

# Public Document Pack

Legal and Democratic Services



## FINANCIAL POLICY PANEL

Tuesday 2 February 2021 at 6.00 pm

Place: Remote Meeting

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

The link to the meeting is: <https://attendee.gotowebinar.com/register/9031858414584314123>  
Webinar ID: 681-169-075

Telephone (listen-only): 0330 221 9914, Telephone Access code:291-223-085

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

Councillor Eber Kington (Chairman)  
Councillor John Beckett  
Councillor Kate Chinn  
Councillor Nigel Collin

Councillor Neil Dallen  
Councillor Colin Keane  
Councillor Barry Nash  
Councillor Clive Smitheram

Yours sincerely

A handwritten signature in black ink that reads "J.C. Beldan".

Chief Executive

For further information, please contact Democratic Services, [Democraticservices@epsom-ewell.gov.uk](mailto:Democraticservices@epsom-ewell.gov.uk) or tel: 01372 732000

## 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 terms of reference and membership of this Committee are available on the [Council’s website](#). The website also provides copies of agendas, reports and minutes.

Agendas, reports and minutes for the Committee 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](mailto: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 Chairman agree to discuss any other such matters on the grounds of urgency, the Committee 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 Financial Policy Panel. [Part 4 of the Council’s Constitution](#) sets out which Committees are able to receive public questions, and the procedure for doing so.

## **AGENDA**

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

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

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

The Panel is asked to confirm the Minutes of the Meeting of the Panel held on 1 December 2020 (attached) and to authorise the Chairman to sign them.

### **3. 2021/22 BUDGET AND COUNCIL TAX REPORT (Pages 9 - 28)**

This report provides an update on the preparation of the budget for 2021/22. The report seeks any final guidance from the Panel prior to the preparation of the Budget and Council Tax report for the Council on 16 February 2021.

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**Minutes of the Meeting of the FINANCIAL POLICY PANEL held on 1 December 2020**

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**PRESENT -**

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

In Attendance: Nazmin Miah (Link Asset Services) (Items 4-7 only)

Officers present: Lee Duffy (Chief Finance Officer), Sue Emmons (Senior Accountant), Sarah Keeble (Democratic Services Officer) and Tim Richardson (Committee Administrator)

**4 DECLARATIONS OF INTEREST**

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

**5 ORDER OF BUSINESS**

Due to a technical issue affecting the connection for the Council's External Treasury Management Advisor, the Panel agreed to change the order of business for the meeting.

**6 S106 AND CIL UPDATE REPORT**

The Panel received a report providing an update on the funds held under Section 106 (S106) planning agreements and CIL (Community Infrastructure Levy).

The following matters were debated by Councillors:

- Funds available for Affordable Housing and how these have been applied in the past and the criteria for allocating funds to potential future schemes.
- The level of CIL receipts currently available and committed.
- The Council's position on the recovery of outstanding CIL balances from developers.
- The cost of housing families out of borough.

Following consideration, the Panel resolved to:

- (1) note the current position on S106 funds held by the Council;**

- (2) **note the current position on CIL funds held by the Council.**

**7 TREASURY MANAGEMENT - INTERIM REPORT 2020/21**

The Panel received a report providing an update on treasury management performance for the first six months of 2020/21.

The following matters were debated by Councillors:

- The Council's ability to borrow.
- The cost of the premium for early settlement of PWLB loans.
- The possibility of negative interest rates in the future.
- The Council's authorised borrowing limit.
- Current investment strategy.

Following consideration, the Panel resolved to:

- (1) **Receive the presentation from Link Asset Services – Treasury Solutions;**
- (2) **Note the performance on return of investments for the first six months of 2020/21;**
- (3) **Note the current investment decisions being made within the terms sets out in the Treasury Management Strategy.**

**8 CAPITAL PROGRAMME 2021/22**

The Panel received a report summarising the proposed 2021/22 capital programme and seeking approval for it to be submitted to Council in February 2020.

