

Budget and Council Tax 2019/20

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Annexes/Appendices (attached): Listed in report conclusion
Other available papers (not attached): Estimates files held in Finance Directorate

Report summary

This report fulfils the statutory requirement to agree a budget for 2019/20, comprising both revenue and capital expenditure plans, and to set a Council Tax for the year. The council tax recommendation is for an increase of 2.99%. Financial Policy Panel made no recommendation to Council but requested that the report include options for a Council Tax freeze and an increase of 2.99%.

Recommendation (s)

See (1) to (10) below

- 1 That it be noted that, under delegated powers, the Chief Finance Officer calculated the Council Tax Base as 32,895.63 (Band 'D' equivalent properties) for the year 2019/20 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 2018/19 and the revenue estimates for 2019/20.**
 - b) The capital programme for 2019/20 and the provisional programme for 2020 to 2022, as summarised in the capital strategy statement.**
- 3 That the fees and charges recommended by the policy committees be approved for 2019/20.**
- 4 That the Council Tax Requirement for the Council's own purposes for 2019/20 is £6,525,177.**
- 5 That the Council receives the budget risk assessment at Annexe 6 and notes the conclusion of the Chief Finance Officer that these budget proposals are robust and sustainable as concluded in this report.**

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- 6 That the Council receives the Chief Finance Officer Statement on the Reserves as attached at Annexe 8.
- 7 That the Council agrees the Treasury Management Strategy, Prudential Indicators and Authorised Limits for 2019/20 as set out in Annexe 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 2019/20 in accordance with sections 31 to 36 of the Act:
- a) £55,822,364 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(2) of the Act
 - b) £49,297,187 being the aggregate of the amounts which the Council estimates for the items set out in section 31(A)3 of the Act
 - c) £6,525,177 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) £198.36 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	969.00	1,130.50	1,292.00	1,453.50	1,776.50	2,099.50	2,422.50	2,907.00

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SURREY POLICE AUTHORITY

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount:	173.71	202.67	231.62	260.57	318.47	376.38	434.28	521.14

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 2019/20 for each of the categories of dwellings.

EPSOM AND EWELL BOROUGH COUNCIL

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount:	132.24	154.28	176.32	198.36	242.44	286.52	330.60	396.72

AGGREGATE OF COUNCIL TAX REQUIREMENTS

Band:	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Amount:	1,274.95	1,487.45	1,699.94	1,912.43	2,337.41	2,762.40	3,187.38	3,824.86

1 Introduction

1.1 The Council is required to agree a budget for 2019/20 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.

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- 1.4 This report provides an overview of the General Fund Revenue Account budget position for 2019/20 and future years as a basis for determining council tax.
- 1.5 The Financial Policy Panel on 5 February 2019 recommended that budget options based on a council tax increase of 0% (freeze) and an increase of 2.99%. These options are shown in the report.
- 1.6 The budget report is based on a recommended increase of 2.99%, £5.76 per annum (for band d property) in council tax reflecting the final grant settlement figures received after the Financial Policy Panel met.
- 1.7 All options are consistent with the council tax policy of ensuring that council tax stays below the average payable of the Surrey Districts.

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

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

Council Tax

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

Budget Position

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

3 Current Year Position

- 3.1 The 'probable outturn' comprises a revised forecast for the current year ending 31 March 2019, based on the mid-year budget review. The following table summarises the financial performance anticipated for the year as reported to each of the policy committees.

POLICY COMMITTEES' BUDGETS 2018/19

	Published Policy Book 2018/19	Mid-Year Forecast 2018/19	Variance
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Strategy & Resources Committee	2,697	1,887	
Asset Rents (Landlord Account)	(2,879)	(2,879)	
Environment Committee	1,948	2,473	
Community & Wellbeing Committee	6,017	6,446	
Total	7,783	7,927	+144

3.2 Service expenditure variations have been reported to the responsible committees. The main issues affecting financial performance for the current financial year:-

Favourable:

- Contingency set aside for the impact of benefit reforms on services unlikely to be required in 2018/19.
- Additional income from investment property acquired on Longmead Business Park in March 2018.

