Borough using borrowing.

16.2. In December 2020, Strategy & Resources Committee approved a lease re-negotiation for one of the property tenants. The re-negotiation, which was necessary due to the economic impact of Covid-19 on the tenant, will result in a temporary reduction in dividend income from EEPIC, from a budgeted £1.33m in 2020/21 to £600,000 next year. This reduction will be offset by an appropriation from the Property Income Equalisation Reserve to the General Fund, in order to neutralise the impact on the Council's revenue budget in the short term.

16.3. Dividend income from EEPIC is expected to return to 2020/21 levels in 2023/24, and in the longer term the Property Income Equalisation reserve will need to be replenished.

17 Reserves

17.1. The reserves as contained in the audited financial statements at 31 March 2020 may be summarised as follows:-

	Balance 31 March 2019 £000	**Balance 31 March 2020 £000**	
Capital Receipt Reserves	4,947	4,535	Receipts from the sale of assets earmarked for capital programme commitments and invested under the Treasury Management policy. Incudes £580k earmarked Hospital Cluster Receipt.
Community Infrastructure Levy	5,389	7,677	Receipts available for funding of infrastructure improvements
Earmarked Strategic Reserves	15,230	14,948	Provisions for future expenditure or against identified liabilities
Working Balance	3,416	3,426	General Fund working balance

17.2. The policies for the reserves are contained in Section 3 of the Financial Plan 2020 - 2024 approved by Council in February 2020.

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

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

	Capital Reserves *£'000*
Balance brought forward at 1 April 2020	**4,535**
Estimated use to fund 2020/21 capital expenditure	- 1,196
Capital receipts earmarked for Horton Chapel	- 579
Capital receipts earmarked for Residential Property Fund	- 189
Estimated Balance at 31 March 2021	**2,571**
Planned use for 2021/22 programme	0
Allowance for Receipts in Year	0
Note: excludes allowance for programme slippage	
Estimated Balance at 31 March 2022	**2,571**

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

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

- No use of the General Fund Working Balance to fund services.
- £422,000 of strategic reserves used to support services.
- £308,000 of the business rates equalisation reserve used to finance the deficit on the collection fund.
- No use of capital receipts to fund the capital programme (including spend to save schemes subject to approval of business case).

18 Financial Forecast

18.1. The following financial forecast comprises an update of the forecast in the Financial Plan 2020 - 2024 to take account of the 2021/22 budget proposals and central government public sector spending plans.

	2021/22	**2022/23**	**2023/24**	**2024/25**
	Budget *£000*	**Forecast** *£000*	**Forecast** *£000*	**Forecast** *£000*

Cost of Service b/f (before interest and planned use of reserves)	8,609	9,447	9,151	9,588
Pay & Prices Increases	+ 290	+ 606	+ 618	+ 631
Contingency for Service Changes and Pressures	+ 1,029	+ 150	+ 250	+ 200
Increases in Fees & Charges	- 164	- 210	- 216	- 223
Star Chamber / Service Savings	- 317	- 342	- 215	0
Net Cost of Services (excluding interest and planned use of reserves)	**9,447**	**9,151**	**9,588**	**10,196**
Interest on Balances	- 105	- 160	- 225	- 300
Contributions to / (from) reserves	- 730	- 200	- 150	- 100
Forecast Net Cost of Services	**8,612**	**8,791**	**9,213**	**9,796**
Business Rates Forecast	1,652	925	959	828
Lower Tier Services Grant	60	0	0	0
Covid-19 Support Grant	304	0	0	0
Council Tax Income Forecast	6,904	7,109	7,334	7,537
Council Tax Surplus / (Deficit)	- 302	0	0	0
Business Rates Surplus / (Deficit)	- 6	0	0	0
Collection Fund Income	**8,612**	**8,034**	**8,293**	**8,365**
Funding Shortfall	*0*	*- 758*	*- 920*	*- 1,431*

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

- The forecast covers existing services plus makes contingencies for changes to funding of services.
- Council tax have been increased annually by £5 for a Band D equivalent property.
- Annual pay increase in line with CPI of 2% per annum from 2022/23.
- The forecast assumes increased rental income from the acquisition of one new commercial property.
- Annual contributions from revenue to the Property Income Equalisation reserve will reduce from 2022/23 when the target level of earmarked funds of c£5million is expected to be achieved.

- The forecast assumes COVID-19 to have a £950,000 continued adverse impact on income generated from services.

- Revenue funding towards the financing of a sustainable capital programme is included within the forecast, with £300,000 of the 2021/22 programme being funded from revenue and this increases to £500,000 by 2023/24.

- With the forthcoming Government reviews on Fair Funding and the Redistribution of Retained Business Rates, the forecast reduces the reliance on external funding with business rates income expecting to reduce by c£700,000 in 2022/23.

- With the continued uncertainty on Council funding levels from 2022/23 onwards and the significant risks posed by the Government reviews, the latest forecast anticipates that savings of c£1.8 million will be needed by 2023/24 to achieve a balanced budget at the end of this period. Of this sum, £0.9m savings have already been identified, and £920,000 savings remain to be identified.

19 Capital Programme

19.1. The review of capital spending requirements was overseen by the Capital Member Group. The Financial Policy Panel considered the financing requirement for new capital investment in December 2020.

19.2. A provisional three year forward programme was reported to the policy committees in the last committee cycle. Supported schemes have been included in the draft capital programme.

19.3. The updated capital strategy statement is attached at Appendix 10 and includes a summary of proposed investment for 2021-2024.

19.4. A capital investment programme of £1,485,000 is recommended for 2021/22 and the following funding is required to allow the schemes in this programme to be completed:-

- There is no use of Capital Reserves for the core programme.

- Use of central government grant of £600,000.

- Use of revenue resources of £255,000.

- Use of other funding (S106, CIL and revenue reserves): £630,000

- Schemes will also be carried forward from the 2020/21 programme where not completed by 31 March 2021.

20 Prudential Indicators and Authorised Limits for 2021/22

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

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

20.3. From 01 April 2018, new Statutory Guidance on Local Government Investments was introduced by MHCLG. The new guidance means that future acquisitions that are funded by borrowing and where the intention is purely to profit from the investment, would not meet the requirements of the guidance in terms of borrowing.

20.4. Due to the provisions in MHCLG's Statutory Investment Guidance the Council agreed in February 2020 to close the £300m Fund to future acquisitions (ie the remaining £239.7m will not be spent).

20.5. However, the original £80m Fund, which has a remaining balance of £49.6m, remains open for future potential acquisitions within (or close to) the Borough's boundary in the period 2020-2024.

20.6. The Financial Policy Panel has considered the capital financing requirements as part of the capital programme review and it is not anticipated that the Council will undertake any long term borrowing to finance the core capital programme in 2021/22.

20.7. Prudential Indicators and Authorised Limits have been proposed in Appendix 11 on this basis and on the basis of the capital strategy recommended to the Council.

21 Council Tax Options

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

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

21.3. The final Government Grant settlement announced capping limits for council tax, allowing District Councils to increase their council tax by either £5 per annum (Band D equivalent) or 2% before needing to hold a referendum.

21.4. For financial planning purposes, the Medium Term Financial Strategy 2020-2024 and Budget Book include an annual council tax increase of £5 per annum (for Band D), which equates to an additional 9½ pence per week for a Band D equivalent property.

21.5. The recommendation in the budget report for 2021/22 is for an increase of 2.43%, which represents an increase of £4.95 per annum on a Band D equivalent property.

21.6. To the average band 'D' council tax payer (those not receiving discounts or support), the charge for borough services would increase from £203.31 to £208.26 per property.

21.7. The decision must take into account a number of factors including the medium term budget forecast including the level of savings already required to achieve a balanced budget in future years.

21.8. The impact on council tax for the 2.43% increase and a freeze are shown in the table below.

Council Tax Change	0% Freeze	2.43% Increase
Council Tax (Band D)	£203.31	£208.26
Increase per annum	£0	£4.95
Increase per week	0p	9½p
Additional Income Generated 2021/22	£0	£164,000
Adjustment needed to Draft Budget Book	£164,000 Adverse	£0
On-going Income received in Future Years	£0	£164,000

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

22 Consultation with Non-Domestic Ratepayers

22.1. The Council has provided information about the Council's spending proposals and business rates reliefs on the website and promoted use through the Business Partnership. Any responses specific to the 2021/22 budget will be identified at the meeting.

23 Collection Fund

23.1. In accordance with the Local Authorities (Funds) (England) Regulations 1992, the Borough Council as the billing authority is required to estimate on 26 January each financial year the surplus or deficit on its Collection Fund for that year in respect of Council Tax. The estimates are required to be made on an accruals basis in accordance with proper accounting practices.

23.2. Where a deficit or surplus in the 2020/21 Collection Fund is estimated in respect of Council Tax or Business Rates, the amount must be apportioned in 2021/22 between authorities that precept on the collection fund in accordance with the ratio of their 2020/21 precepts.

23.3. The calculation of the estimated position on the Council's 2020/21 Collection Fund in respect of Council Tax items is detailed at Appendix 14 and this shows a deficit on the Fund of £6,191 forecast for this Council and will be debited to the General Fund Revenue Account for 2021/22.

23.4. The business rates retention scheme was introduced under the 2012 Local Government Finance Act and requires the allocation of estimated surpluses and deficits for 2020/21 in 2021/22. A deficit of £302,143 is forecast for this Council and will be charged to the General Fund Revenue Account for 2021/22. The calculation is shown in Appendix 15.

24 Precepts

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

24.2. A schedule of precept dates has been agreed with the precepting authorities.

25 Council Tax Recommendation

25.1. The budget target included an increase of £4.95 per annum on a Band D equivalent property in Council Tax.

25.2. Following confirmation of changes in government funding and the council tax referendum rules, along with the need to minimise the use of working balances, the recommendation in this report is based on an increase of 2.43%.

25.3. Based on this figure the Borough Council's calculation of the amount to be raised by way of Council Tax based on the proposed council tax requirement is as follows:-

Council Tax Requirement 2021/22	**£**	**£**
Budget Requirement		8,612,144
Lower Tier Services Grant	60,462	
Covid-19 Support Grant	304,311	
Non Domestic Rates retained	977,468	
Small Business Rate Relief Grant	674,495	
External Finance:		(2,016,736)
Sub-Total		6,595,408
Add: Collection Fund Deficit (business rates)		302,143
Add: Collection Fund Deficit (council tax)		6,191
Council Tax Requirement		**6,903,742**

25.4. Precepts have been recommended as follows:-

Awaiting confirmation	£	%
Surrey County Council	51,351,429	76
Surrey Police	9,466,540	14
Epsom and Ewell Borough Council	6,903,742	10
Total	67,721,711	

25.5. In accordance with Regulation 3 of the local authorities (Calculation of Tax Base) Regulations 2012, the Council calculated the amount of 33,149.63 as its Council Tax base for the year 2021/22. This represents the number of Band D equivalent properties.

25.6. Based on the recommendation in this report, the change in the council tax levy per Band D equivalent dwelling, when compared to 2020/21 would be as follows:-

Recommendations	2020/21	2021/22	Variation	
	£	£	£	%
Surrey County Council	1,511.46	1,549.08	37.62	2.49
Surrey Police Authority	270.57	285.57	15.00	5.54
Epsom & Ewell Borough Council	203.31	208.26	4.95	2.43
Total	**1,985.34**	**2,042.91**	**57.57**	**2.90**

26 Robustness of the Estimates

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

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

- The Council received the 2019/20 financial statements in good time, with an unqualified audit opinion.
- The revenue and capital budget monitoring arrangements are effective for the purpose and all Members receive quarterly monitoring reports
- The Financial Policy Panel receives regular reports on financial and risk management, and has been well placed to provide effective advice on the medium term financial strategy, the capital strategy and on financial planning leading to the preparation of the detailed service estimates.

- The policy committees have received detailed estimates of revenue and capital expenditures for 2021/22 and have also received assessments on the main financial risks.

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

26.4. A corporate budget risk assessment is appended to this report (Appendix 6), as is a statement on the level of reserves (Appendix 7).

26.5. The Chief Finance Officer considers that the budget proposals for 2021/22 are robust and sustainable.

26.6. The updated financial forecast (Appendix 9) identifies the need for further significant cost reduction and income generation as set out in this report so as to improve the forecast budget position by nearly £1 million by 2023/24.

26.7. Given the uncertainty over business rate retention forecasts, the Council will need to update the financial forecast and review its spending plans once it knows the outcome of Government's 'Fair Funding' and 'Retained Business Rates' Reviews, which are expected to be reflected in the 2022/23 settlement..

26.8. The major challenge in the Efficiency Plan (Appendix 4) is the delivery of the £1.4 million of savings already identified and finding a further £920,000 reduction in the Council's net expenditure by 2024.

27 Conclusions

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

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

27.3. The proposed budget makes provision for all services next year and takes into account variations in income and expenditure this year, as well as changes to funding. The budget also includes the full year effect of savings made last year and new savings and increases in income agreed by the Policy Committees for 2021/22.

27.4. The Council has been able to prepare a balanced budget through a range of savings and efficiencies, increases to income and the use of strategic reserves. The Council continues to progress a number of strategic reviews, with the aim of delivering a sustainable budget by 2023/24 without the need for funding from strategic reserves.

27.5. Albeit with uncertainty over the long-term financial impact of COVID-19 and the 'Fair Funding Review', it is estimated that the financial forecast will need to be improved by c£920,000 to achieve a balanced budget by 2023/24. This level of savings will reduce the Council's exposure to future central government funding cuts.

27.6. The main financial risks identified for next year's budget are set out in Appendix 6 to this report.

27.7. Given the challenging financial environment including the need for further savings in future years; the budget target beyond 2021/22 anticipates a £5 increase for Band D equivalent properties in council tax to strengthen the Council's income base going forward.