Following consideration, the Panel resolved:

**With the advice of the Capital Member Group to submit the following 2021/22 capital programme to Council for approval in February 2021, subject to the relevant policy committees first approving project appraisals:-:**

- (1) **Prioritised schemes totalling £885,000, funded from Community Infrastructure Levy receipts of £500,000; S106 funds of £110,000; a budgeted revenue contribution of £255,000; and external grant of £20,000, subject to a successful grant application.**
- (2) **A Disabled Facilities Grant scheme totalling £600,000, subject to external funding sources.**

**9** MINUTES

The Minutes of the meeting of the Financial Policy Panel held on 8 September 2020 were agreed as a true record to be signed by the Chairman.

*The meeting began at 6.00 pm and ended at 7.13 pm*

COUNCILLOR EBER KINGTON (CHAIRMAN)

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## 2021/22 BUDGET AND COUNCIL TAX REPORT

<b>Head of Service:</b>	Lee Duffy, Chief Finance Officer
<b>Wards affected:</b>	(All Wards);
<b>Urgent Decision?</b>	No
<b>Appendices (attached):</b>	Appendix 1 - Summary of 2021/22 Estimates Appendix 2 - Updated Financial Plan 2020-24 Appendix 3 - Updated Efficiency Plan 2020-24

### Summary

This report provides an update on the preparation of the budget for 2021/22. The report seeks any final guidance from the Panel prior to the preparation of the Budget and Council Tax report for the Council on 16 February 2021.

### Recommendation (s)

#### The Panel is asked to:

- (1) Provide the Chief Finance Officer with any further guidance needed to finalise the 2021/22 Budget and Council Tax report;
- (2) Note the provisional Government financial settlement for 2021/22;
- (3) Support that any remaining budget gap for 2021/22 – after factoring in savings agreed by Policy Committees in January 2021 – should be funded from the Corporate Projects Reserve and Flexible Housing Support Grant, as set-out in Section 8;
- (4) Support that the deficit on business rates income in 2020/21 and the shortfall in projected income for 2021/22 from Business Rates will be funded from the Business Rates Equalisation Reserve, as set-out in Section 10;
- (5) Support the reduction in the contribution to Property Income Equalisation Reserve for 2021/22 as set-out in Section 9;
- (6) Support a recommendation to Council of a council tax increase of £4.95;
- (7) Note the updated four year Financial Plan and Efficiency Plan.

### 1 Reason for Recommendation

- 1.1 The recommendations will assist the Council to meet its statutory duty to set a balanced budget for 2021/22.

## 2 Background

- 2.1 Service estimate reports for 2021/22 have been prepared for each of the three policy committees and circulated to all Councillors, via Members Update (15 January), in the draft Budget Book 2021/22.
- 2.2 The estimates have been prepared on the basis of the budget guidelines and targets agreed by Strategy & Resources Committee on 22 September 2020, which were as follows:-
  - 2.2.1 That estimates be prepared including the delivery of savings already identified in the Financial Plan for 2021/22 totalling £336,000.
  - 2.2.2 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.
  - 2.2.3 That at least £210,000 additional revenue is generated from an increase in discretionary fees and charges;
  - 2.2.4 That a provision for pay award is made of £408,000 that would allow for a 2% cost of living increase;
  - 2.2.5 That a £950,000 contingency is provided for within the 2021/22 budget to mitigate the potential impact of Covid-19 on the Council's finances in 2021/22.
  - 2.2.6 That officers are tasked in delivering a list of costed options that can be implemented to address any budget shortfall for 2021/22.
- 2.3 The policy committees have also received detailed services estimates, including savings options totalling £173,000 and proposals for fees and charges. All of the proposals, except for the savings options are reflected in the Budget Book 2021/22. The Panel will be advised if there any material changes recommended to the estimates presented and the impact on the overall budget position.
- 2.4 The general fund summary position as contained in the 2021/22 Budget Book reflects the draft services estimates. There are, however, external financing income levels that still need to be finalised:-
  - 2.4.1 The 2021/22 final local government finance settlement;