Adverse:

- Parking income
- Increase in the cost of recycling gate fees.
- Income from Higher Needs Care service

3.3 The budget included no planned use of the working balance to finance services. For the purpose of preparing this budget report it has been assumed that in 2018/19 the Council will require a contribution from working balances of £144,000.

3.4 The working balance carried forward at 31 March 2018 was £3.3 million. Using the service income and expenditure position as recently reported to the policy committees, the forecast working balance for 31 March 2019 is £3.2 million.

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- 3.5 Members will note that the Council planned to use £500,000 of New Homes Bonus to fund services in 2018/19 and this draw-down has still been assumed in the forecast position.
- 3.6 Variations from budget as identified during the year have been taken into account in preparing estimates for 2019/20. Areas of significant concern have also been reported to the relevant policy committee so that a plan of action can be agreed.

4 Budget Strategy

- 4.1 The 2019/20 revenue budget and the capital investment programme comprise the Council's spending plans for the forthcoming year.
- 4.2 The Budget Targets for 2019/20 were agreed at Strategy & Resources Committee on 25 September 2018 as follows:-
- Estimates are prepared including options to reduce organisational costs by £406,000 subject to government grant announcement, to minimise the use of working balances and maintain a minimum working balance of £2.5 million in accordance with the medium term financial strategy.
 - That at least £200,000 additional revenue is generated from an increase in discretionary fees and charges.
 - That a provision for pay award is made of £280,000 that represents an increase to the staffing budget of 2.5%, 1% for cost of living and 1.5% for progression.
 - That further savings and efficiencies be identified to address the budget shortfall of £113,000 in 2019/20.
 - That £200,000 from the financial gain of being part of the Pilot for Business Rates is used to mitigate the potential payment of £625,000 to government for 'negative RSG'.
- 4.3 The Financial Policy Panel has received regular updates and given guidance on the preparation of the estimates. For more detail, Councillors may wish to refer to background papers on these agendas. The following specific agendas may provide useful background to the budget review programme:-
- September 2018: Review of local taxation level and budget targets (including efficiency savings, staffing and income levels):
 - December 2018: treasury management, capital programme and capital reserves:

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- February 2019: finance settlement, business rate retention, income from the Council's Commercial Property Company and council tax

5 2019/20 Revenue Budget

- 5.1 The draft Budget Book was issued to all Councillors in January and was available 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 There is one change to the 2019/20 budget shown in the Budget Book and this relates to an increase in the level of funding received from retained business rates. The updated position reflects an increase of £185,000 in business rates income and this has offset by a compensating reduction in the drawdown from the business rates equalisation reserve to the general fund.
- 5.5 The comparison to the 2018/19 published budget is also shown in the table below at committee total level:-

POLICY COMMITTEE BUDGETS 2019/20

	2018/19 Published Budget	2019/20 Recommended Budget	Variance
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Strategy & Resources Committee	2,697	833	
Asset Rents (Landlord Account)	(2,879)	(2,669)	
Environment Committee	1,948	2,187	
Community & Wellbeing	6,017	6,036	
Total	7,783	6,387	- 1,396
External Funding (council tax, revenue support grant, retained business rates)	(7,783)	(6,387)	+ 1,396
Shortfall of income to cover planned expenditure & required use of Working Balance	0	0	0

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Staff Budget

- 5.6 A total of £11.9 million of staff costs, staff on-costs and agency costs have been included in the policy committee estimates compared to £11.4 million in 2018/19. This will form the salary control total for budget monitoring purposes, subject to adjustments needed where service changes are agreed by the Council.
- 5.7 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.
- 5.8 The Strategy and Resources Committee agreed a pay award of 1% for 2019/20 in November 2017.
- 5.9 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

- 5.10 Following the 2016 pension fund valuation there is no increase to the level of employer's pension on-cost. No additional provision has been made for deficit funding in 2019/20. The next valuation will be based on the Surrey Pension Fund position at 31 March 2019 and will apply from financial year 2020/21.

6 Fees and Charges

- 6.1 Each policy committee has received a report on fees and charges for 2019/20. 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 £123,000 is attached at Appendix 3.

7 Economic Indicators

- 7.1 The latest Treasury economic indicators (December 2018) 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.