27.8. The draft budget for 2021/22 is based on a £4.95 increase for a Band D property, equivalent to an annual increase in council tax of 2.43%. The proposed budget will still require the delivery of cost reductions but the increase would help to maintain the resources needed for service delivery in the medium term.

27.9. The Council will maintain its council tax policy under either option presented with the tax being below the Surrey average.

27.10. For ease of reference, the Appendices attached are listed below:

Appendix 1	Policy Committee Budgets 2021/22
Appendix 2	Main Changes to Service Budgets for 2021/22
Appendix 3	Income from increases to discretionary Fees and Charges
Appendix 4	Four Year Efficiency Plan 2020 – 2024
Appendix 5	Economic Indicators
Appendix 6	Risk Assessment
Appendix 7	Reserves (Revenue and Capital)
Appendix 8	Chief Finance Officers' Statement on Robustness of Estimates and Adequacy of Reserves

Appendix 9	Financial Forecast 2021 – 2031
Appendix 10	Capital Strategy Statement
Appendix 11	Treasury Management Strategy, including Prudential Indicators & Authorised Limits
Appendix 12	Surrey District Council Tax levels 2020/21
Appendix 13	Council Tax Calculation 2021/22
Appendix 14	Council Tax Collection Fund
Appendix 15	Business Rate Collection Fund

BUDGETS RECOMMENDED BY THE POLICY COMMITTEES

BUDGET SUMMARY	2019/20 Outturn £	2020/21 Budget £	2020/21 Forecast Outturn £	2021/22 Estimate £
GROSS EXPENDITURE				
STRATEGY AND RESOURCES COMMITTEE	27,105,094	25,394,993	26,173,366	27,171,634
ENVIRONMENT AND SAFE COMMUNITIES COMMITTEE	10,344,301	10,101,620	10,291,162	10,576,092
COMMUNITY AND WELLBEING COMMITTEE	10,944,525	10,823,061	11,251,852	11,057,961
TOTAL GROSS EXPENDITURE	**48,393,920**	**46,319,674**	**47,716,380**	**48,805,687**
GROSS INCOME				
STRATEGY AND RESOURCES COMMITTEE	(27,009,764)	(24,130,805)	(27,328,151)	(24,616,375)
ENVIRONMENT AND SAFE COMMUNITIES COMMITTEE	(10,516,347)	(7,891,086)	(5,802,925)	(8,192,772)
COMMUNITY AND WELLBEING COMMITTEE	(4,479,768)	(4,242,307)	(2,593,703)	(4,257,250)
Less CAPITAL CHARGES (Internal charges)	(2,669,015)	(2,669,015)	(2,669,015)	(2,669,015)
TOTAL GROSS INCOME	**(44,674,895)**	**(38,933,213)**	**(38,393,794)**	**(39,735,412)**
CONTRIBUTION TO / (FROM) STRATEGIC RESERVES	**2,657,030**	**2,356,459**	**1,204,258**	**(458,131)**
NET EXPENDITURE	**6,376,055**	**9,742,920**	**10,526,844**	**8,612,144**
CONTRIBUTION TO / (FROM) GENERAL OR EARMARKED RESERVE FOR YEAR	10,787	570	(783,354)	0
NET BUDGET REQUIREMENT	**6,386,842**	**9,743,490**	**9,743,490**	**8,612,144**

COMMITTEE TOTALS	2019/20 Outturn £	2020/21 Budget £	2020/21 Forecast Outturn £	2021/22 Estimate £
STRATEGY AND RESOURCES COMMITTEE	(424,481)	3,818,172	313,936	2,379,866
ENVIRONMENT AND SAFE COMMUNITIES COMMITTEE	2,878,070	2,154,922	4,432,625	2,308,218
COMMUNITY AND WELLBEING COMMITTEE	6,591,481	6,438,841	8,449,298	6,593,075
CAPITAL CHARGES (Internal charges)	(2,669,015)	(2,669,015)	(2,669,015)	(2,669,015)
CONTRIBUTION TO / (FROM) GENERAL OR EARMARKED RESERVE FOR YEAR	10,787	570	(783,354)	0
TOTAL	**6,386,842**	**9,743,490**	**9,743,490**	**8,612,144**

FUNDED BY	2019/20 Outturn £	2020/21 Budget £	2020/21 Forecast Outturn £	2021/22 Estimate £
COUNCIL TAX PRECEPT	6,525,177	6,713,278	6,713,278	6,903,742
LOWER TIER SERVICES GRANT	0	0	0	60,462
COVID-19 SUPPORT GRANT	0	0	0	304,311
NNDR	983,187	972,615	972,615	977,468
SMALL BUSINESS RATE RELIEF GRANT	602,260	644,746	644,746	674,495
COLLECTION FUND SURPLUS/(DEFICIT) - COUNCIL TAX	79,760	10,570	10,570	(6,191)
COLLECTION FUND SURPLUS/(DEFICIT) - BUSINESS RATES	(1,803,542)	1,402,281	1,402,281	(302,143)
TOTAL	**6,386,842**	**9,743,490**	**9,743,490**	**8,612,144**

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MAIN SERVICE BUDGET CHANGES 2020/21 TO 2021/22

	Budget Savings £'000	Budget Costs £'000
STRATEGY & RESOURCES		
Contingency for impact of Covid-19		950
Reduced New Homes Bonus Grant		137
Change in contribution from Corporate Projects Reserve	(444)	
Reduction in pensions back-funding following triennial valuation	(96)	
Increase in revenue funding contribution towards capital projects		100
Increased net income from investment properties	(121)	
Reduction in contribution to business rates equalisation reserve as the 2018/19 Surrey pilot impact ends	(1,380)	
Contribution from business rates equalisation reserve to fund 2020/21 collection fund deficit	(308)	
Reduced income from EEPIC		741
Contribution from Property Income Equalisation Reserve	(741)	
ENVIRONMENT & SAFE COMMUNITIES		
Grant-funded Environmental Health resource for Covid-response (12 months)		57
Use of SCC grant for Covid response	(57)	
COMMUNITY & WELLBEING		
Review of Parks/Ranger Service	(17)	
Review of Community & Wellbeing Centre	(23)	
All Committees		
Increase in salaries & other overheads including changes to vacancy provision		361
Additional income from increase in Fees and Charges (budget proposals)	(278)	
All other service budget changes (all other changes below £60,000)	(12)	
	(3,477)	**2,346**
Policy Committee Budget Reduction		**(1,131)**

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ADDITIONAL INCOME FROM INCREASING FEES AND CHARGES FROM 1 APRIL 2021

	£'000	£'000
ENVIRONMENT		
Car Parks	6	
Refuse Collection / Recycling	44	
Markets	0	
Development Control (increases w/e 1 February 2021)	44	
Building Control	9	
Cemetery	14	
Licensing & Environmental Health	15	
		132
COMMUNITY AND WELLBEING		
Community & Wellbeing Centre	4	
Community Services	(3)	
Venues	12	
Epsom Playhouse	13	
Allotments	0	
Parks & Open Spaces	6	
		32
TOTAL		**164**

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EFFICIENCY PLAN - 2020/21 to 2023/24

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Operational efficiencies and income generation	463	157	33	36	689
Strategy & Resources Committee					
Commercial property rent reviews	62	113			175
Acquisition of investment properties			112	96	208
Reduction in costs due to transfer to universal credit				33	33
Cease Borough Insight publications		24			24
Environment & Safe Communities Committee					
Optimise waste collection			100		100
Reduction in cost of grounds maintenance service			67		67
Community & Wellbeing Committee					
Review of Ewell Court House operations	60				60
Review of Bourne Hall			30		30
Reduce level of subsidy for operating the Community & Wellbeing Centre		23		50	73
Total Identified Savings	**585**	**317**	**342**	**215**	**1,459**
Unidentified Savings Target	**-**	**458**	**300**	**162**	**920**
Total Savings Delivered to Achieve Balanced Budget	**585**	**775**	**642**	**377**	**2,379**

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

This edition of the comparison contains 26 new forecasts, all of which were received between January 5th and January 15th 2021. The tables below summarise the average and range of independent forecasts for 2020 and 2021 and show the average of this month's new forecasts.

Forecasts 2020					
	Independent				
	Averages		January		**Average of new forecasts**
	January	December	Lowest	Highest	
GDP growth (per cent)	-10.7	-10.9	-11.4	-10.0	**-10.6**
Inflation rate (Q4: per cent)					
-CPI	0.6	0.7	0.4	1.0	**0.6**
-RPI	1.2	1.4	0.7	1.7	**1.2**
LFS unemployment rate (Q4: %)	5.6	6.0	4.6	7.1	**5.3**
Current account (£bn)	-59.9	-60.8	-85.0	-42.1	**-60.8**
PSNB (2020-21: £bn)	393.7	380.9	332.5	450.0	**399.2**

Forecasts 2021					
	Independent				
	Averages		January		**Average of new forecasts**
	January	December	Lowest	Highest	
GDP growth (per cent)	4.5	5.4	-3.0	6.1	**4.4**
Inflation rate (Q4: per cent)					
-CPI	1.9	1.9	1.0	3.7	**2.0**
-RPI	2.7	2.6	1.4	3.8	**2.8**
LFS unemployment rate (Q4: %)	6.6	6.8	4.6	8.0	**6.4**
Current account (£bn)	-81.8	-84.0	-121.8	-33.2	**-78.0**
PSNB (2021-22: £bn)	196.5	199.7	138.6	275.0	**200.7**

APPENDIX 6

REVENUE BUDGET 2021/22 - RISK ASSESSMENT

STRATEGY & RESOURCES COMMITTEE						
Risk	**Budget (£M)**	**Rating**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
Impact of Covid-19 on services and financial resilience	All	**High**	Increased expenditure to respond to impact of Covid-19. Reduced income from services and taxation due to social, health and economic impacts of Covid-19	Contingency of £950k included in revenue budget to mitigate impact of Covid-19. Delivery of agreed savings to contain expenditure. Utilisation of MHCLG's Income Compensation Scheme and any other government grant schemes, as appropriate. Regular budget monitoring in accordance with Financial Regulations. Utilisation of reserves if required.	Effective Council	L1
Reducing projected net expenditure	All	**High**	Fail to deliver savings and/or a balanced budget	Delivery of the MTFS and the Efficiency Plan Identify additional savings of up £920,000 by 2023/24	Effective Council strengthen the Council's financial independence	L1
External Funding	£0.25m New Homes Bonus £1.6m Business Rates	**High**	Loss of income from the Fair Funding Review Reduction in New Homes Bonus funding	Identification of other sources of funding.	Effective Council strengthen the Council's financial independence	L1

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
Failure to control Salaries Costs	c.£12.5m	**Med**	Increasing salaries cost and pressures on services	Four Year Pay Policy linked to CPI inflation Job evaluation Updated HR & OD Strategy Monitoring of salaries and agency costs	Support and enable a high performing and adaptable workforce	L2
Cost of borrowing	£1.6m	**Med**	Over borrowing at incorrect rates Cost of borrowing through PWLB increases	Borrowing to invest decisions Robust business cases for investments supported by borrowing Agree governance arrangements and robust reporting Borrow through the PWLB at fixed rates Utilise external, specialist treasury advisors for advice.	Effective Council strengthen the Council's financial independence	L1
Net rental returns for the general fund	c.£2.4m	**High**	Failure to achieve the required rental returns from commercial property investments funded by borrowing Loss of tenant	Management of properties Review of all purchasing opportunities and due diligence	Effective Council strengthen the Council's financial independence	L11

Net income from EEPIC	£0.8m	**High**	Failure to achieve the required rental returns from commercial property investments funded by borrowing Loss of tenant	On-going management of properties and tenants Review of all new purchasing opportunities and due diligence	Effective Council strengthen the Council's financial independence	L11
Maintain secure investment of reserves and cash balance through the Treasury Management: Strategy	£0.1m	**Low**	Generate a sound return on cash Safeguard capital sums invested	Annual review of Treasury Management Strategy Use of external fund manager in accordance with treasury management policy Interest equalisation reserve Monthly review of fund performance Review of market risks using treasury management advisers	Effective Council strengthen the Council's financial independence	L1
Pension funds	£37.4m (Deficit on IAS19 basis as at 31 March 2020	**Med**	The deficit is not addressed over the next 20 years	Pension fund deficit payments will increase from £870k in 2020/21 to £927k in 2022/23 and then will be re-evaluated.	Effective Council	n/a

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
Asset Management	£1.0m (direct exp)	**High**	Operational property is not fit for purpose. No increase in the income generated from commercial property. Optimisation of property for service to residents Insufficient reserves to fund major works and on going maintenance to council assets	Agree and implement a new Asset Management Plan Property maintenance and prioritised repairs programme Monitor tenant requirements and rent levels	Maximise opportunities to improve use of buildings	L11
Retained Business Rates	£1.6m	**High**	Los of income from the Fair Funding Review and the Business Rates Retention scheme Surrey Business Rates Pool for 2020/21	Await the outcome of the Business rates retention reform	99% of business rates to be collected	n/a

Risk	Budget (£M)	Rating	Key Risks	Action	Ref to proposed Key Priorities and Targets	Ref to Leadership Risk Register
Housing Benefit Subsidy	£17.3m	**Med**	Reduced recovery rate on benefits paid out Increased demand for benefit payments due to recession Staff retention/ recruitment Welfare reforms	Monthly monitoring of benefit performance indicators Quarterly monitoring of subsidy position Recruitment and retention programme Increasing bad debt provision for claimant arrears Manage the implementation of Universal credit	Processing of new benefit claims in 22 days and change in circumstances in 11 days	n/a
Council Tax Income	£6.9m (EEBC element)	**Med**	Collection rates due to economy & changes to council tax benefits Cash flow	Billing & recovery arrangements designed to support collection targets, additional resource for local council tax support scheme Collection performance reported to Directors monthly. Collection Fund separately managed on behalf of precept authorities (SCC & SP)	98.40% of Council Tax collected	n/a
Surrey County Council's Devolution & Transformation Agenda will affect the whole of Surrey.	Unknown impact on EEBC	**Med**	Loss of income from SCC Reduced service Increased costs	Engage in devolution and transformation working groups as appropriate. Collaborate with other Districts on alternative proposals.	All priorities.	L7