- 2.4.2 The level of business rates income that will be retained by this Council;
- 2.4.3 Revenue from council tax depending on the level of any increase for next year.
- 2.5 The funding of the capital programme was agreed in December, subject to schemes being supported by the policy committees in the January Committee cycle.
- 2.6 For pay inflation, the budgeted provision has reduced from £408,000 to £240,000, reflecting September's CPI inflation reading of 0.5%. This is in accordance with the Council's agreed four year pay policy to adjust pay by the preceding September CPI figure.
- 2.7 This report provides details of the provisional local government finance settlement and seeks guidance from the Panel on the presentation of the budget and council tax report for 2021/22.

### **3 Covid-19**

- 3.1 Covid-19 has had a major impact on the Council's services and finances, as reported to Strategy & Resources Committee, most recently on 22 September in the Budget Targets report.
- 3.2 The impact is expected to continue during 2021/22, with income streams from car parks, the venues, commercial property, business rates and council tax taking time to recover, as both society and the economy gradually re-adjust following the vaccine roll-out. There are also likely to be additional cost pressures within services such as homelessness.
- 3.3 To mitigate these pressures, the draft budget includes a central provision of £950,000, which is based on the Bank of England's projected reduction (as at August 2020) in GDP of 9.5%, and applying this reduction to the Council's circa £10m of fees and charges income.
- 3.4 In addition to the Council's own budgeted provision, there will be some additional support from central government. Specifically:
  - 3.4.1 MHCLG's Income Compensation Scheme, which compensates Councils for approximately 71% of fees and charges income losses linked to Covid-19, has been extended to 30 June 2021.

- 3.4.2 One-off government grants totalling £364,000 have been announced for 2021/22 – these have been factored into the Council’s budget, as shown in section 6.
- 3.4.3 Deficits arising on council tax and/or business rates, within the collection fund, must be spread over three years (previously they would be settled within one year).
- 3.5 Should the adverse impacts of Covid-19 persist for longer (or be worse) than expected, it is possible that further government support may be forthcoming. However, no further support has been factored into the Council’s financial planning.
- 3.6 The financial position will continue to be monitored and reported to members as appropriate.

**4 2021/22 Provisional Government Settlement**

- 4.1 Details of the provisional local government finance settlement were sent to all councillors via Members Update in December 2020.
- 4.2 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.
- 4.3 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
<b>Provisional Settlement Funding Assessment</b>	<b>1,420</b>	<b>1,420</b>

- 4.4 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.£170,000.

- 4.5 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.
- 4.6 Any changes in the finalised local government finance settlement will be made available to the Panel, once they have been issued or reported to all councillors if not available for the meeting.

## 5 New Homes Bonus Grant

- 5.1 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.
- 5.2 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.
- 5.3 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.
- 5.4 In 2020/21, further changes were announced to remove new homes bonus grant and legacy payments from the annual award by 2023/24.
- 5.5 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	
2021/22		9
<b>Total</b>	<b>386</b>	<b>249</b>

- 5.6 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.

- 5.7 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.

## 6 Other Grants

- 6.1 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.

## 7 Core Spending Power

- 7.1 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.
- 7.2 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
<b>Core Spending Power</b>	<b>8,576</b>	<b>8,735</b>

\* From Government's provisional financial settlement

- 7.3 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%.
- 7.4 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.

## 8 Budget Overview

- 8.1 The service estimates, as recommended to the policy committees, are contained in the draft Budget Book 2021/22.

- 8.2 The draft Budget Book currently shows a £631,000 budget deficit for next year. To mitigate this, policy committees have been presented with savings options totalling £173,000 for 2021/22, which could reduce the deficit to £458,000.