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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 highest service financial risks remain the demands for housing and homelessness prevention along with the impact of potential withdrawal of services by Surrey County Council.

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 2019/20 is deemed to be medium.

9.4 A higher risk remains with the financial outlook due to the state of the UK public finances and the impact of Brexit on the national and local economy, which could result in the need for further government public spending cuts.

9.5 The Government's four year settlement has provided a clearer picture of the levels of core funding for this Council. The removal in 2019/20, the final year of the four year settlement, of the negative RSG payment has improved the Council's funding position. However, the funding for Epsom and Ewell Borough Council from New Homes Bonus has continued to reduce significantly since 2016/17.

9.6 Government is committed to undertaking two reviews of Council funding in 2019, the Fair Funding and Redistribution of Retained Business Rates reviews. The likely outcome of these reviews for Epsom and Ewell Borough Council is unknown at this stage but both reviews pose a threat to current funding levels from 2020/21.

9.7 To mitigate against further reductions to the Council's core funding any reliance on new homes bonus grant to finance ongoing services has been removed from the 2019/20 budget.

9.8 The Government has produced statutory guidance which limits Council investment in the acquisition of commercial properties and will impact on opportunities for future income generation.

10 Revenue Budget Overview 2019/20

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.

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10.1 The Budget Requirement in 2018/19 was £7,783,000. The budget requirement for 2019/20 is calculated as follows:-

Net Expenditure on Services	£000	External Finance	£000
Gross Expenditure	46,838	Revenue Support Grant	0
		Retained Business Rate Income	983
Gross Income including planned use of earmarked reserves	- 40,451	Small Business Rate Relief Grant	602
		Collection Fund Deficit (business rates)	-1,803
		Collection Fund Surplus (council tax)	80
Net Expenditure	6,387	External Finance	-138
T/F from Working Balance	0	Council Tax Income	6,525
Budget Requirement	6,387	Income from grant and Council Tax	6,387

10.2 The reduction in the Budget Requirement (net spending) is 17.9%.

10.3 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.

10.4 The Council Tax Requirement for 2019/20 is £6,525,177 subject to any budget changes made at the Council meeting.

10.5 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 The Government made an offer of a fixed, four-year Local Government Finance Settlement in February 2016, covering the years 2016/17 to 2019/20. Included within the fourth year of the settlement was a payment to Government of £625k, now referred to as 'negative RSG'.

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- 11.2 The Council agreed to accept the offer of the four year settlement and the production of an Efficiency Plan.
- 11.3 The following table shows the spending assessment figures announced for 2019/20.

GOVERNMENT FUNDING	2018/19 Actual	2019/20 Final Settlement
	£000	£000
Business Rates Baseline Funding	1,366	1,397
Government Settlement Funding Assessment	1,366	1,397 (+31, +2.3%)

- 11.4 The government's funding assessment has increased by £31,000 or 2.3% in 2019/20.
- 11.5 The latest settlement figures received shows a significant change to the four year settlement provided in February 2016 with the removal of £625k 'negative RSG' liability.
- 11.6 Although 'negative RSG' has been removed from the provisional settlement for 2019/20 there is an increased risk to the Council's funding position for 2020/21 onwards.
- 11.7 This is due to the Government's on-going Fair Funding and Business Rates Retention reviews both of which could have an adverse impact on our future funding position.

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

12 Core Spending Power

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

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

* figure from provisional financial settlement

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

13 New Homes Bonus Grant

- 13.1 The Council additionally benefits from the award of New Homes Bonus grant, based upon the number of new residential properties in the borough in the preceding year, with a supplement for affordable housing.
- 13.2 The methodology for this grant allocation was changed in 2017/18 by Government which resulted in a significant reduction in funding allocations in 2018/19. Originally the Council received a rolling 6 years of individual allocations; this has been reduced down to 4 years for 2018/19 alongside a further reduction by only awarding funding for growth in homes above the 0.4% per annum baseline.
- 13.3 The provisional payment for 2019/20 is £444,000, which compares to the forecast included within the Financial Plan of £473,000, this grant will be made available for capital investment or corporate projects.
- 13.4 The amount of funding available from New Homes Bonus has diminished substantially over the last few years, in 2016/17 the Council received in excess of £2 million. With most of the current award made up from legacy payments there is a strong likelihood that this source funding could reduce even further in the future or be removed altogether as part of the Fair Funding Review.