ENVIRONMENT & SAFE COMMUNITIES COMMITTEE						
Risk	**Budget (£M)**	**Rating**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
Off Street Parking Income	£4.4m	**Med**	Income from off street car parks is exposed to adverse weather and economic conditions that can have significant effect on Outturn.	Monthly monitoring and work analysing individual car park performance against target.	Effective Council strengthen the Council's financial independence	n/a
On Street Parking income	£0.3m	**Med**	Loss of on street parking income due to termination of current arrangements with SCC	Need to monitor the changes within SCC	Effective Council strengthen the Council's financial independence	n/a
Domestic and Trade Waste Collection	£1.5m	**Med to High**	Income from waste recycling fees is exposed to changes in market prices and the changes proposed by SCC.	Monthly monitoring of income against target and monitor the market fluctuations	Recycling rates 54%	n/a
Highways	£0.1m	**Low**	Possible reductions of partner contributions due to budget cuts	Review of expenditure relating to highways agency spend to ensure full costs funded by SCC.	n/a	n/a
Building Control Income	£0.3m	**Med**	Changes to economy further impacting on planning and building control income	Review of building control service and service delivery.	n/a	n/a

			Private competition on Building Control Service has impacted adversely in recent years with the market is difficult to predict			
Place Development Income	£0.6m	**High**	Risk of designation for planning decisions Non delivery of the Local Plan and Plan E	New PPA agreements and funding to cover costs of staff for large developments	Implement the Local Plan and the national planning statistics	L3
Cemetery Services	£0.5m	**Med**	Reduction in the no of burials and memorials	Promote new space and services with cemetery	n/a	n/a

COMMUNITY AND WELL BEING						
Risk	**Budget (£M)**	**Rating**	**Key Risks**	**Action**	**Ref to proposed Key Priorities and Targets**	**Ref to Leadership Risk Register**
Homelessness	£1.5m (net expenditure)	**High**	Significant increase in number of households requiring temporary accommodation Lack of affordable housing therefore unable to move households out of TA	Prevention of homelessness Action plan to reduce reliance of TA both short and long term initiatives	Safe & Well	L10
Venues Income	£1.0m	**High**	Not reaching budgeted level of letting income from venue. Covid-19 impact on operation of venues. Additional operational costs.	External provision for ECH and business plans for Playhouse and Bourne Hall. MHCLG Income Compensation Scheme for loss of income in Q1 2021/22.	Effective Council	n/a

REVENUE RESERVES FORECAST 2020-21

	Balance at 31 March 2020 *£'000*	Forecast Transfers *£'000*	Forecast Balance at 31 March 2021* *£'000*
Current Balances			
General Fund	3,426	0	3,426
Total Current Balances	**3,426**	**0**	**3,426**
Strategic Reserves			
Insurance	467	-25	442
Repairs and Renewals	359	-1	358
Interest Equalisation	400	0	400
VAT Reserve	251	0	251
Housing & Planning Delivery Grant	88	0	88
Property Maintenance	550	-206	344
Commuted Sums	1,464	-23	1,441
Corporate Project Reserve	3,957	-441	3,516
Community Safety	110	0	110
Partnerships (ex yell young people and local partnerships)	28	0	28
Residential Property Acquisition Fund	1,161	-105	1,056
PPP Reserve	73	0	73
Business Rate Equalisation Reserve	1,291	1,380	2,671
Flexible Housing Support Grant	596	-206	390
HIA Hardship Fund	89	0	89
Basic Payments Scheme (EU funding for green spaces)	122	0	122
Sports & Leisure Development Projects Fund	86	0	86
Property Income Equalisation Reserve	3,829	55	3,884
Other Reserves	29	0	29
Total Strategic Reserves	**14,950**	**428**	**15,378**
Total Revenue Reserves	**18,376**	**428**	**18,804**

CAPITAL RESERVES 2020-2024

Provisional Capital Programme Funding Summary

	Community Infrastructure Levy - 80%	Section 106	Capital Grants	Capital Receipts	Residential Property Fund	Revenue Funding	Borrowing	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Available Capital Resources at 1/4/2020	**5.73**	**0.20**	**0.41**	**4.54**	**1.16**	**0.36**	**49.57**	**61.97**
Anticipated Receipts in 2020/21	1.20	0.00	0.69	0.00	0.00	0.20	0.00	2.09
Receipts earmarked for Horton Chapel	0.00	0.00	0.00	-0.58	0.00	0.00	0.00	-0.58
Receipts earmarked for Residential Property Fund	0.00	0.00	0.00	-0.19	0.19	0.00	0.00	0.00
Funding the 2020/21 Capital Programme	-2.73	-0.02	-1.10	-1.20	0.00	-0.23	0.00	-5.28
Estimated available Capital Resources at 31/3/2021	**4.20**	**0.18**	**0.00**	**2.57**	**1.35**	**0.33**	**49.57**	**58.20**
Anticipated Receipts in 2021/22	1.04	0.00	0.62	0.00	0.00	0.30	0.00	1.96
Proposed New Bids for 2021/22	-0.50	-0.11	-0.62	0.00	-1.35	-0.26	-49.57	-52.40
Estimated available Capital Resources at 31/3/2022	**4.74**	**0.07**	**0.00**	**2.57**	**0.00**	**0.37**	**0.00**	**7.75**
Anticipated Receipts in 2022/23	1.04	0.00	0.60	0.00	0.00	0.40	0.00	2.04
Proposed New Bids for 2022/23	0.00	-0.01	-0.60	0.00	0.00	0.00	0.00	-0.61
Estimated available Capital Resources at 31/3/2023	**5.78**	**0.06**	**0.00**	**2.57**	**0.00**	**0.77**	**0.00**	**9.18**
Anticipated Receipts in 2023/24	1.04	0.00	0.60	0.00	0.00	0.50	0.00	2.14
Proposed New Bids for 2023/24	0.00	0.00	-0.60	0.00	0.00	0.00	0.00	-0.60
Estimated available Capital Resources at 31/3/2024	**6.82**	**0.06**	**0.00**	**2.57**	**0.00**	**1.27**	**0.00**	**10.72**

Notes:

1. Revenue includes repairs and renewals reserve ad planned revenue contributions.
2. CIL receipts are 80% of the total collected less earmarked funds.
3. Affordable Housing S106 funds have been excluded from the above figures as these are generally allocated to Registered Provided of social housing, and not able to be used to fund the Council's capital programme.
4. Borrowing is only available to fund the In-Borough Commercial Property Acquisition Fund.
5. £20k within capital grants for 2021/22 relates to an external grant for football pitch drainage for which the authority is bidding.

STATEMENT ON THE ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

1. Introduction

The Council has a legal duty to produce a balanced budget and must take all reasonable factors into account when doing so. Under the Local Government Act 2003 section 25(1) (b), the Section 151 Officer (Chief Finance Officer) has a personal duty to advise the Council about the **robustness of the budget** and **the adequacy of the Council's reserves** when it considers its budget and council tax. The Act requires Members to have regard to this report in making their decisions.

To assist Chief Finance Officers in compiling these statements, CIPFA wrote to all Chief Finance Officers on 21 December 2011 providing further details of their responsibilities in respect of the budget setting process and in particular the statement on the robustness of the estimates and adequacy of reserves. This statement addresses the requirements as set out in the letter and Members should consider the content of this report carefully.

2. Robustness of the estimates

Robustness of the estimates is concerned with scrutinising detailed elements of the budget, weighing up all factors and taking a balanced view of the risks. Depending upon the level of assessed risk within the proposed budget, the Chief Finance Officer is expected to give consideration to the Council's contingency plans should savings not materialise. This report attempts to set out the risks associated with their achievement and the implications and contingency plans if the savings are not delivered as planned.

In terms of the robustness of the estimates presented for 2021/22, the following observations are made:

The preparation of the 2021/22 budget has been unlike any other year in recent memory. The outbreak of Covid-19 has resulted in increased uncertainty within the Council's finances and has demonstrated more than ever the requirement for reserves to assist in managing the Council's response to the pandemic.

The Council has been prudent in including a central contingency of £950,000 within the 2021/22 budget to mitigate the expected long-term impact of the pandemic on Council services. It is anticipated that Covid-19 will cause permanent reductions to some of the Council's existing income streams due to changes in the local economy and changes in demand for use of our services.

Income generating opportunities or revenue savings agreed as part of the Medium Term Financial Strategy for 2021/22 are included within next year's budget after assessing whether they are achievable, deliverable and acceptable. The Policy Committees in January 2021 considered savings or income generating items included within the Efficiency Plan that are scheduled to be delivered in 2021/22. The 2021/22 budget incorporates £317,000 of savings and additional income identified from the Efficiency Plan.

In determining the budgets for 2021/22, these have been cash limited, with the majority of service budgets being set at pre-pandemic levels, as demand for services post-pandemic remain unclear. Contractual price rises and utility price increases have been incorporated but all non-pay budgets have been cash limited. The 2021/22 pay award of 0.5%, reflects September's CPI, in accordance with the Council's agreed four year Pay Policy and a pay award provision of £240,000 has been incorporated within the estimates for 2021/22.

The Council lost its debt free status in 2016/17 when it was agreed to acquire commercial properties funded by PWLB loans. In 2017 the Council agreed to set up a Local Authority Property Investment Trading Company to enable the acquisition of investment properties outside the Borough, the Company has acquired two properties.

In December 2020, the Council agreed to a re-negotiated lease on one of these properties, which was necessary due to the economic impact of Covid-19 on the tenant. The new lease resulted in a temporary reduction in dividend income from EEPIC, reducing from £1.33 m to £600,000. The availability of funds within the Property Income Equalisation Reserve enabled this temporary reduction of income on the Council's General Fund to be compensated by a contribution from this reserve.

Dividend income from EEPIC is expected to return to 2020/21 levels in 2023/24 and in the longer term the Property Income Equalisation Reserve will need to be replenished.

The Council continues to transfer a proportion of the rental income from these acquired properties into a reserve to mitigate potential risks relating to losses income and or liabilities for any maintenance costs.

Maintenance of our buildings is remains under increasing pressure which needs to be addressed and whilst increased provision has been made within the 2021/22 General Fund Revenue Budget, with earmarked reserves being utilised, uncommitted capital receipts nearing the minimum required level and pressure on revenue funding, the opportunity to fund on-going maintenance is limited.

No budget is without risk, especially in the current environment, as even the most carefully set plans are subject to ever changing demands and unforeseen circumstances. A full risk assessment for the General Fund Revenue Budget is contained in Appendix 6. Throughout the budget setting process advice has been provided at various times concerning the estimates made and their underlying assumptions and risks.

Stringent budget monitoring will continue to be undertaken, with particular emphasis being placed on identifying the long-term financial impact of Covid-19 on Council services, the achievement of income estimates, salary estimates and high-risk expenditure items. Prompt response to in-year projected deficits will continue to be expected from Members and Senior Officers.

Both the understanding of the Council's financial position and the commitment to ensure delivery of budgets continue to develop across all service areas enabling the Council to be more effective in its financial planning. Members receive quarterly monitoring reports detailing the financial issues facing the Council. All budget managers receive monitoring reports for their particular area. The financial monitoring system covers both revenue and capital expenditure.

As with any budget there are uncertainties to plan for and manage and this remains the case, especially at this time with high levels of unpredictability.

The 2021/22 budget continues to be affected by changes to how Non Domestic Rates are calculated and distributed which the government introduced in 2013. The system seeks to provide a greater reward for those authorities which encourage business growth but also means the local authority shares to a much greater extent the risks associated with any loss of businesses. Government has delayed its review of the method for redistribution of Non Domestic Rates, originally due in 2020, which will eventually impact on the level of resources that this Council retains. The delay means these changes to Council funding will not come into effect until at least from 2022/23. To assist with the potential volatility of this income stream the Council has a Business Rates Equalisation Reserve, which is used to smooth out fluctuations in funding from this source of income. This reserve can also be potentially used to mitigate against reductions in allocated funding for a period of time whilst compensating savings can be found. For 2021/22 Budget, £308,000 of the Business Rates Equalisation Reserve will be used to fund the Council's share of prior year deficits on the collection funds.

Another element of uncertainty relates to income. In terms of other income, these estimates are made looking at past levels of income achieved as well as trends throughout a year. Variances can increase income as well and often these positive variances cancel out the negative variances. However, there is still a real risk where significant levels of income are forecast. The fees and charges levied by the Council have been subject to a detailed review, but with the increased uncertainty of demand for services in 2021/22 as a result of the pandemic, income budgets pose a higher risk than in previous years. Significant income budgets are subject to the same degree of rigorous monitoring as other budgets and any variations are reported through the monitoring processes in place. The 2021/22 budget contains a central contingency of £950,000 aimed at mitigating the increased risk to income budgets. The Corporate Projects Reserve has contributed £306,000 to the General Fund to part fund the contingency for 2021/22.

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

With Councils having experienced reductions in government funding in recent years and also seeing increasing cost pressures on service delivery, there is a risk that other organisations will look to reduce the funding given to Epsom and Ewell Council to provide services on their behalf or jointly, especially with organisations under increased financial pressure due to the pandemic.

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

In conclusion, the 2021/22 General Fund estimates are considered to be robust on the basis that:

a. Stringent budget monitoring, together with prompt responses to variances is actioned.
b. Total net expenditure is maintained within approved budgets.
c. Plans for generating additional income and reducing expenditure need to be developed as part of the budget process for 2022/23. It is important that this is considered a high priority for this Council to ensure financial stability for future years.