General Fund Budget Summary	2021/22 Draft Budget
	£'000
<b>Net Cost of Services (as per the Budget Book)</b>	<b>9,515</b>
Less savings subject to Member approval	<b>(173)</b>
<b>Revised Net Cost of Services</b>	<b>9,342</b>
Funded by:	
Council Tax (based on £5 annual increase on Band D property)*	6,903
Retained Business Rates*	1,617
Lower Tier Services Grant Income	60
Covid-19 Support Grant Income	304
<b>Sub-Total Funding</b>	<b>8,884</b>
<b>Forecast Budget Deficit</b>	<b>458</b>

- 8.3 Once policy committees confirm which savings are agreed in January and these are factored in to the budget, it is proposed to fund the remaining budget deficit from the Corporate Projects Reserve and Flexible Housing Support Grant (to reflect increased homelessness costs).
- 8.4 Based on a remaining deficit of **£458,000**, funding would be as follows;
- **£342,000** from the Corporate Projects Reserve, which currently has an uncommitted balance on this reserve of £3.86m.
  - **£116,000** from the Flexible Housing Support Grant, which currently has an uncommitted balance on this reserve of £357,000.
- 8.5 Should any savings options be rejected by Policy Committees, the Chief Finance Officer will increase the budgeted contribution from the Corporate Projects Reserve, by a compensating amount that is equal to the value of the rejected saving.
- 8.6 These temporary funding sources will enable the Council to produce a balanced budget for 2021/22, while it continues to progress a number of strategic reviews, with the aim of delivering a sustainable budget by 2023/24.

- 8.7 The Budget Book includes a £300,000 contribution from revenue to assist in funding the annual capital programme and a provision of £950,000 to mitigate the impact of Covid-19 on services next year.
- 8.8 The Strategy and Resources Committee budget currently includes a £50,000 general contingency to mitigate any unforeseen costs in implementing changes to services identified as part of the 2021/22 budget process, or due to unforeseen additional expenditure on agreed policies and priorities. These provisions reduce the need for services to hold their own individual contingencies.
- 8.9 The funding position included within the Budget Book does not reflect any financial gain or loss from being in the Surrey Business Rates Pool for 2020/21, as any surplus or deficit will be met by an appropriation to/from the Business Rates Equalisation Reserve. Should a gain arise, it will be set-aside to mitigate the impact of the 'Fair Funding Review'.

## **9 Funding from Commercial Property Company**

- 9.1 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.
- 9.2 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.
- 9.3 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.

## **10 Retained Business Rates**

- 10.1 The Government sets a level of business rates that should be collectable by a local authority and then determines how much of this can be retained by the Council (the funding baseline) based on a formula.
- 10.2 Should the local collection of business rates exceed the government-set baseline, the Council retains a 50% share of the surplus above the baseline. However, should local collection of business rates fall short of the baseline, the Council is liable for a 50% share of the deficit.



- 10.3 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.
- 10.4 The business rates collected for 2020/21 is currently predicted at £82,000 below the original budget forecast. There was also unfunded deficit brought forward from last year of £728,000. This results in a combined deficit on the fund of £810,000 with the Council's share being £308,000. It is proposed that the **£308,000 deficit** is funded from the Business Rates Equalisation Reserve, which held a balance of £1.3m as at the start of 2020/21.
- 10.5 The Budget Book currently shows retained business rates income for 2021/22 of £1,617,000 based on provisional figures.
- 10.6 The funding position on retained business rates income for 2021/22 still needs to be finalised. Therefore, it is proposed any changes in the overall level funding from that included within the Budget Book will be offset by a contribution to or from the Business Rates Equalisation Reserve.
- 10.7 The Panel will note that the safety net threshold for 2021/22 is set at £1,313,000 compared to £1,617,000 used in the draft estimates, this limits the exposure of losses to £304,000.