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13.5 The Financial Plan presented in September assumed all New Homes Bonus is used to fund services, however, following the removal of 'negative RSG' in the provisional finance settlement, the draft budget for 2019/20 no longer requires any use of New Homes Bonus to finance services.

13.6 The updated Financial Plan removes reliance on this as a source of funding for services.

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

14 Business Rate Retention

14.1 The 2019/20 government settlement includes £1,397,000 for this Council as a 'settlement funding assessment' which is solely from Business Rates Baseline funding.

14.2 Until 2012/13 formula grant funding, including redistributed business rates, had been fixed in the local government finance settlement and this allocation was not varied during the year. Under the local retention scheme Councils enjoy gains or suffer losses from variations to the business rates collected, whether due to changes in collection rates or more/fewer businesses.

14.3 In 2018/19 Epsom & Ewell Borough Council benefitted from being part of the Surrey business rates pilot for the year. The County including Epsom & Ewell Borough Council submitted a separate bid to be a pilot for 2019/20 but were unsuccessful with the application, this means that method for redistribution of business rates will revert back to the national scheme used prior to 2018/19.

14.4 The forecast for retained business rates for 2018/19 does not include the benefit of being part of a Surrey Pilot for this year, it was agreed as being part of the Pilot that all authorities will receive a guaranteed gain of £500,000. The financial outcome of this will be available at the end of the year when all Surrey authorities have finalised their position on business rates for the financial year.

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14.5 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 2018/19	EEBC Budget 2018/19 (NNDR1)	EEBC Latest Forecast 2018/19	EEBC Budget 2019/20 (NNDR1)	
	£000	£000	£000	£000	
Rates Collectable	24,912	24,922	24,960	24,919	
Less: payable to central government	-12,456	-12,461	-12,480	-12,460	50%
Less: payable to SCC	-2,491	-2,492	-2,496	-2,492	20% of local share
NNDR Baseline	9,965	9,969	9,984	9,967	Rates kept before tariff
Less 'Tariff'	-8,599	-8,599	-8,599	-8,796	Tariff set by govt to go to 'top-up authorities'
Retained Business Rates	1,366	1,370	1,385	1,171	
Less: Levy (share of growth)		-167	-183	-188	
Est. of Retained Business Rates	1,366	1,203	1,202	983	
Add back: Small Business Rate Relief Grant		329	341	602	Separate grant funding for extension of SBRR
EEBC Income including relief grants	1,366	1,532	1,543	1,585	

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

Business Rates Equalisation Reserve

14.7 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:-

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Business Rate Equalisation Reserve Forecast	£000
Balance 31 March 2018	2,244
Planned use to partially offset 2017/18 deficit and levy payment	-65
Forecast balance 31 March 2019	2,179
Planned use to offset Prior Year Deficit	-1,845
Forecast balance 31 March 2020	334

15 Funding Received from Commercial Property Investment Company (EPPIC)

- 15.1 Council agreed on 19th September 2017 to set up a Local Authority Property Investment Trading Company with one of its primary objectives to enable the acquisition of investment properties outside the Borough that will generate additional income for the Council.
- 15.2 Since the inception of the Company (EPPIC), the company has acquired two properties outside the Borough and these are expected to deliver a benefit to the Council's General Fund for 2019/20 of £818,000.
- 15.3 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.
- 15.4 The new guidance does not impact on the two out-of-Borough purchases already made through EPPIC in 2017, since they occurred before the new guidance took effect this financial year.

16 Reserves

- 16.1 The reserves as contained in the audited financial statements at 31 March 2018 may be summarised as follows:-

	Balance 31 March 2017 £000	Balance 31 March 2018 £000	
Capital Receipt Reserves	4,893	4,889	Receipts from the sale of assets earmarked for capital programme commitments and invested under the Treasury Management policy. Includes £580k earmarked Hospital Cluster Receipt.