3. Adequacy of Reserves

The requirement for financial reserves is acknowledged in statute (Local Government Finance Act 1992). There are also safeguards in place to prevent local authorities over-committing themselves financially. These include:

- The balanced budget requirement
- Chief Finance Officer's S114 powers
- The external auditor's responsibility to review and report on financial standing
- The prudential code for capital finance

The minimum prudent level of reserves that the Council should maintain is a matter of judgement. It is the Council's safety net – a contingency to cushion the impact of unexpected events or emergencies and a working balance to help cushion the impact of uneven cash flows. Reserves can also be a means of building up funds, often referred to as earmarked reserves to meet known or predicted liabilities.

The consequences of not keeping a minimum prudent level of reserves can be serious. In the event of a major problem, or a series of events, the Council could be forced to cut spending during the year in a damaging and arbitrary way.

The level of reserves was reported to the Strategy and Resources Committee in September 2020, when the financial statements for 2019/20 were reported. A review of the reserves was carried out by the Financial Policy Panel in September 2020. The minimum working balance in the Medium Term Financial Strategy stands at £2.5m.

In the past, the government has increased local authority exposure to financial risk with the changes to funding from business rates. The risk in part has been offset by increasing the provision for bad debt, and by creating the business rate equalisation reserve. Having considered these risks, the conclusion is that minimum levels should remain as currently specified with the Medium Term Financial Strategy; namely

- General Reserve - £2.5 million
- Capital Receipts - £1 million
- Corporate Projects Reserve £1 million

The General Fund balance is anticipated to be £3.4 million at 31 March 2021. The budget assumes no withdrawal from the General Fund Balance in 2021/22.

The unallocated capital receipts are anticipated to be £2.6 million at 31 March 2022. The 2021/22 budget funds £255,000 of the capital programme from revenue and no use of capital reserves. In previous years the annual capital programme on average used up around £0.7 million of capital receipts per annum, and the Council is planning to increase the level funding from revenue by £100,000 per annum to achieve a sustainable capital programme not reliant on the use of diminishing capital receipts.

The Council has other reserves earmarked for specific purposes and these are detailed in Appendix 7.

Having undertaken the review of reserves and given the economic and financial environment the Council is working within during 2021/22 it is believed that the Council is operating at an acceptable level of reserves.

Lee Duffy
Chief Finance Officer

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REVENUE BUDGET FOUR YEAR FORECAST

Status: Financial Planning Based on 2020/21 Budget

	MTFS				FORECAST						
FOUR YEAR BUDGET PROFILES	**2020/21 Budget £000**	2021/22 Draft £000	2022/23 Forecast £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000	2026/27 Forecast £000	2027/28 Forecast £000	2028/29 Forecast £000	2029/30 Forecast £000	2030/21 Forecast £000
NET SPEND B/F FROM PREVIOUS YEAR	**6,387**	**9,743**	**8,612**	**8,791**	**9,213**	**9,796**	**10,360**	**10,780**	**11,206**	**11,638**	**12,076**
add back: Interest on Balances as credited to the revenue account in previous year	96	130	105	160	225	300	400	500	500	500	500
add back: Use of Reserves/Provisions in Previous Year	1,845	-1,264	730	200	150	100	50	0	0	0	0
Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)	**8,328**	**8,609**	**9,447**	**9,151**	**9,588**	**10,196**	**10,810**	**11,280**	**11,706**	**12,138**	**12,576**
Allowance for Pay and Price Inflation											
General Inflation - price base	+190	+50	+190	+194	+198	+202	+206	+210	+214	+218	+223
General Inflation - pay base	+400	+240	+416	+424	+433	+442	+450	+459	+469	+478	+488
Other											
Prices Increases net of Increased Fees & Charges	**+590**	**+290**	**+606**	**+618**	**+631**	**+643**	**+656**	**+669**	**+683**	**+696**	**+710**
Increases in costs / Reductions in income											
Pension Fund Valuations 2019 & 2022	+150			+100	+100	+100					
Contingency for the impact of Covid		+950									
Increase in cost of waste collection	+61										
Increase in provision for property maintenance	+50	+50	+50	+50							
Property and Regeneration Manager	+50										
Local elections	-70										
Funding of projects within the capital programme	+100	+100	+100	+100	+100	+100	+50				
Other	-83	-71									
Reduced contributions to the Property Equalisation Reserve			-500								
Increased cost of homelessness	+391										
Increases in costs / Reductions in income	**+649**	**+1,029**	**-350**	**+250**	**+200**	**+200**	**+50**	**+0**	**+0**	**+0**	**+0**
Changes to External Funding											
Bourne Hall (SCC)	+80										
Changes to External Funding	**+80**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
New Home Bonus											
Estimated New Homes Bonus	-385	-240	-21	-21	-21	-21	-21	-21	-21	-21	-21
Transfer to Corporate Project Reserve	+385	+240	+21	+21	+21	+21	+21	+21	+21	+21	+21
NHB Funding used to support General Fund services	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Cost Reduction Plan											
Star Chamber	-585	-144	-249	-215							
Service review		-173	-93								
EEPIC Dividend	-100										
Cost Reduction Plan	**-685**	**-317**	**-342**	**-215**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Contributions from Reserves/Provisions											
Funding from business rates equalistation reserve of retained business rates income deficit	+1,380	-308	-200	-150	-100	-50					
Funding of increased homelessness from Flexible Housing Support Grant	-116	-116									
Funding from Corporate Projects Reserve		-306									
	+1,264	**-730**	**-200**	**-150**	**-100**	**-50**	**+0**	**+0**	**+0**	**+0**	**+0**

	MTFS				FORECAST						
FOUR YEAR BUDGET PROFILES	**2020/21 Budget £000**	2021/22 Draft £000	2022/23 Forecast £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000	2026/27 Forecast £000	2027/28 Forecast £000	2028/29 Forecast £000	2029/30 Forecast £000	2030/21 Forecast £000
Fees and Charges											
Increased yield on discretionary Fees and Charges	-290	-164	-210	-216	-223	-229	-236	-243	-251	-258	-266
	-290	**-164**	**-210**	**-216**	**-223**	**-229**	**-236**	**-243**	**-251**	**-258**	**-266**
Interest on Balances (excludes interest credited to strategic reserves)											
Average level of investments											
Investments (average)	*13,000*	*14,000*	*16,000*	*18,000*	*20,000*	*20,000*	*20,000*	*20,000*	*20,000*	*20,000*	*20,000*
Interest rate used (supplemented by interest equalisation reserve)	*1.00%*	*0.75%*	*1.00%*	*1.25%*	*1.50%*	*2.00%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Total Interest Forecast	-130	-105	-160	-225	-300	-400	-500	-500	-500	-500	-500
Add: Use of interest equalisation reserve	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Interest credited to General Fund to Finance Services	**-130**	**-105**	**-160**	**-225**	**-300**	**-400**	**-500**	**-500**	**-500**	**-500**	**-500**
SUMMARY OF FORECASTS											
Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)	**8,328**	**8,609**	**9,447**	**9,151**	**9,588**	**10,196**	**10,810**	**11,280**	**11,706**	**12,138**	**12,576**
Price Increases (inflation)	**+590**	**+290**	**+606**	**+618**	**+631**	**+643**	**+656**	**+669**	**+683**	**+696**	**+710**
Increases in costs / Reductions in income	**+649**	**+1,029**	**-350**	**+250**	**+200**	**+200**	**+50**	**+0**	**+0**	**+0**	**+0**
Changes to External Funding	**+80**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
NHB Funding used to support General Fund services	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Cost Reduction Plan	**-685**	**-317**	**-342**	**-215**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Contributions from Reserves/Provisions	**+1,264**	**-730**	**-200**	**-150**	**-100**	**-50**	**+0**	**+0**	**+0**	**+0**	**+0**
Fees and Charges	**-353**	**-164**	**-210**	**-216**	**-223**	**-229**	**-236**	**-243**	**-251**	**-258**	**-266**
Interest credited to General Fund to Finance Services	**-130**	**-105**	**-160**	**-225**	**-300**	**-400**	**-500**	**-500**	**-500**	**-500**	**-500**
Forecast Net Cost of Services	**9,743**	**8,612**	**8,791**	**9,213**	**9,796**	**10,360**	**10,780**	**11,206**	**11,638**	**12,076**	**12,520**
SETTLEMENT ASSESSMENT FUNDING FORECAST											
RSG	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0
Lower Tier Services Grant	+0	+60	+0	+0	+0	+0	+0	+0	+0	+0	+0
Covid-19 Support Grant	0	+304	+0	+0	+0	+0	+0	+0	+0	+0	+0
Retained Business Rates	**1,617**	**1,652**	**925**	**959**	**828**	**695**	**559**	**420**	**278**	**124**	**0**
Formula Grant / Business Rate Retention	**1,617**	**2,016**	**925**	**959**	**828**	**695**	**559**	**420**	**278**	**124**	**0**
Base Income from Council Tax	6,525	6,713	6,904	7,109	7,334	7,537	7,745	7,960	8,179	8,406	8,638
Increase in council tax base	+25	+27	+34	+53	+55	+57	+58	+60	+61	+63	+65
	6,550	**6,740**	**6,938**	**7,162**	**7,389**	**7,593**	**7,804**	**8,019**	**8,241**	**8,469**	**8,702**
Forecast for increase in Council Tax income (£5 per Band D Property)	+163	+164	+171	+172	+148	+152	+156	+160	+165	+169	+174
Council Tax Income Forecast	**6,713**	**6,904**	**7,109**	**7,334**	**7,537**	**7,745**	**7,960**	**8,179**	**8,406**	**8,638**	**8,876**
Surplus / (Deficit) on Retained Business Rates	1,402	-302	0	0	0	0	0	0	0	0	0
Council Tax Surplus / (Deficit)	11	-6	0	0	0	0	0	0	0	0	0
Assumed Collection Fund Income (Formula Grant + Council Tax)	**9,743**	**8,612**	**8,034**	**8,293**	**8,365**	**8,440**	**8,518**	**8,599**	**8,684**	**8,761**	**8,876**
Forecast Budget Shortfall (required use of working balance)	**0**	**0**	**758**	**920**	**1,431**	**1,920**	**2,262**	**2,607**	**2,954**	**3,315**	**3,644**
GENERAL FUND WORKING BALANCE PROJECTION: AFTER SERVICE COST REDUCTION											
Estimated Working Balance b/f	3,426	3,426	3,426	2,669	1,749	318	-1,602	-3,863	-6,470	-9,424	-12,739
Resulting Working Balance c/f	3,426	3,426	2,669	1,749	318	-1,602	-3,863	-6,470	-9,424	-12,739	-16,382

EPSOM AND EWELL BOROUGH COUNCIL

CAPITAL STRATEGY STATEMENT
February 2021

Capital Investment 2021/22 to 2023/24

1. Introduction

The Council's Capital Strategy provides a framework for asset planning and for decisions on capital investment – expenditure on larger projects or schemes which generally leads to improved long-term assets.

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

The development of the Capital Strategy and the Asset Management Plan assists the Council in major investment decisions. The latest Asset Management Plan was approved by Strategy & Resources Committee in July 2020.

As in previous years, due to limited capital reserves and the continued challenging funding environment, the core capital programme 2021-2024 has been limited to only priority projects which meet one of the strict criteria set-out in section 7.

2. Development of the Capital Strategy

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

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

3. Commercial Activity & Investment Strategy

<u>Commercial Property</u>

The Council retains one in-Borough commercial property acquisition fund, which has a remaining balance of £49.6m available for investment. The fund can be financed from prudential borrowing.
The Council formally closed its out-of-Borough commercial property acquisition fund in February 2020, as part of agreeing the Medium Term Financial Strategy 2020-24, in order to comply with the MHCLG's Statutory Guidance on Investments,

<u>Residential Property</u>

In 2016/17, the Council established a £3m fund to purchase residential property, principally to assist the Council to manage homelessness and reduce associated costs. To date, no new purchases have been identified during 2020/21.
The remaining balances on the Property Acquisition Funds are shown in the following table. Please note that the £80m funds are not reserves that the Council holds; they are limits (approved by Full Council) up to which borrowing could be undertaken.

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

	Commercial Property	Residential Property	Total
Property Acquisition Funds	**In-Borough**		

	£000	£000	£000
Opening fund balance	80,000	3,000	83,000
Purchases during 2016/17	(19,206)	(811)	(20,017)
Purchases during 2017/18	(5,148)	(562)	(5,710)
Purchases during 2018/19	0	(257)	(257)
Purchases during 2019/20	(6,077)	(20)	(6,097)
YTD purchases during 2020/21	0	0	0
Fund balances at 31/12/2020	**49,569**	**1,350**	**50,919**

Of the Residential Property Acquisition Fund balance, £105k is due to be spent in January 2021 to fund any modifications required to 87 East Street (Defoe Court) to make it suitable for use as temporary accommodation, as agreed at S&R Committee in December 2018.

The Council's Investment Strategy is set out in the Council's Treasury Management Strategy which is included as Appendix 11 to the same report.

4. Main Capital Programme 2021-24

Based on the available capital resources and subject to external funding, including grants and developer contributions, and securing revenue savings, Council has been asked to approve the following programme for 2021-24 in February 2021.

Project	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Disabled Facility Grants *	600	600	600	1,800
ICT programme of works	225	0	0	225
Ashley Centre Car Park Expansion Joints	30	0	0	30
Improvements to Great Dam – EC LNR	75	0	0	75
Harrier Centre Track Repairs	40	0	0	40
Replacement of EEBC Lamp Columns	425	0	0	425
King George's Field Football Pitch Drainage	90	10	0	100
Total	**1,485**	**610**	**600**	**2,695**

* Subject to additional external funding

In addition schemes may be added where:-

- there is a carry forward from 2020/21 with specific funding already allocated
- new schemes supported by a business case (self-financing), or
- they can be funded by additional external funding sources e.g. Section 106 agreements or specific grants

Funding for the approved programme is set out below.