## 11 Council Tax Options

- 11.1 It was announced as part of the Government provisional settlement for 2021/22 that District Councils will continue to be allowed to increase their council tax by either £5 per annum (per Band D equivalent property) or up to 2% (whichever is highest) before needing to hold a referendum.
- 11.2 For financial planning purposes, the Medium Term Financial Strategy and Budget Book include an annual council tax increase of 2.43%, which equates to an additional £4.95 per annum or 9½ pence per week for a Band D equivalent property.
- 11.3 To the average band 'D' council tax payer (those not receiving discounts or support), the charge for borough services would increase from £203.31 to £208.26 per property.
- 11.4 For the Council's finances, revenue from council tax provides critical income to pay for services, assisting to replace funding lost from government revenue support grant and new homes bonus.
- 11.5 The Panel may feel it appropriate for options of 0% and 2.43% to be included in the budget report to full Council, as set out in the following table:

<b>Council Tax Change</b>	<b>0% Freeze</b>	<b>2.43% Increase</b>
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

11.6 **Appendix 1** comprises an overview of the draft budget for 2021/22 showing the impact of levels of council tax options, with proposals shown for a freeze and an increase of 2.43%.

11.7 Surrey County Council's cabinet has provisionally proposed a 2.49% council tax increase to help their future funding position. The Surrey County Council and Surrey Police Authority charges (precepts) will be confirmed early in February.

## 12 Capital Programme and Level of Capital Reserves

12.1 The Draft Capital Programme for 2021/22 recommended by FPP in December totalled £1,485,000 with £600,000 funded from Disabled Facilities Grants, £385,000 funded from other revenue sources including S106, and £500,000 funded from Community Infrastructure Levy. Funding the Programme in this way it will maintain the level of uncommitted capital receipts reserves at £2.57 million by the end of 2021/22.

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

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

### **13 Financial Plan 2020-2024 and Ten Year Forecast 2021/22 to 2030/31**

- 13.1 The Financial Plan 2020-2024, approved by Full Council in February 2020, has been updated with the latest projections (including the ten year forecast) and is presented at Appendix 2.
- 13.2 The forecast removes the reliance on retained business rates to finance the running of council services by 2030/31 and also provides funding for a sustainable capital programme from revenue by 2026/27.
- 13.3 To be able to remove reliance on these external sources of funding, the Council will need to deliver additional annual savings or income of around £3.6 million by the end of 2030/31.

### **14 Risk Assessment**

#### Legal or other duties

#### 14.1 Impact Assessment

14.1.1 A financial risk assessment was completed for each of the policy committee revenue budgets. The main financial risks will be presented to Full Council in a corporate budget risk assessment in February.

14.1.2 The highest service financial risks are the ongoing impact of Covid-19 on the Council's income streams, and the potential for increased demands for housing and homelessness prevention next year.

14.1.3 The Council holds both revenue and capital reserves, and has set aside a £950k provision in next year's budget, which all act as contingencies against financial risk. Despite these contingencies, the level of overall revenue budget risk in 2021/22 is deemed to be high, due to the unprecedented uncertainty.

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

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

#### 14.2 Crime & Disorder

14.2.1 None arising from the contents of this report.

#### 14.3 Safeguarding

14.3.1 None arising from the contents of this report.

14.4 Dependencies

14.4.1 None arising from the contents of this report.

14.5 Other

14.5.1 None arising from the contents of this report.

**15 Financial Implications**

15.1 The draft Budget Book 2021/22 is highly detailed and therefore please can any questions or queries be sent to relevant officers in advance of this Committee meeting wherever possible.

15.2 **Section 151 Officer's comments:** The forecast budget position for 2021/22 is summarised in this report.

**16 Legal Implications**

16.1 The Council will fulfil its statutory obligations to produce a balanced budget and to comply with its policy on equalities.

16.2 Although there are no direct legal implications arising from this report, decisions taken about the budget will impact the services which can be delivered. In the event of any impact, there will need to be an equalities impact assessment in relevant cases.

**17 Policies, Plans & Partnerships**

17.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.