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	Balance 31 March 2017 £000	Balance 31 March 2018 £000	
Community Infrastructure Levy	3,835	5,036	Receipts available for funding of infrastructure improvements
Earmarked Strategic Reserves	9,353	12,851	Provisions for future expenditure or against identified liabilities
Working Balance	3,334	3,348	General Fund working balance

16.2 The policies for the reserves are contained in Section 3 of the Financial Plan 2016-2020, approved by Council in February 2016.

16.3 The levels of revenue reserves are set out in [Appendix 7](#).

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

	Capital Reserves (excluding Hospital Cluster) £'000
Balance brought forward at 1 April 2018	4,309
Anticipated receipts in 2018/19	210
Estimated use to fund 2018/19 capital expenditure	- 1,339
Estimated Balance at 31 March 2019	3,180
Planned use for 2019/20 programme	- 364
Allowance for Receipts in Year	0
Note: excludes allowance for programme slippage	
Estimated Balance at 31 March 2020	2,816

16.5 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](#).

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

- No use of the General Fund Working Balance to fund services
- £364,000 of capital reserves and £100,000 of revenue to fund the capital programme (including spend to save schemes subject to approval of business case)

17 Financial Forecast

17.1 The following financial forecast comprises an update of the forecast to take account of the 2019/20 budget proposals and central government public sector spending plans.

	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>
	<u>Budget</u> £000	<u>Forecast</u> £000	<u>Forecast</u> £000	<u>Forecast</u> £000
Cost of Service b/f	7,928	8,328	8,932	9,570
Pay & Prices Increases	+ 533	+ 590	+ 598	+ 606
Contingency for Service Changes and Pressures	+ 807	+ 280	+ 250	+ 250
Increases in Fees & Charges	- 123	- 290	- 210	- 210
Changes to External Funding	- 17	+ 24	0	0
Star Chamber / Service Savings	- 800	0	0	0
Forecast Net Cost of Services	8,328	8,932	9,570	10,216
Interest on Balances	- 96	- 130	- 175	- 240
Contributions to / (from) reserves	- 1,845	0	0	0
Use of New Homes Bonus	0	0	0	0
Forecast Net Expenditure	6,387	8,802	9,395	9,976
Business Rates Forecast	1,585	1,269	1,138	1,004
Council Tax Income Forecast	6,525	6,770	7,024	7,287
Collection Fund Surplus / (Deficit)	- 1,723	0	0	0
Collection Fund Income	6,387	8,039	8,162	8,291
<i>Funding Shortfall</i>	<i>0</i>	<i>- 763</i>	<i>- 1,233</i>	<i>- 1,685</i>

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17.2 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 government reforms
- The use of any New Homes Bonus receipts to fund services has been removed from the latest forecast.
- Council tax have been increased by 3% per annum.
- Annual pay increase of 2% per annum from 2020/21.
- The forecast does not assume any further income from new property acquisitions.
- Revenue funding towards the financing of a sustainable capital programme is included within the forecast, with £100,000 of the 2019/20 programme being funded from revenue and this increases to £400,000 by 2022/23.
- 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 just under £600,000 by 2022/23.
- With the uncertainty on what the Council funding levels will be from 2020/21 onwards and the significant risks posed by the Government reviews the latest forecast anticipates that savings in excess of £1.6 million will be needed by 2022/23 to achieve a balanced budget at the end of this period.

18 Capital Programme

18.1 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 2018 and February 2019.

18.2 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.

18.3 The updated capital strategy statement is attached at [Appendix 10](#) and includes a summary of proposed investment for 2019-2022.

18.4 A capital investment programme of £1,114,000 is recommended for 2019/20 and the following funding is required to allow the schemes in this programme to be completed:-

18.5 Use of Capital Reserves for the core programme is £364,000

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- 18.6 Use of central government grant: £650,000
- 18.7 Use of revenue income: £100,000
- 18.8 Schemes will also be carried forward from the 2018/19 programme where not completed by 31 March 2019.

19 Prudential Indicators and Authorised Limits for 2019/20

- 19.1 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.
- 19.2 The Council agreed to borrow funds of up to £80m to finance the acquisition of commercial properties in 2016/17 and further borrowing of up to £300 million was approved in 2017/18 when it was agreed to establish a wholly owned property investment trading company.
- 19.3 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. As such, Strategy & Resources Committee noted at its September 2018 meeting the suspension of any further such purchases, until further guidance or case law is published that clarifies the Council's related vires.
- 19.4 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 2019/20.
- 19.5 Prudential Indicators and Authorised Limits have been proposed in the appendix on this basis and on the basis of the capital strategy recommended to the Council.