Funding Type	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Planned Revenue Contribution	255	0	0	255

S106 Funds	110	10	0	120
Government Grants	600	600	600	1,800
Other External Grants	20	0	0	20
Community Infrastructure Levy Receipts	500	0	0	500
Total	**1,485**	**610**	**600**	**2,695**

5. Use of Capital Reserves

The Council's financial position is reviewed annually following the closure of accounts and prior to service and financial planning for the following year. This includes a review of the projected capital receipts reserve position and other sources of funding for capital schemes.

The Council's Medium Term Financial Strategy targets a minimum balance of capital reserves of £1 million to be retained as a contingency for unplanned capital commitments over the next four years.

Due to the low level of receipts from the disposal of property assets since 2009, the Capital Member Group has limited investment from reserves to high priority and spend-to-save schemes. The forecast of capital receipts at 31 March 2021 is £2.57 million. This assumes full delivery of the 2020/21 capital programme and no new capital receipts.

6. Capital Financing and Resources

Potential capital resources have been identified from

- estimated capital reserves at the end of March 2021;
- approved sales of property assets, subject to market recovery;
- revenue funding, as identified as part of the revenue budget setting process;
- use of Community Infrastructure Levy (CIL) and S106;
- external funding, including grants and commuted sums.

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

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

In 2021/22, the draft budget includes £300,000 of revenue funding for the 2021/22 capital programme, of which £255k is expected to be used, leaving a balance of £45k available to be set-aside reserves for future capital programmes. In subsequent years, the Council's current 10 year forecast projects an annual increase of £100,000 to the revenue contribution, until an annual contribution of £700,000 is reached in 2025/26. All revenue contributions are subject to annual approval as part of the Council's budget setting process, and are intended to limit the use of diminishing capital reserves to ensure the capital programme becomes sustainable in future years.

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

	CIL & S106 £m	Capital Grants £m	Capital Receipts £m	Residential Property Fund £m	Revenue* £m	Borrowing £m	Total £m
2020/21							
Estimated resource at 1/4/2020	**5.93**	**0.41**	**4.54**	**1.16**	**0.36**	**49.57**	**61.97**
Anticipated Receipts	1.20	0.69	0.00	0.00	0.20	0.00	2.09
Receipts earmarked for Horton Chapel	0.00	0.00	-0.58	0.00	0.00	0.00	-0.58
Receipts earmarked for Residential Property Fund	0.00	0.00	-0.19	0.19	0.00	0.00	0.00
Funding Capital Programme	-2.75	-1.10	-1.20	0.00	-0.23	0.00	-5.28
Estimated resources at 31/03/2021	**4.38**	**0.00**	**2.57**	**1.35**	**0.33**	**49.57**	**58.20**
2021/22							
Anticipated Receipts	1.04	0.62	0.00	0.00	0.30	0.00	1.96
Funding Capital Programme	-0.61	-0.62	0.00	-1.37	-0.26	-49.57	-52.42
Estimated resources at 31/3/2022	**4.81**	**0.00**	**2.57**	**0.00**	**0.37**	**0.00**	**7.75**
2022/23							
Anticipated Receipts	1.04	0.60	0.00	0.00	0.40	0.00	2.04
Proposed New Bids	-0.01	-0.60	0.00	0.00	0.00	0.00	-0.61
Estimated resources at 31/3/2023	**5.84**	**0.00**	**2.57**	**0.00**	**0.77**	**0.00**	**9.18**
2023/24							
Anticipated Receipts	1.04	0.60	0.00	0.00	0.50	0.00	2.14
Proposed New Bids	0.00	-0.60	0.00	0.00	0.00	0.00	-0.60
Estimated resources at 31/3/2024	**6.88**	**0.00**	**2.57**	**0.00**	**1.27**	**0.00**	**10.72**

*This includes repairs and renewals reserve and planned revenue contributions. All revenue contributions are subject to annual approval as part of the Council's budget setting process.

The Council seeks to maximise partnership funding in the delivery of its key priorities and will commit capital reserves to: -

- finance prioritised capital investment where funding is not available from other sources
- attract partnership funding and/or to achieve partnership objectives
- finance investment that is 'self-funding', for example investment that improves performance and reduces running costs or investment in the maintenance of service assets

The Council will seek to maximise effective investment from all potential funding sources. External sources of financing may include LEP funding, Section 106 agreements, CIL, government grants for Disabled Facilities, partnership funding from other Local Authorities or Public and Voluntary organisations.

7. Criteria for Assessing Capital Programme Priorities

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

- investment where there is a guarantee of the scheme being fully externally funded and is classed as a high priority
- investment required to meet Health and Safety or other new legislative requirements
- investment required to continue to deliver the services of the Council (e.g. minimum level of building maintenance)

- investment in 'Spend to Save' schemes that will generate cost savings or additional income generation, providing;
  - there is payback of the capital invested within 5 years (up to 10 years for energy reduction initiatives);
  - there is a low risk of not achieving return on investment
  - there is a clear definition of the cost/benefits of the scheme
- investment where the scheme is consistent with the Council's Climate Change Action Plan, subject to affordability, supported by a robust business case and value for money can be demonstrated through a maximum payback period of 10 years.

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

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

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

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

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

Following Council's adoption of the Climate Change Action Plan in January 2020 and in accordance with the new MTFS, the capital investment criteria were reviewed during 2020/21 and the fifth criteria listed above added, with the aim of further facilitating actions which positively impact the environment.

8. Timetable for Approval of Capital Programme

The timetable and process for approval of the capital programme following annual review is as follows:-

- Update on level of resources / reserves at end of previous year reported to Financial Policy Panel and Strategy and Resources Committee in June and July
- Members nominated onto the Capital Member Group by Strategy & Resources Committee
- A forecast of resources reported to Financial Policy Panel and Strategy and Resources Committee in September
- Budget targets agreed by the Council in September

- Officers, in consultation with Heads of Service, submit new or updated draft summary capital bids to the Capital Member Group to review in September
- Capital Member Group meets in September to agree approach and use the Capital Strategy criteria to decide which of the summary bids should be progressed into full bids for review in November
- Officers submit full capital bids to the Leadership Team to validate and be prioritised in October
- Capital Member Group reviews all bids in November and prepares recommendations on funding to Financial Policy Panel in early December
- Prioritisation of all investment proposals within the available resources advised by Financial Policy Panel in December
- Detailed scheme proposals and project appraisals, including identification of how any revenue funding requirements could be met for each scheme, recommended by policy committees in January
- Capital programme to be recommended by policy committees in January
- Capital programme for the following year and the remaining years of the capital programme agreed by Council in February

For any approved capital scheme where additional capital or revenue costs are identified prior to commencement of the scheme, then subject to the thresholds contained in the Council's Financial regulations, the scheme may need to be referred back to the relevant policy committee and, if additional funding is required, to Strategy and Resources Committee as soon as possible during the year.

Investment proposals funded wholly from external sources or relating to property acquisitions may be submitted for approval at any time during the year. The investment requirements and funding available from CIL and Section 106 monies are reviewed annually in December by Financial Policy Panel.

9. Borrowing Strategy

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

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

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

10. Approach to Procurement

The Council has developed its Procurement Strategy. As part of this strategy a number of principles and guidelines have been developed to assist all managers including capital scheme budget holders in the purchase of goods and services. The main areas covered include review of procurement options, risk/benefit analysis, risk management, potential for partnership, cost and quality options and assessing the need for specialist skills.

11. Managing and Monitoring the Capital Programme and Risk Management

Managing and Monitoring the Capital Programme

Detailed monitoring and performance review of the capital programme is the responsibility of the Leadership Team on a quarterly review basis and by the Capital Member Group during the annual review. The officer group sets performance and delivery targets for the year, reviews monitoring information and recommends action where appropriate for reporting to Chief Officers, Members, Financial Policy Panel and policy committees.

Financial monitoring reports are submitted to Members on a quarterly basis. This includes expenditure monitoring, uncommitted balances held on s106 and CIL funds and capital receipts balances. Budget monitoring reports show the projected outturn and profiled spend for each scheme, highlighting significant variations and slippage and identifying recommended action. Any recommended changes to the programme are submitted to committees during the year as appropriate.

Risk Management

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

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

The Council may conduct post implementation reviews on certain capital projects, specifically where the scheme has a high cost or value or there has been a significant variation in cost or time to implement.

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2021/22

1.INTRODUCTION

1.1 Background

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

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

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

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

CIPFA defines treasury management as:

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

1.2 Reporting requirements

1.2.1 Capital Strategy

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

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

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

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

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

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

Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

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

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

1.2.2 Treasury Management reporting

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

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
    - the capital plans, (including prudential indicators);
    - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
    - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
    - an investment strategy, (the parameters on how investments are to be managed).

b. **A mid-year treasury management report** (presented to Financial Policy Panel) – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. **An annual treasury report** (presented to Strategy & Resources Committee) – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

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

1.3 Treasury Management Strategy for 2021/22

The strategy for 2021/22 covers two main areas:

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

Treasury management issues
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;

- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

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

1.4 Training

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

1.5 Treasury management consultants

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

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

2 THE CAPITAL PRUDENTIAL INDICATORS 2021/22 – 2023/24

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

2.1 Capital expenditure

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

Capital expenditure £m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Strategy & Resources	290	350	225	0	0
Environment & Safe Communities	383	372	455	0	0
Community & Wellbeing	1,791	786	805	610	600
Total services	**2,464**	**1,508**	**1,485**	**610**	**600**
Residential property fund	20	0	1,350	0	0
Commercial property fund	6,077	0	49,569	0	0
Total	**8,561**	**1,508**	**52,404**	**610**	**600**

* The Council retains the in-Borough commercial property acquisition fund, which has a remaining balance available for investment of £49.6m, from the original fund balance of £80m. The fund was established by the Council across 2016/17 and 2017/18 and can be financed from prudential borrowing.

The Council formally closed its out-of-Borough commercial property acquisition fund in February 2020, as part of agreeing the Medium Term Financial Strategy 2020-24, in order to comply with the MHCLG's Statutory Guidance on Investments,

For the purposes of forecasting, the full £49.6m balance is projected to be spent in 2021/22, however, actual expenditure will depend on the timing of when suitable acquisitions are identified. It is possible that should a suitable property be identified in the current financial year, expenditure will be incurred in 2020/21. This possibility is reflected in the prudential indicators for the operational boundary and authorised debt limit on page 11.

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

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

Capital expenditure £m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Core capital programme	2,464	4,794	1,485	610	600
Residential property fund	20	0	1,350	0	0
Commercial property fund	6,077	0	49,569	0	0
Total Expenditure	**8,561**	**4,794**	**52,404**	**610**	**600**
Financed by:					
Capital receipts	664	750	189	0	0
Capital grants (inc DFG)	838	1,099	620	600	600
S106 and CIL	859	2,745	610	10	0
Revenue	123	200	1,416	0	0
Total Financing	**2,484**	**4,794**	**2,835**	**610**	**600**
Net financing need for the year	**6,077**	**0**	**49,569**	**0**	**0**

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

Commercial property fund	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital Expenditure	6,077	0	49,569	0	0
Financing costs	0	0	620	1,748	1,760
Net financing need for the year	**6,077**	**0**	**49,569**	**0**	**0**
Percentage of total net financing need %	**100%**	**N/A**	**100%**	**N/A**	**N/A**

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

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

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £3.046m of such schemes within the CFR. The Council is asked to approve the CFR projections below:

	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Capital Financing Requirement					
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Opening CFR	86,808	91,636	90,277	138,434	136,490
Unfinanced capex - commercial properties	6,077	0	49,569	0	0
Finance Leases	0	0	0	0	0
Less MRP	(1,249)	(1,359)	(1,412)	(1,944)	(1,982)
Closing CFR	**91,636**	**90,277**	**138,434**	**136,490**	**134,508**
Movement in CFR	**4,828**	**(1,359)**	**48,157**	**(1,944)**	**(1,982)**

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

2.3 Core funds and expected investment balances

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

Year End Resources £'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Fund balances / reserves	3,426	3,426	3,426	2,668	1,748
Capital receipts	4,535	2,570	2,570	2,570	2,570
Earmarked reserves & CIL	22,625	19,577	17,600	17,300	17,300
S106 funds	2,245	1,546	1,436	1,426	1,426
Total core funds	**32,831**	**27,119**	**25,032**	**23,964**	**23,044**
Working capital*	7,000	7,000	7,000	7,000	7,000
(Under)/over borrowing	(23,808)	(22,448)	(21,036)	(19,093)	(17,111)
Expected investments	**16,023**	**11,671**	**10,996**	**11,871**	**12,933**

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

2.4 Minimum revenue provision (MRP) policy statement

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

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

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

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

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

Repayments included in annual finance leases are applied as MRP.

3 BORROWING

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

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2020 and the position as at 31 December 2020 are shown below for both borrowing and investments.