17.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

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

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

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

**18 Background papers**

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

**Previous reports:**

- 2021/22 Budget Targets and Finance Update, Strategy & Resources Committee - 22 September 2020

**Other papers:**

- Policy Committee 2021/22 Budget Reports (January 2021 Committee Cycle)
- Draft Budget Book 2021/22
- Medium Term Financial Strategy 2020-2024

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<b>BUDGET OVERVIEW FOR 2021/22</b>		<i>figures may be subject to minor rounding errors</i>		
<b>BASED ON SERVICE ESTIMATES RECOMMENDED TO POLICY COMMITTEES</b> <i>(policy committee estimates rounded to £000)</i>				
		<b>2020/21</b>	<b>2021/22</b>	<b>2021/22</b>
<b>Illustrated Council Tax Increase:</b>			<b>0.00%</b>	<b>£4.95</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Strategy & Resources Committee	3,819	3,103		3,103
Environment Committee	2,154	2,332		2,332
Community and Wellbeing	6,439	6,749		6,749
Less: Internal Asset Rents	-2,669	-2,669		-2,669
Policy Committee Net Expenditure	9,743	9,515		9,515
Use of Working Balance	0	794		630
<b>Net Expenditure</b>	<b>9,743</b>	<b>8,721</b>		<b>8,885</b>
Business Rate Income	1,617	1,617		1,617
Revenue Support Grant	0	0		0
Lower Tier Services Grant and Covid-19 Support Grant	0	364		364
Council Tax Surplus/(Deficit)	11	-39		-39
Contribution from Business Rates Equalisation Reserve	0	39		39
Business Rates Deficit	1,402	0		0
Sub-Total	3,030	1,981		1,981
Council Tax Income	6,713	6,740		6,904
<b>External Funding Income</b>	<b>9,743</b>	<b>8,721</b>		<b>8,885</b>
Council Tax Base (Band D Equiv. Properties) <i>(reduced due to Localisation of Council Tax Support)</i>	33,019.91	33,149.63		33,149.63
<b>Basic Amount of Council Tax</b>	<b>£203.31</b>	<b>£203.31</b>		<b>£208.26</b>
<i>1/9ths</i>	<b>Valuation Band</b>			
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
<b>EPSOM &amp; EWELL BOROUGH COUNCIL - CHANGES</b>				
<b>2020/21 Council Tax at Band D = £203.31</b>				
Increase in Council Tax (per annum)		£0.00	£0.00	£4.95
Increase in Council Tax (%)		0.00%	0.00%	2.43%
Increase in Council Tax (per month)		£0.00	£0.00	£0.41
Increase in Council Tax (per week)		£0.00	£0.00	£0.10
<b>Income Generated from Council Tax Increase</b>		<b>£0</b>	<b>£0</b>	<b>£164,000</b>
Use of Working Balance		£0	£794,000	£630,000
Equivalent Council Tax support from use of working balance (per Council Tax payer)		£0.00	£23.95	£19.00
<i>Note: Budget Requirement</i>		9,743	8,721	8,885
<i>Change</i>			-1,022	-858
<i>% Change in Budget Requirement</i>			-10.5%	-8.8%
<i>Note: Council Tax Requirement</i>		6,713	6,740	6,904
<i>Change (includes tax increase and property number increase)</i>			26	190
<i>% Change in Council Tax Requirement</i>			0.4%	2.8%

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## REVENUE BUDGET FOUR YEAR FORECAST