20 Council Tax Options

- 20.1 The current Surrey District Council Tax levels are shown at [Appendix 12](#).
- 20.2 The policy in the Medium Term Financial Strategy is to ensure that Council Tax stays below the average of the Surrey Districts.
- 20.3 The final Government Grant settlement announced capping limits for council tax, allowing District Councils to increase their council tax by either £5 per annum (property D equivalent) or 3% before needing to hold a referendum. The recommendation in the budget report is for an increase of 2.99%, which represents an increase of £5.76 per annum on a Band D equivalent property.

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- 20.4 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.
- 20.5 Two options for 2019/20 levels of council tax are illustrated at [Appendix 13](#), a freeze in council tax and an increase of 2.99%. Both options are based on the service estimates in the Budget Book 2019/20 and the estimate reports presented to the policy committees in January and February 2019.
- 20.6 Council tax for the 2.99% increase and a freeze are shown in the table below.

Increase:	0%	2.99% Increase Recommendation
Council Tax	£192.60	£198.36
Increase per annum	£0	£5.76
Increase per week	0p	11p
Income Generated 2019/20	£0	£189,000
Adjustment needed to Draft Budget Book	£189,000 adverse	£0
Income Generated Future Years Council Tax Base	0	£189,000

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

21 Consultation with Non-Domestic Ratepayers

- 21.1 The Council has provided information about the Council's spending proposals and business rates reliefs on the web and promoted use through the Business Partnership. Any response specific to the 2019/20 budget will be identified at the meeting.

22 Collection Fund

- 22.1 In accordance with the Local Authorities (Funds) (England) Regulations 1992, the Borough Council as the billing authority is required to estimate on 15 January each financial year the surplus or deficit on its Collection Fund for that year in respect of Council Tax. The estimates are required to be made on an accruals basis in accordance with proper accounting practices.
- 22.2 Where a deficit or surplus in the 2018/19 Collection Fund is estimated in respect of Council Tax or Business Rates, the amount is to be apportioned in 2018/19 between authorities that precept on the collection fund in accordance with the ratio of their 2018/19 precepts.

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22.3 The calculation of the estimated position on the Council's 2018/19 Collection Fund in respect of Council Tax items is detailed at Appendix 14 and this shows a surplus on the Fund of £79,760 is forecast for this Council and will be credited to the General Fund Revenue Account for 2019/20.

22.4 The business rates retention scheme was introduced under the 2012 Local Government Finance Act and requires the allocation of estimated surpluses and deficits for 2018/19 in 2019/20. A deficit of £1,803,542 is forecast for this Council and will be charged to the General Fund Revenue Account for 2019/20. The calculation is shown in Appendix 14.

23 Precepts

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

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

24 Council Tax Recommendation

24.1 The budget target included an increase of 3 percent in Council Tax.

24.2 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 2.99%.

24.3 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 2019/20	£	£
Budget Requirement		6,386,842
Revenue Support Grant	0	
Non Domestic Rates retained	983,187	
Small Business Rate Relief Grant	602,260	
External Support:		(1,585,447)
Sub-Total		4,801,395
Add: Collection Fund Deficit (business rates)		1,803,542
Less: Collection Fund Surplus (council tax)		(79,760)
Council Tax Requirement		6,525,177

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24.4 Precepts have been recommended as follows:-

	£	%
Surrey County Council	47,813,798	76
Surrey Police	8,571,614	14
Epsom and Ewell Borough Council	6,525,177	10
Total	62,910,590	

24.5 In accordance with Regulation 3 of the local authorities (Calculation of Tax Base) Regulations 2012, the Council calculated the amount of 32,895.63 as its Council Tax base for the year 2019/20. This represents the number of Band D equivalent properties.