Treasury Portfolio	Actual at 31 March 2020		Current at 31 December 2020	
	£000	%	£000	%
Treasury Investments				
Banks	5,000	34%	0	0%
Money Market Funds	9,600	66%	25,000	100%
Total Managed In House	**14,600**	**100%**	**25,000**	**100%**
Aberdeen Asset Management Fund	0	0%	0	0%
Total Managed Externally	**0**	**0%**	**0**	**0%**
Total Treasury Investments	**14,600**	**100%**	**25,000**	**100%**
Treasury External Borrowing				
PWLB	64,427	100%	64,427	100%
Total External Borrowing	**64,427**	**100%**	**64,427**	**100%**
Net treasury investments / (borrowing)	**-49,827**	**-**	**-39,427**	-

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

£'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
External Debt					
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Debt at 1 April	86,808	91,636	90,277	138,434	136,490
Expected change in Debt	6,077	0	49,569	0	0
Other long-term liabilities (OLTL)	0	0	0	0	0
Less MRP	(1,249)	(1,359)	(1,412)	(1,944)	(1,982)

Less use of internal funds	(23,808)	(22,449)	(21,037)	(19,093)	(17,111)
Actual gross debt at 31 March	**67,828**	**67,828**	**117,397**	**117,397**	**117,397**
The Capital Financing Requirement	**91,636**	**90,277**	**138,434**	**136,490**	**134,508**
(Under)/over borrowing**	**(23,808)**	**(22,448)**	**(21,036)**	**(19,093)**	**(17,111)**

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

	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	**Estimate**	**Estimate**	**Estimate**	**Estimate**
External Debt for commercial property fund					
Actual debt at 31 March £m	**64,427**	**64,427**	**113,996**	**113,996**	**113,996**
Percentage of total external debt %	**95**	**95**	**97**	**97**	**97**

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

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

3.2 Treasury Indicators: limits to borrowing activity

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

Operational boundary £'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt relating to commercial property fund	92,885	91,636	139,846	138,434	136,490
Other long term liabilities	3,046	2,666	2,257	1,852	1,446
Total	**95,931**	**94,302**	**142,103**	**140,285**	**137,936**

The operational boundary and authorised debt limits provide for the possibility that the remaining £49.6m balance within the Council's Commercial Property Acquisition Fund could theoretically be spent in 2020/21 if suitable properties were identified in a short time frame.

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

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

Authorised limit £'000	**2019/20 Actual**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2022/23 Estimate**
Debt relating to commercial property fund	92,885	100,000	145,000	145,000	145,000
Other long term liabilities	3,046	3,000	3,000	3,000	3,000
Total	**95,931**	**103,000**	**148,000**	**148,000**	**148,000**

3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 11.8.20. However, following the conclusion of the review of PWLB margins over gilt yields on 25.11.20, all forecasts below have been reduced by 1%. These are forecasts for certainty rates, gilt yields plus 80bps:

Link Group Interest Rate View 9.11.20													
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 16th December, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the near-term as economic recovery is expected to be only gradual and, therefore, prolonged. These forecasts were based on an assumption that a Brexit trade deal would be agreed by 31.12.20: as this has now occurred, these forecasts do not need to be revised.

Gilt yields / PWLB rates

There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields spiked up during the financial crisis in March, we have seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks took rapid action to deal with excessive stress in financial markets during March, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in "normal" times would have caused bond yields to rise sharply. Gilt yields and PWLB rates have been at remarkably low rates so far during 2020/21.

As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

Investment and borrowing rates

- **Investment returns** are likely to remain exceptionally low during 2021/22 with little increase in the following two years.

- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 20/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. The unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure. It also introduced the following rates for borrowing for different types of capital expenditure: -

    - **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
    - **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
    - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
    - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
    - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- As a consequence of these increases in margins, many local authorities decided to refrain from PWLB borrowing unless it was for HRA or local infrastructure financing, until such time as the review of margins was concluded.

- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

    - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
    - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
    - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
    - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
    - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- This authority may need undertake external borrowing to finance any new capital expenditure on commercial property, within the agreed Property Investment Strategy.

3.4 Borrowing strategy

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

* *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing would be postponed.

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

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

3.5 Policy on borrowing in advance of need

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

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

3.6 Debt rescheduling

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

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

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

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

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

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

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

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

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 5.4 under the categories of 'specified' and 'non-specified' investments.

    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.
   - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified and loan investment limits.** The Council has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of 50%

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

7. **Transaction limits** are set for each type of investment in 4.2.

8. This authority will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

10. This authority has engaged **external consultants** to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling**.

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

4.2 Creditworthiness policy

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

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

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

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

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

- Banks 1 - good credit quality **–** the Council will only use banks which:
    i. are UK banks; and/or

ii. are non-UK and domiciled in a country which has a minimum sovereign Long Term rating of AAA

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

i. Short Term – *F1*

ii. Long Term – *A-*

- Banks 2 – Part nationalised UK bank – Royal Bank of Scotland ring-fenced operations. These banks can be included provided they continue to be part nationalised or meet the ratings in Banks 1 above.
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
- Bank subsidiary and treasury operation -. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies - The Council will use all societies which:

  i. Meet the ratings for banks outlined above;

  ii. Have assets in excess of *£1bn*;

  or meet both criteria.
- Money Market Funds (MMFs) CNAV – *AAA*
- Money Market Funds (MMFs) LNVAV – *AAA*
- Money Market Funds (MMFs) VNAV – *AAA*
- Ultra-Short Dated Bond Funds with a credit rating of at least – 1.25
- UK Government (including gilts, Treasury Bills and the DMADF)
- Local authorities, parish councils etc
- Housing associations
- Supranational institutions
- Pooled property funds

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

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

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

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

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

Creditworthiness.
Although the credit rating agencies changed their outlook on many UK banks from Stable to Negative during the quarter ended 30.6.20 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of major financial institutions, including UK banks. However, during Q1 and Q2 2020, banks made provisions for *expected* credit losses and the rating changes reflected these provisions. As we move into future quarters, more information will emerge on *actual* levels of credit losses. (Quarterly earnings reports are normally announced in the second half of the month following the end of the quarter.) This has the potential to cause rating agencies to revisit their initial rating adjustments earlier in the current year. These adjustments could be negative or positive, although it should also be borne in mind that banks went into this pandemic with strong balance sheets. This is predominantly a result of regulatory changes imposed on banks following the Great Financial Crisis. Indeed, the Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the UK banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

All three rating agencies have reviewed banks around the world with similar results in many countries of most banks being placed on Negative Outlook, but with a small number of actual downgrades.

CDS prices
Although bank CDS prices (these are market indicators of credit risk) spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity

crisis that affected financial markets, they have returned to more average levels since then. Nevertheless, prices are still elevated compared to end-February 2020. Pricing is likely to remain volatile as uncertainty continues. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

4.3 Other limits

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

a) **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 50% of the total treasury management investment portfolio.

b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of *AA*** from Fitch or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

c) **Other limits.** In addition:

- no more than 50% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

4.4 Investment strategy

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

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.
Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows (the long term forecast is for periods over 10 years in the future):

Average earnings in each year	
2020/21	0.10%
2021/22	0.10%
2022/23	0.10%
2023/24	0.10%
2024/25	0.25%
Long term later years	2.00%

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population.
-
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

Negative investment rates
While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

As for money market funds (MMFs), yields have continued to drift lower. Some managers have already resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

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

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

Upper limit for principal sums invested for longer than 365 days			
£m	**2021/22**	**2022/23**	**2023/24**
Principal sums invested for longer than 365 days	£10m	£10m	£10m
Current investments as at *31/12/20* in excess of 1 year maturing in each year	£0m	£0m	£0m

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

4.5 Investment performance

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

However, the Council is appreciative that the provision of LIBOR and associated LIBID rates is expected to cease at the end of 2021. It will work with its advisors in determining suitable replacement investment benchmark(s) ahead of this cessation and will report back to members accordingly.

4.6 End of year investment report

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

4.7 External fund managers

Currently (31/12/20) the Council has no funds deposited with its external fund manager, Aberdeen Asset Management. However, when the external fund manager is utilised, they will comply with the Annual Investment Strategy. The agreement between the Council and the fund manager additionally stipulates guidelines on duration and other limits in order to contain and control risk.

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

4.1.1 Capital expenditure

Capital expenditure £m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Strategy & Resources	290	350	225	0	0
Environment & Safe Communities	383	372	455	0	0
Community & Wellbeing	1,791	786	805	610	600
Total services	**2,464**	**1,508**	**1,485**	**610**	**600**

Residential property fund	20	0	1,350	0	0
Commercial property fund	6,077	0	49,569	0	0
Total	**8,561**	**1,508**	**52,404**	**610**	**600**

4.1.2 Affordability prudential indicators

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

Ratio of financing costs to net revenue stream

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

%	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Ratio	9%	13%	21%	33%	32%

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

4.1.3 Maturity structure of borrowing

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

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

Maturity structure of fixed interest rate borrowing 2021/22		
	Lower	**Upper**
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	20%
5 years to 10 years	0%	20%
10 years to 20 years	0%	20%
20 years to 30 years	0%	20%
30 years to 40 years	0%	20%
40 years to 50 years	0%	100%
Maturity structure of variable interest rate borrowing 2021/22		
	Lower	Upper
Under 12 months	0%	0%
12 months to 2 years	0%	0%
2 years to 5 years	0%	0%
5 years to 10 years	0%	0%
10 years to 20 years	0%	0%
20 years to 30 years	0%	0%
30 years to 40 years	0%	0%
40 years to 50 years	0%	0%

5.1.4. Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4.**UK.** The key quarterly meeting of the Bank of England Monetary Policy Committee kept **Bank Rate** unchanged on 5.11.20. However, it revised its economic forecasts to take account of a second national lockdown from 5.11.20 to 2.12.20 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".

Its forecasts appeared, at that time, to be rather optimistic in terms of three areas:

- The economy would recover to reach its pre-pandemic level in Q1 2022
- The Bank also expected there to be excess demand in the economy by Q4 2022.
- CPI inflation was therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".

- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to **the Bank's forward guidance in August** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. **Inflation** is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.
- However, the minutes did contain several references to **downside risks**. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. **Upside risks** included the early roll out of effective vaccines.

- **COVID-19 vaccines.** We had been waiting expectantly for news that various COVID-19 vaccines would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, this vaccine has demanding cold storage requirements of minus 70c that impairs the speed of application to the general population. It has therefore been particularly welcome that the Oxford University/AstraZeneca vaccine has now also been approved which is much cheaper and only requires fridge temperatures for storage. The Government has 60m doses on order and is aiming to vaccinate at a rate of 2m people per week starting in January, though this rate is currently restricted by a bottleneck on vaccine production; (a new UK production facility is due to be completed in June).

- These announcements, plus expected further announcements that other vaccines could be approved soon, have enormously boosted confidence that **life could largely return to normal during the second half of 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels; this would help to bring the unemployment rate down. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could start to be eased, beginning possibly in Q2 2021 once vulnerable people and front-line workers have been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% in 2021 instead of 9%.

- **Public borrowing** was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.
- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. It is likely that the one month national lockdown that started on 5th November, will have caused a further contraction of 8% m/m in November so the economy may have then been 14% below its pre-crisis level.

- **December 2020 / January 2021**. Since then, there has been rapid back-tracking on easing restrictions due to the spread of a new mutation of the virus, and severe restrictions were imposed across all four nations. These restrictions were changed on 5.1.21 to national lockdowns of various initial lengths in each of the four nations as the NHS was under extreme pressure. It is now likely that wide swathes of the UK will remain under these new restrictions for some months; this means that the near-term outlook for the economy is grim. However, the distribution of vaccines and the expected consequent removal of COVID-19 restrictions, should allow GDP to rebound rapidly in the second half of 2021 so that the economy could climb back to its pre-pandemic peak as soon as late in 2022. Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant caveat is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development and vaccine production facilities are being ramped up around the world.

- There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

- **Brexit.** While the UK has been gripped by the long running saga of whether or not a deal would be made by 31.12.20, the final agreement on 24.12.20, followed by ratification by Parliament and all 27 EU countries in the following week, has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.

- **Monetary Policy Committee meeting of 17 December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy that it had highlighted in November. But this was caveated by it saying, "Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case." So, while the vaccine is a positive development, in the eyes of the MPC at least, the economy is far from out of the woods. As a result of these continued concerns, the MPC voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for six months from 30.4.21 until 31.10.21. (The MPC had assumed that a Brexit deal would be agreed.)

- **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -
  - An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
  - The furlough scheme was lengthened from the end of March to the end of April.

- The Budget on 3.3.21 will lay out the "next phase of the plan to tackle the virus and protect jobs". This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).

- The **Financial Policy Committee** (FPC) report on 6.8.20 revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

- **US.** The result of **the November elections** meant that while the Democrats gained the presidency and a majority in the House of Representatives, it looks as if the Republicans could retain their slim majority in the Senate provided they keep hold of two key seats in Georgia in elections in early January. If those two seats do swing to the Democrats, they will then control both Houses and President Biden will consequently have a free hand to determine policy and to implement his election manifesto.

- **The economy** had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a fourth wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the third wave in the Midwest looks as if it now abating. However, it also looks as if the virus is rising again in the rest of the country. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

  - The restrictions imposed to control the spread of the virus are once again weighing on the economy with employment growth slowing sharply in November and retail sales dropping back. The economy is set for further weakness in December and into the spring. However, a $900bn fiscal stimulus deal passed by Congress in late December will limit the downside through measures which included a second round of direct payments to households worth $600 per person and a three-month extension of enhanced unemployment insurance (including a $300 weekly top-up payment for all claimants). GDP growth is expected to rebound markedly from the second quarter of 2021 onwards as vaccines are rolled out on a widespread basis and restrictions are loosened.

INTEREST RATE FORECASTS

Brexit. The interest rate forecasts provided by Link in paragraph 3.3 were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. There is therefore no need to revise these forecasts now that a trade deal has been agreed. Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

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

- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next two or three years. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she will remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU, and they had threatened to derail the 7 year EU budget until a compromise was thrashed out in late 2020. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

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

1 **UK -** a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy. The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation.

5 TREASURY MANAGEMENT PRACTICES (TMPs)

TMP1 – CREDIT AND COUNTERPARTY RISK MANAGEMENT

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

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

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

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

The investment policy proposed for the Council is:

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

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

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, housing association, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated *AAA* by Standard and Poor's, Moody's and / or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum Short Term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies .

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

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

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

	Non Specified Investment Category	Limit (£ or %)
a.	**Supranational bonds greater than 1 year to maturity** **(a) Multilateral development bank bonds** - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.). **(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g. National Rail) The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	AAA long term ratings, 50% of money invested through external fund manager. Restriction of 5yrs maximum maturity

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

		Investment Company Limited (EEPIC) - Council has separately authorised share capital and loans to EEPIC.

NOTE 1. This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

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

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

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

TMP2 Performance measurement

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

a. Monthly reviews carried out by the treasury management team

b. Reviews with our treasury management consultants & external fund manager

c. Annual review after the end of the year as reported to Strategy & Resources Committee

d. Half yearly monitoring report to Financial Policy Panel

e. Quarterly budget monitoring reports

The treasury management team holds reviews with our consultants every 6 months to review the performance of the investment and debt portfolios.

An Annual Treasury Report is submitted to Strategy & Resources each year after the close of the financial year, which reviews the performance of the investment portfolio. This report contains the following: -

a. average investments held during the financial year and average interest rates

b. investment strategy for the year compared to actual strategy

c. explanations for variance between original strategies and actual

d. comparison of return on investments to the investment benchmark

e. compliance with Prudential and Treasury Indicators

The performance of investment earnings will be measured against the following benchmarks: -

a. In house investments
7 day LIBID

b. External fund manager
7 day LIBID

Epsom & Ewell Borough Council's policy is to appoint external investment fund managers to manage a proportion of its cash and will comply with the Local Authorities (Contracting Out of Investment Functions) Order 1996 [SI 1996 No 1883}.

The delegation of investment management to external managers will entail the following:

- Formal contractual documentation;
- Agreement on terms for early termination of the contract;
- Setting of investment instruments, constraints/parameters/conditions
- Setting of investment counterparty limits;
- Setting a performance measurement benchmark and a performance target;
- Frequency of performance reporting;
- Frequency of meetings with investment managers;

The Code of Practice places an obligation on the Council to monitor the performance of the fund managers. This Council has appointed Link Asset Services to assist in this respect.

TMP3 Decision – making and analysis

Epsom & Ewell Borough Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the scheduled to this document."

The Treasury team will ensure that the following records will be retained*:* -

- Daily cash balance forecasts
- Money market rates obtained by telephone from brokers
- Dealing slips for all money market transactions
- Brokers' confirmations for investment transactions
- Confirmations from borrowing institutions where deals are done directly
- Contract notes received from fund manager
- Fund manager valuation statements

Processes to be pursued:

- Cash flow analysis
- Investment maturity analysis
- Ledger reconciliation
- Performance management information

TMP4 Approved instruments, methods and techniques

Epsom & Ewell Borough Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the Treasury Management Strategy and within the limits and parameters defined.

TMP5 Organisation, clarity and segregation of responsibilities and dealing arrangements

Allocation of responsibilities

(i) Full council

- approval of annual treasury management strategy.

(ii) Strategy & Resources Committee

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing annual monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Financial Policy Panel

- receiving and reviewing half yearly monitoring report and acting on recommendations

(iv) Chief Finance Officer

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Principles and Practices Concerning Segregation of Duties

The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal. (Dealer 1) Production of transfer note. (Dealer 1)
Bank	Entry of transaction onto bank (Finance Officer)
Authorisation/Payment of Deal	Approval and payment. (Dealer 2)
Accounting Entry	Processing of accounting entry (Exchequer Team) Reconciliation of cash control account. (Exchequer Team)
Bank	Bank reconciliation (Exchequer Team)

Statement of the treasury management duties/responsibilities of each treasury post

The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Chief Finance Officer. This person will carry out the following duties: -

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance

- submitting regular treasury management policy reports

- submitting budgets and budget variations

- receiving and reviewing management information reports

- reviewing the performance of the treasury management function

- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function

- ensuring the adequacy of internal audit, and liaising with external audit

- recommending the appointment of external service providers.

- The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.

- The responsible officer may delegate his power to borrow and invest to members of his staff. The Treasury Management Team must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness.

- The responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.

- Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations

- It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non-Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

The Chief Accountant

The responsibilities of this post will be: -

a) execution of transactions

b) adherence to agreed policies and practices on a day-to-day basis

c) maintaining relationships with counterparties and external service providers

d) supervising treasury management staff

e) monitoring performance on a day-to-day basis

f) submitting management information reports to the responsible officer

g) identifying and recommending opportunities for improved practices

The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

a) Ensuring that the system is specified and implemented

b) Ensuring that the responsible officer reports regularly on treasury policy, activity and performance.

The Monitoring Officer – the Head of Legal Services

The responsibilities of this post will be: -

a) Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.

b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.

c) Giving advice to the responsible officer when advice is sought.

Internal Audit

The responsibilities of Internal Audit will be: -

a) Reviewing compliance with approved policy and treasury management practices.

b) Reviewing division of duties and operational practice.

c) Assessing value for money from treasury activities.

d) Undertaking probity audit of treasury function.

Absence Cover Arrangements

Four officers within the Finance Team have the authority to place deals, with a further three officers able to input trades onto the system ready for authorisation.

Dealing

The following posts are authorised to deal: -

- Chief Accountant
- 3 Senior Accountants

- 3 Accountants

TMP6 Reporting requirements and management information arrangements

Epsom & Ewell Borough Council will ensure that regular reports are prepared and considered on the implementation of its treasury managements policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implementations of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, members will receive:

- an annual report on the strategy and plan to be pursued in the coming year, to Full Council

- a mid-year review on the current performance of the treasury management function, to Financial Policy Panel

- an annual report on the performance of the treasury management function, to Strategy & Resources Committee, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

TMP7 Budgeting, accounting and audit arrangements

The Chief Finance Officer will prepare, and Epsom & Ewell Borough Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management functions, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Best value and performance measurement*, and TMP4 *Approved instruments, methods and techniques*. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangement.*

Epsom & Ewell Borough Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

Epsom & Ewell Borough Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

TMP8 Cash and cash flow management

Cash flow projections are prepared annually and updated daily. The annual cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the Chief Finance Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring.

TMP9 Money Laundering

Epsom & Ewell Borough Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

TMP10 Staff training and qualifications

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

a) Treasury management staff employed by the Council

b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time.

Additionally, training may also be provided on the job and it will be the responsibility of the Chief Finance Officer to ensure that all staff under his authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the treasury management team.

Details of Approved Training Courses

Treasury management staff and members will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

Members charged with governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

TMP11 Use of external service providers

Epsom & Ewell Borough Council recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies.

TMP12 Corporate governance

Epsom & Ewell Borough Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.

It has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

The following documents are available for public inspection: -

Treasury Management Strategy

Annual Investment Strategy

Minimum Revenue provision policy statement

Annual Treasury Review Report

Treasury Management monitoring reports (e.g. half yearly)

Annual accounts and financial instruments disclosure notes

Annual budget

3 Year Capital Plan

Minutes of Council / committee meetings

This list is based on those countries which have sovereign ratings of AA- or higher at 05/01/2021, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

6 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer is responsible for:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed.

7 Changes to Treasury Management Strategy for 2021/22

A large proportion of the Treasury Management Strategy remains the same as last year but this section highlights any significant changes made on the previous year's Strategy.

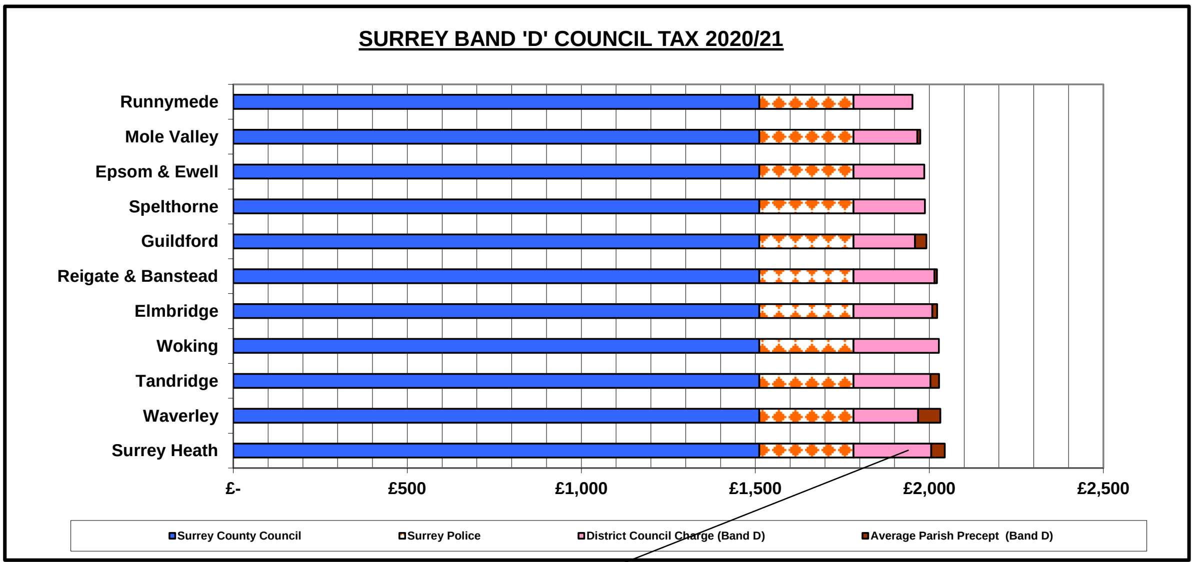
The Prudential Indicators in Section 2 of the Strategy have been updated to reflect the latest figures approved by Council.

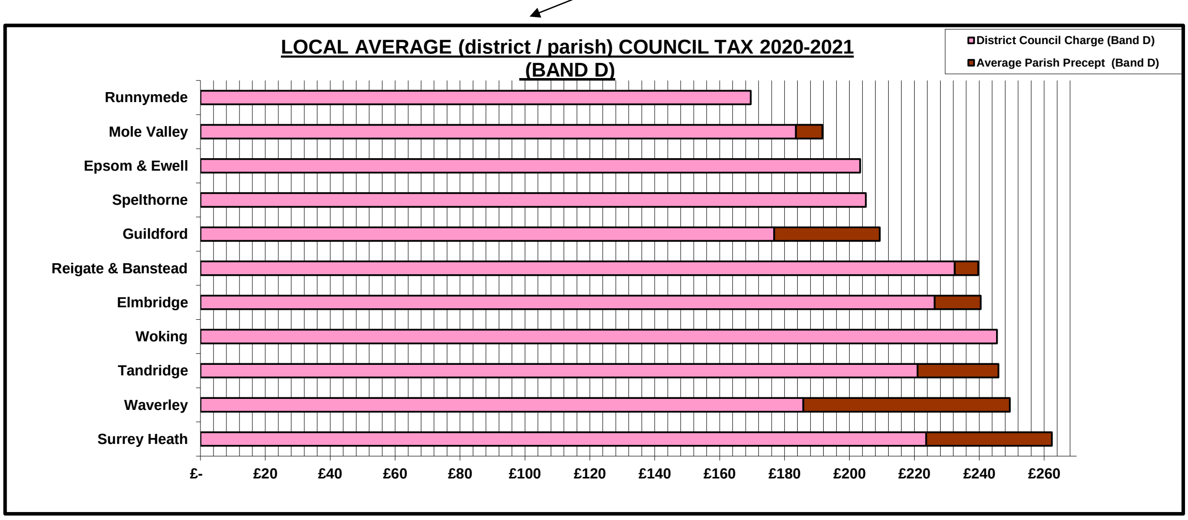
Section 6 provides an economic update from our independent financial advisors, Link Group. This provides economic forecasts for UK and other world economies.

Section 8 provides a list of approved countries for investment; no new countries have been added or removed from the list for 2021/22.