Status: Financial Planning Based on 2020/21 Budget											
FOUR YEAR BUDGET PROFILES	MTFS				FORECAST						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/21
	Budget	Draft	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>NET SPEND B/F FROM PREVIOUS YEAR</b>	6,387	9,743	9,028	8,791	9,213	9,796	10,360	10,730	11,156	11,588	12,026
add back: Use of New Homes Bonus in Previous Year	0	0	0	0	0	0	0	0	0	0	0
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	0	0	0	0	0	0	0	0	0	0
<b>Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)</b>	<b>8,328</b>	<b>9,873</b>	<b>9,133</b>	<b>8,951</b>	<b>9,438</b>	<b>10,096</b>	<b>10,760</b>	<b>11,230</b>	<b>11,656</b>	<b>12,088</b>	<b>12,526</b>
<b>Allowance for Pay and Price Inflation</b>											
General Inflation - price base	+190	+50	+190	+194	+198	+202	+206	+210	+214	+218	+223
General Inflation pay bill base	+400	+240	+416	+424	+433	+442	+450	+459	+469	+478	+488
Other	-83	-25									
<b>Prices Increases net of Increased Fees &amp; Charges</b>	<b>+507</b>	<b>+265</b>	<b>+606</b>	<b>+618</b>	<b>+631</b>	<b>+643</b>	<b>+656</b>	<b>+669</b>	<b>+683</b>	<b>+696</b>	<b>+710</b>
<b>Increases in costs / Reductions in income</b>											
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				
Increased cost of homelessness	+391										
<b>Increases in costs / Reductions in income</b>	<b>+732</b>	<b>+1,100</b>	<b>+150</b>	<b>+250</b>	<b>+200</b>	<b>+200</b>	<b>+50</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>
<b>Changes to External Funding</b>											
Bourne Hall (SCC)	+80										
<b>Changes to External Funding</b>	<b>+80</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>
<b>New Home Bonus</b>											
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
<b>NHB Funding used to support General Fund services</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>
<b>Cost Reduction Plan</b>											
Star Chamber	-585	-144	-249	-215							
Service review		-173	-93								
EEPIC Dividend	-100										
<b>Cost Reduction Plan</b>	<b>-685</b>	<b>-317</b>	<b>-342</b>	<b>-215</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>
<b>Contributions from Reserves/Provisions</b>											
Funding from business rates equalisation reserve of retained business rates income deficit	+1,380	-1,694	+114	+50	+50	+50					
Funding of increased homelessness from Flexible Housing Support Grant	-116	+116									
Reduced contributions to the Property Equalisation Reserve			-500								
	<b>+1,264</b>	<b>-1,578</b>	<b>-386</b>	<b>+50</b>	<b>+50</b>	<b>+50</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>
<b>Fees and Charges</b>											
Increased yield on discretionary Fees and Charges	-290	-210	-210	-216	-223	-229	-236	-243	-251	-258	-266
	<b>-290</b>	<b>-210</b>	<b>-210</b>	<b>-216</b>	<b>-223</b>	<b>-229</b>	<b>-236</b>	<b>-243</b>	<b>-251</b>	<b>-258</b>	<b>-266</b>
<b>Interest on Balances (excludes interest credited to strategic reserves)</b>											