24.6 Based on the recommendation in this report, the change in the council tax levy per Band D equivalent dwelling, when compared to 2018/19 would be as follows:-

Recommendations	2018/19	2019/20	Variation	
	£	£	£	%
Surrey County Council	1,411.29	1,453.50	42.21	2.99
Surrey Police Authority	236.57	260.57	24.00	10.14
Epsom & Ewell Borough Council	192.60	198.36	5.76	2.99
Total	1,840.46	1,912.43	71.97	3.91

25 Robustness of the Estimates

25.1 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.

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

- The Council received the 2017/18 financial statements in good time, with an unqualified audit opinion
- The revenue and capital budget monitoring arrangements are effective for the purpose and all Members receive quarterly monitoring reports
- The Financial Policy Panel receives regular reports on financial and risk management, asset management and procurement issues and has been well placed to provide effective advice on the medium term financial strategy, the capital strategy and on financial planning leading to the preparation of the detailed service estimates.

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- The policy committees have received detailed estimates of revenue and capital expenditures for 2019/20 and have also received assessments on the main financial risks.

- 25.3 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.
- 25.4 A corporate budget risk assessment is appended to this report ([Appendix 6](#)), as is a statement on the level of reserves ([Appendix 8](#)).
- 25.5 The Chief Finance Officer considers that the budget proposals for 2019/20 are robust and sustainable.
- 25.6 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 £1.7 million by 2022/23.
- 25.7 The forecast removes the reliance on funding from new homes bonus grant to finance services and reduces the Council share of retained business rates income in anticipation of the impact of the Government's 'Fair Funding' and Redistribution of Retained Business Rates' reviews.
- 25.8 The revenue budget for 2019/20 provides £100,000 funding towards the Council capital programme and the forecast increases the contribution by £100,000 per annum to provide funding for a sustainable capital programme that is not reliant on the use of the Council's diminishing capital receipts in the future.
- 25.9 The major challenge in the Financial Plan was the delivery of over £3 million of savings over the four years 2016 to 2020 and the 2019/20 estimates demonstrate that these savings have been achieved over this period.

26 Conclusions

- 26.1 The priorities in the Corporate Plan will guide the allocation of resources through service plans and annual service targets.
- 26.2 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 government grant funding. The budget also includes the full year effect of savings made last year and new efficiency savings and increases in income for 2019/20.
- 26.3 The Council has been able to prepare a balanced budget through a range of changes to services, increases to income especially from the acquisition of commercial property. Revenue reserves are sufficient to manage further variations in income and expenditure.

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- 26.4 There is significant uncertainty over the levels of income Epsom and Ewell Borough Council will get to retain when Government completes its review of Local Government Funding which will impact on the Council finances from 2021/22 onwards. The latest information suggests that the Council can expect a further reduction to its funding and as a result could be expected to deliver £1.7 million of savings and new income to achieve a balanced budget by 2022/23.
- 26.5 Budget and Council Tax decisions for 2019/20 should be consistent with the draft Medium Term Financial Strategy and the Financial Plan for 2016 – 2020.
- 26.6 The main financial risks identified for next year's budget are set out in Appendix 6 to this report.
- 26.7 The draft budget is based on a 2.99% annual increase in council tax. 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.
- 26.8 The Council will maintain its council tax policy under any of the option presented with the tax being below the Surrey average.
- 26.9 For ease of reference, the Annexes attached to this report are listed below:

Annexe 1	Policy Committee Budgets 2019/20
Annexe 2	Main Changes to Service Budgets for 2019/20
Annexe 3	Income from increases to discretionary Fees and Charges
Annexe 4	Updated Four Year Efficiency Plan 2016/17 to 2019/20
Annexe 5	Economic Indicators
Annexe 6	Risk Assessment
Annexe 7	Reserves (Revenue and Capital)
Annexe 8	Chief Finance Officers' Statement on Robustness of Estimates and Adequacy of Reserves
Annexe 9	Financial Forecast 2019 – 2029
Annexe 10	Capital Strategy Statement
Annexe 11	Treasury Management Strategy, including Prudential Indicators &

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	Authorised Limits
Annexe 12	Surrey District Council Tax levels 2018/19
Annexe 13	Council Tax Calculation 2019/20
Annexe 14	Council Tax Collection Fund
Annexe 15	Business Rate Collection Fund

Ward(s) Affected: (All Wards);