2020-2021 COUNCIL TAX (average per dwelling and Band D for 2 adults)

SURREY DISTRICT		Surrey County Council	Surrey Police	District Council Charge (Band D)	Average Parish Precept (Band D)	Local Average (Band D)	Average Council Tax (Band D)
Runnymede	£	1,511.46	270.57	169.59	0.00	**169.59**	1,951.62
Mole Valley	£	1,511.46	270.57	183.51	8.16	**191.67**	1,973.70
Epsom & Ewell	**£**	**1,511.46**	**270.57**	**203.31**	**0.00**	**203.31**	**1,985.34**
Spelthorne	£	1,511.46	270.57	205.05	0.00	**205.05**	1,987.08
Guildford	£	1,511.46	270.57	176.82	32.55	**209.37**	1,991.40
Reigate & Banstead	£	1,511.46	270.57	232.46	7.25	**239.71**	2,021.74
Elmbridge	£	1,511.46	270.57	226.30	14.15	**240.45**	2,022.48
Woking	£	1,511.46	270.57	245.46	0.00	**245.46**	2,027.49
Tandridge	£	1,511.46	270.57	220.98	24.97	**245.95**	2,027.98
Waverley	£	1,511.46	270.57	185.79	63.64	**249.43**	2,031.46
Surrey Heath	£	1,511.46	270.57	223.66	38.73	**262.39**	2,044.42





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COUNCIL TAX PROPOSAL: CALCULATION FOR 2021/22 BUDGET REPORT (Includes SPCC decision and SCC council tax proposals)

		2020/21	**2021/22**	**2021/22**
	EPSOM AND EWELL BOROUGH COUNCIL	*2.50%*	**0.00%**	**2.43%**
		£	**£**	**£**
				Recommendation
	Gross Service Expenditure	*46,319,674*	**48,805,687**	**48,805,687**
	Business Rate Tariff	*8,939,392*	**8,939,392**	**8,939,392**
	Business Rate Estimated Levy	*197,641*	**232,243**	**232,243**
	Gross Expenditure	*55,456,707*	**57,977,322**	**57,977,322**
	Gross Income	*36,576,184*	**40,193,543**	**40,193,543**
	Business Rate Income - (Tariff Element/Levy)	*9,137,033*	**9,171,635**	**9,171,635**
	Budget Requirement	*9,743,490*	**8,448,053**	**8,612,144**
	Business Rate Retained Income	*972,615*	**977,468**	**977,468**
	Small Business Rate Relief Grant	*644,746*	**674,495**	**674,495**
	Lower Tier Services Grant	*0*	**60,462**	**60,462**
	Covid-19 Support Grant	*0*	**304,311**	**304,311**
	Collection Fund Surplus/(Deficit) - Council Tax	*10,570*	**-6,191**	**-6,191**
	Collection Fund Surplus/(Deficit) - Business Rates	*1,402,281*	**-302,143**	**-302,143**
	Collection Fund Income	*3,030,212*	**1,708,402**	**1,708,402**
	Council Tax Requirement	*6,713,278*	**6,739,651**	**6,903,742**
	Council Tax Base (Band D Equiv. Properties)	*33,019.91*	***33,149.63***	***33,149.63***
	Basic Amount of Council Tax	*£203.31*	**£203.31**	**£208.26**
	Epsom & Ewell Borough Council			
1/9ths	**Valuation Band**			
6	**A**	*£135.54*	**£135.54**	**£138.84**
7	**B**	*£158.13*	**£158.13**	**£161.98**
8	**C**	*£180.72*	**£180.72**	**£185.12**
9	**D**	*£203.31*	**£203.31**	**£208.26**
11	**E**	*£248.49*	**£248.49**	**£254.54**
13	**F**	*£293.67*	**£293.67**	**£300.82**
15	**G**	*£338.85*	**£338.85**	**£347.10**
18	**H**	*£406.62*	**£406.62**	**£416.52**
	Surrey County Council Basic Amount			
	£1,549.08			
1/9ths	Valuation Band			
6	A	*£1,007.64*	**£1,032.72**	**£1,032.72**
7	B	*£1,175.58*	**£1,204.84**	**£1,204.84**
8	C	*£1,343.52*	**£1,376.96**	**£1,376.96**
9	D	*£1,511.46*	**£1,549.08**	**£1,549.08**
11	E	*£1,847.34*	**£1,893.32**	**£1,893.32**
13	F	*£2,183.22*	**£2,237.56**	**£2,237.56**
15	G	*£2,519.10*	**£2,581.80**	**£2,581.80**
18	H	*£3,022.92*	**£3,098.16**	**£3,098.16**
	Surrey Police & Crime Commissioner: Basic Amount (RECOMMENDED)			
	£285.57			
1/9ths	Valuation Band			
6	A	*£180.38*	**£190.38**	**£190.38**
7	B	*£210.44*	**£222.11**	**£222.11**
8	C	*£240.51*	**£253.84**	**£253.84**
9	D	*£270.57*	**£285.57**	**£285.57**
11	E	*£330.70*	**£349.03**	**£349.03**

COUNCIL TAX PROPOSAL: CALCULATION FOR 2021/22 BUDGET REPORT (Includes SPCC decision and SCC council tax proposals)

		2020/21	2021/22	2021/22
	EPSOM AND EWELL BOROUGH COUNCIL	*2.50%*	**0.00%**	**2.43%**
13	F	*£390.82*	**£412.49**	**£412.49**
15	G	*£450.95*	**£475.95**	**£475.95**
18	H	*£541.14*	**£571.14**	**£571.14**

COUNCIL TAX PROPOSAL: CALCULATION FOR 2021/22 BUDGET REPORT (Includes SPCC decision and SCC council tax proposals)

EPSOM AND EWELL BOROUGH COUNCIL	*2020/21*	**2021/22**	**2021/22**
	2.50%	**0.00%**	**2.43%**
Council Tax Total			
Valuation Band			
A	£1,323.56	**£1,358.64**	**£1,361.94**
B	£1,544.15	**£1,585.08**	**£1,588.93**
C	£1,764.75	**£1,811.52**	**£1,815.92**
D	£1,985.34	**£2,037.96**	**£2,042.91**
E	£2,426.53	**£2,490.84**	**£2,496.89**
F	£2,867.71	**£2,943.72**	**£2,950.87**
G	£3,308.90	**£3,396.60**	**£3,404.85**
H	£3,970.68	**£4,075.92**	**£4,085.82**

EPSOM & EWELL BOROUGH COUNCIL ELEMENT OF THE COUNCIL TAX - CHANGES

Council Tax at Band D =	*£203.31*	£ **203.31**	£ **208.26**
Increase in Council Tax (%)		**0.00%**	**2.43%**
Increase in Council Tax (per annum)		**£0.00**	**£4.95**
Increase in Council Tax (per month)		**£0.00**	**£0.41**
Increase in Council Tax (per week)		**£0.00**	**£0.10**
Income Generated from Council Tax Increase		**£0**	**£164,091**
Use of Working Balance		**£164,091**	**£0**
Equiv. Council Tax support from use of wkg bal.		**£4.95**	**£0.00**
Note:			
Budget Requirement	*9,743,490*	**£8,448,053**	**£8,612,144**
Increase in Budget Requirement		***-13.3%***	***-11.6%***

10%	**EEBC**	**£6,903,742**
76%	**SCC**	**£51,351,429**
14%	**SPA**	**£9,466,540**
		£67,721,711
		£67,721,711

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Council Tax Collection Fund Income and Expenditure Account Estimate for the Year Ended 31 March 2021

	2020/21
	£
Expenditure :-	
Surrey County Council Precept	49,908,275
Surrey Police Precept	8,934,197
Epsom & Ewell Borough Council Precept	6,713,278
Distribution of Income in 2019/20 to cover 2018/19 surplus	101,916
Increased Provision for Bad Debts	795,115
	66,452,781
Income :-	
Council Tax Income	66,039,716
Government Grant Funding for S13 (a) Covid-19	320,000
	66,359,716
Surplus/(Deficit) for the year	(93,065)
Balance Brought Forward 1 April	32,609
Balance Carried Forward 31 March	(60,456)

Deficit allocation 2021/22 Budget:	£
Surrey County Council	(46,026)
Surrey Police & Crime Commissioner	(8,239)
Epsom & Ewell Borough Council	(6,191)
	(60,456)

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Retained Business Rates Collection Fund
Income and Expenditure Account Estimate
for the Year Ended 31 March 2021

	2020/21
	£
Expenditure :-	
Central Government (includes tariff & levy)	21,757,787
Surrey County Council	2,527,412
Epsom & Ewell Borough Council	988,922
Increased Provision for Bad Debts	261,178
Increased Provision for Appeals	-
Cost of Collection Allowance	81,606
Transitional Protection	62,539
Payment of prior year surplus to Preceptors in 2020/21	4,711,376
	30,390,820
Income :-	
Business Rates Income	10,205,327
Reduced Provision for Appeals	88,811
Covid-19 Grant Funding	15,303,768
	25,597,906
Deficit for the year	(4,792,914)
Balance Brought Forward 1 April 2020	3,983,195
Spreading of 2020/21 Losses over next 3 years	54,359
Balance Carried Forward 31 March 2021	(755,360)

Deficit allocation for 2021/22 Budget:	£
Central Government	(377,679)
Surrey County Council	(75,539)
Epsom & Ewell Borough Council	(302,143)
	(755,360)

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MOTIONS

Head of Service:	Amardip Healy, Chief Legal Officer
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	n/a
If yes, reason urgent decision required:	
Appendices (attached):	Appendix 1 - Motion 1 Appendix 2 – Motions Flowchart

Summary

This report sets out notices of motions ruled in order by the Mayor in consultation with the Chief Legal Officer.

Recommendation (s)

The Council is asked to:

(1) consider the Motion in accordance with Standing Orders.

1 Reason for Recommendation

1.1 The rules regarding the submission of motions to Council are set out in Part 4 of the Council's Constitution (Rules of Procedure). Motions ruled in order must be listed on the agenda.

2 Background

2.1 The table below set out the Motions ruled in order:

Motion Number	**Title**	**Proposer & Seconder**	**Committee**	**Responding Chairman**
1	Digital Inclusion for the Borough of Epsom and Ewell	Cllr D Monksfied (P) Cllr R Geliet (S)	Strategy & Resources	Cllr E Kington

2.2 Each Motion will be taken in the order listed, with the proposer moving the motion and the seconder, seconding and confirming when they wish to exercise their right to speak.

2.3 Once a motion as been put, the Mayor will invite Members to decide how the motion should be dealt with. The Mayor will ask for a vote without debate, on whether the motion should be referred to an appropriate Committee for consideration (FCR 16.7). This will be on the basis of a simple majority.

2.4 All amendments must be in writing, proposed and seconded. The mover of the original motion will be asked if they wish to accept the proposed amendments. Those which are accepted in full or in part will result in the original motion being amended accordingly. If they are not accepted, then the amendments will be debate in accordance with Standing Orders (FCR16.10-16.12).

2.5 FCR 14.1 sets 90 minutes to deal with all motions including amendments.

2.6 The process for debate is summarised in in the Motions Flowchart, Appendix 2.

3 Risk Assessment

Legal or other duties

3.1 Impact Assessment

3.1.1 No comments are provided on Motions.

3.2 Crime & Disorder

3.2.1 No comments are provided on Motions.

3.3 Safeguarding

3.3.1 No comments are provided on Motions.

3.4 Dependencies

3.4.1 No comments are provided on Motions.

3.5 Other

3.5.1 No comments are provided on Motions.

4 Financial Implications

4.1 No comments are provided on Motions.

4.2 Section 151 Officer's comments: not applicable.

5 Legal Implications

5.1 No comments are provided on Motions.

5.2 **Monitoring Officer's comments**: not applicable.

6 Policies, Plans & Partnerships

6.1 **Council's Key Priorities**: The following Key Priorities are engaged:

No comments are provided on Motions.

6.2 **Service Plans**: No comments are provided on Motions.

6.3 **Climate & Environmental Impact of recommendations**: No comments are provided on Motions.

6.4 **Sustainability Policy & Community Safety Implications**: No comments are provided on Motions.

6.5 **Partnerships**: No comments are provided on Motions.

7 Background papers

7.1 The documents referred to in compiling this report are as follows:

Previous reports:

- None

Other papers:

- Epsom and Ewell Borough Council Constitution

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EPSOM & EWELL BOROUGH COUNCIL

Motions to Council Request Form

Proposed Title of Motion	Digital Inclusion for the Borough of Epsom and Ewell
Proposer	Cllr. Debbie Monksfield
Seconder	Cllr Rob Geleit
Motion Set out motion in full	The Labour Group believes that greater digital inclusion will assist the borough in its economic recovery from the Coronavirus pandemic, which has had a devastating impact throughout the borough, particularly for the most disadvantaged residents. We ask that the council develop a Digital Inclusion Strategy and accompanying Action Plan which sets out how the Council, other organisations and partners intend to tackle digital exclusion in the Borough.
Relevant Committee(s) Motion would relate to	S&R
Name of the Chairman of such Committee	Cllr Eber Kington

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Motions Flowchart

1. Recommendations from Committees

(each recommendation arising out of a Committee's minutes deemed a separate motion. The Chairman of the Committee or in their absence any other member can move. Each recommendation is open to debate).

Once moved, the Mayor will ask the Meeting whether to refer a motion on to a Committee, the vote is by simple majority. **FCR16.7**

2. Process for all Motions including Recommendations from Committees – FCR 16.13

Mover of motion once moved his /her motion, speak	**7 mins**
Seconder to motion once seconded, to speak (unless reserved the right to speak later, but must speak before relevant Committee Chairman)	**5 mins**
Any other Member who wishes to speak in the debate (except mover of original motion or relevant Chairman)	**3 mins**
Seconder must have spoken	
Committee Chairman to reply to motion	**5 mins**
Summing up by original mover of the motion (if not chairman)	**5 mins**

Proceed to the vote on the motion

3. Process for Amendments (Original Mover to be asked if they accept (FCR 16.10 -16.12) (amendments to be in writing FCR 16.13)

Mover of amendment moves amendment and identifies seconder and speaks to the amendment	**5 mins**
Seconder of amendment to speak (unless reserved the right to speak later, but must speak before relevant Committee Chairman)	**3 mins**
Any other Member who wishes to speak in the debate (except mover of original motion or relevant Chairman)	**3 mins**
Seconder must have spoken	
Committee Chairman to reply to reply	**5 mins**
Mover of the original motion may reply to the amendment	**3 mins**

Proceed to the vote on the amendment

If the amendment is agreed it **then becomes the substantive motion before Council, which the Mayor will read out to confirm. The motion will then be debated in accordance with 2 above.**

Any further amendments on the same item to be moved and dealt with as above

Rules of debate – FCR 16

- Members when speaking shall stand and address the Mayor.
- When Points of Order and Personal Explanation are being raised, all other members will remain.
- Only one member shall speak at any one time. All other members shall remain seated, unless rising to make a point of order/personal explanation.
- If a member stands to raise a point of order or point of personal explanation, the Member shall be heard immediately, and any member then speaking shall give way.

Points of Order – FCR 16.4

- A Member may raise a point of order at any time.
- The Mayor will hear them immediately.
- A point of order may only relate to an alleged breach of Standing Orders or the law.
- The Member must identify the Standing Order or rule of law being breached before the Member sets out their reasoning in which he/she considers it has been broken.
- The ruling of the Mayor on a point of order will be final.

Personal Explanation – FCR 16.5

- A Member may make a personal explanation at any time.
- A personal explanation may only relate to some material part of the earlier speech by the member (made at the meeting), which may appear to have been misunderstood in the present debate.
- The member raising the point shall specify what the Member said earlier and how they feel this has been misunderstood.
- The ruling of the Mayor on the admissibility of a personal explanation will be final.