 Agenda Item 3  
 Appendix 2

FOUR YEAR BUDGET PROFILES	MTFS				FORECAST						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Budget £000	Draft £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
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
<b>Interest credited to General Fund to Finance Services</b>	<b>-130</b>	<b>-105</b>	<b>-160</b>	<b>-225</b>	<b>-300</b>	<b>-400</b>	<b>-500</b>	<b>-500</b>	<b>-500</b>	<b>-500</b>	<b>-500</b>
<b>SUMMARY OF FORECASTS</b>											
Net Expenditure on Services before changes (Base Budget excluding use of interest on Balances and use of working balance)	8,328	9,873	9,133	8,951	9,438	10,096	10,760	11,230	11,656	12,088	12,526
Price Increases (inflation)	+507	+265	+606	+618	+631	+643	+656	+669	+683	+696	+710
Increases in costs / Reductions in income	+732	+1,100	+150	+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	-1,578	-386	+50	+50	+50	+0	+0	+0	+0	+0
Fees and Charges	-353	-210	-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
<b>Forecast Net Cost of Services</b>	<b>9,743</b>	<b>9,028</b>	<b>8,791</b>	<b>9,213</b>	<b>9,796</b>	<b>10,360</b>	<b>10,730</b>	<b>11,156</b>	<b>11,588</b>	<b>12,026</b>	<b>12,470</b>
Final Outturn variance											
<b>Revised Net cost of Services</b>	<b>9,743</b>	<b>9,028</b>	<b>8,791</b>	<b>9,213</b>	<b>9,796</b>	<b>10,360</b>	<b>10,730</b>	<b>11,156</b>	<b>11,588</b>	<b>12,026</b>	<b>12,470</b>
<b>SETTLEMENT ASSESSMENT FUNDING FORECAST</b>											
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	1,617	925	959	828	695	559	420	278	124	0
<b>Formula Grant / Business Rate Retention</b>	<b>1,617</b>	<b>1,981</b>	<b>925</b>	<b>959</b>	<b>828</b>	<b>695</b>	<b>559</b>	<b>420</b>	<b>278</b>	<b>124</b>	<b>0</b>
Base Income from Council Tax	6,525	6,713	6,903	7,109	7,334	7,537	7,745	7,960	8,179	8,406	8,638
Increase in council tax base	+25	+26	+35	+53	+55	+57	+58	+60	+61	+63	+65
	6,550	6,739	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
<b>Council Tax Income Forecast</b>	<b>6,713</b>	<b>6,903</b>	<b>7,109</b>	<b>7,334</b>	<b>7,537</b>	<b>7,745</b>	<b>7,960</b>	<b>8,179</b>	<b>8,406</b>	<b>8,638</b>	<b>8,876</b>
Surplus / (Deficit) on Retained Business Rates	1,402	-308	0	0	0	0	0	0	0	0	0
Council Tax Surplus	11	-6	0	0	0	0	0	0	0	0	0
<b>Assumed Collection Fund Income (Formula Grant + Council Tax)</b>	<b>9,743</b>	<b>8,570</b>	<b>8,034</b>	<b>8,293</b>	<b>8,365</b>	<b>8,440</b>	<b>8,518</b>	<b>8,599</b>	<b>8,684</b>	<b>8,761</b>	<b>8,876</b>
<b>Forecast Budget Shortfall (required use of working balance)</b>	<b>0</b>	<b>458</b>	<b>758</b>	<b>920</b>	<b>1,431</b>	<b>1,920</b>	<b>2,212</b>	<b>2,557</b>	<b>2,904</b>	<b>3,265</b>	<b>3,594</b>
<b>GENERAL FUND WORKING BALANCE PROJECTION: AFTER SERVICE COST REDUCTION</b>											
Estimated Working Balance b/f	3,426	3,426	2,968	2,210	1,290	-141	-2,060	-4,272	-6,828	-9,733	-12,997
Resulting Working Balance c/f	3,426	2,968	2,210	1,290	-141	-2,060	-4,272	-6,828	-9,733	-12,997	-16,591

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

	2020/21	2021/22	2022/23	2023/24	Total
	£'000	£'000	£'000	£'000	
Operational efficiencies and income generation	463	157	33	36	689
<b>Strategy &amp; Resources Committee</b>					
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
Borough Insight reduce to 2 publications per annum		24			24
<b>Environment Committee</b>					
Optimise waste collection			100		100
Reduction in cost of grounds maintenance service			67		
<b>Community &amp; Well-Being Committee</b>					
Review of venue operations	60				60
Review of Bourne Hall			30		30
Reduce level of subsidy for operating the Community & Wellbeing Centre		23		50	73
Locking of parks					-
<b>Total Identified Savings</b>	<b>585</b>	<b>317</b>	<b>342</b>	<b>215</b>	<b>1,392</b>
<b>Unidentified Savings Target</b>	<b>-</b>	<b>458</b>	<b>300</b>	<b>162</b>	<b>920</b>
<b>Total Savings to Achieve Balanced Budget</b>	<b>585</b>	<b>775</b>	<b>642</b>	<b>377</b>	<b>2,312</b>

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