

EPSOM AND EWELL BOROUGH COUNCIL

FINANCIAL PLAN 2016 - 2020

CONTENTS

CONTENTS.....	2
Section 1: MEDIUM TERM FINANCIAL STRATEGY	3
Section 2: CORPORATE PLAN: MANAGING RESOURCES	6
Section 3: THE COUNCIL'S FINANCIAL STANDING.....	7
Section 4: THE STARTING POINT	12
Section 5: FOUR YEAR BUDGET FORECAST	13
Section 6: ECONOMIC OUTLOOK	16
Section 7: RESOURCES	18
Section 8: GOVERNMENT FUNDING / BUSINESS RATE RETENTION...	20
Section 9: COUNCIL TAX.....	24
Section 10: INCOME FROM FEES, CHARGES, RENT & INTEREST	26
Section 11: COST ANALYSIS	27
Section 12: CONTINGENCIES FOR SERVICE CHANGES	28
Section 13: COST REDUCTION	31
Section 14: CAPITAL INVESTMENT	33
Section 15: RESERVES FORECAST	35
Section 16: RISK MANAGEMENT	36
Section 17: ANNUAL REVIEW AND SUPPORTING INFORMATION	38

Section 1: MEDIUM TERM FINANCIAL STRATEGY

Introduction

- 1.1 The Council's previous medium term financial strategy was prepared at the start of 2012 towards the end of the downturn in the global economy and the recession in the UK. Since the strategy was approved we have had to significantly increase our expenditure forecasts to reflect increased demand for housing support and cuts in central government funding. The Council has responded by reducing its operating costs and reconfiguring its services and charges.
- 1.2 The welfare changes are providing a major challenge for local government. As a District Council we are particularly vulnerable as we have to manage increased demands for services such as housing support and welfare benefits. Since 2012 this Council has seen an increase in its net cost of dealing with homelessness rise by £650,000 to just over £1 million in 2015/16.
- 1.3 In September 2015 the independent Auditor stated that the Council has a strong track record of budgetary and financial control and this will be challenged over the next four years with proposed significant reductions in Government funding and the impact of welfare reforms on Council's expenditure.

Public Sector Funding

- 1.4 This Government is committed to reducing the national deficit through cuts to public spending. The Council's core funding from Revenue Support Grant and retained local business rates has already been reduced by £800,000 since 2013/14 and based on the 4 year provisional settlement recently announced by Government this expected to be reduced further by £1.5 million over the next four years.

Looking Forward

- 1.5 Following the local elections in May 2015 the Council is in the process of agreeing new corporate priorities and preparing a new Corporate Plan for 2016-2020.
- 1.6 The Council's previous Corporate Plan had specific objectives for 'Managing Resources', a similar objective is expected in the new Plan including a target for reducing projected net expenditure by £3.3 million by 31 March 2020.
- 1.7 This is a challenging environment, with further substantial cuts in government funding recently announced. To meet this challenge a financial planning framework is essential:-
 - Residents will want to know council tax and service plans and understand the reasons for those plans;
 - In making decisions Councillors need to be clear that budget forecasts are based on reasonable resource forecasts,

- Service changes need to be planned and implemented carefully with appropriate lead times;
 - Charging decisions should be made against a backdrop of the likely financial position in future years;
 - Areas of higher financial risk need to be identified to see how best those risks can be managed
- 1.8 During the corporate review process Councillors have reconfirmed their commitment to keep council tax below the Surrey average over the next four years. This, along with public sector funding cuts, will mean that services will need to be provided at lower cost with a review of lower priority services.
- 1.9 The Council must retain a prudent level of reserves, this has become even more critical with the withdrawal of Central Government funding. Reserves enable the Council to manage the changes to services that will be required to deliver the level of savings required over the next four years to achieve a balanced budget.
- 1.10 The Financial Plan 2016-2020 provides a framework for spending plans over this period.

Key Components of the Medium Term Financial Strategy

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

Council Tax

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

Budget Position and Revenue Reserves

- Produce a balanced revenue budget each year
- Maintain a minimum working balance of £2.5 million at 31 March 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 the Council's finances

Income

- Increase income from fees and charges by 6% in 2016/17 and 3% per annum thereafter
- Maintain clear charging policies for each service
- Manage risks to central government funding and business rate retention

- Maintain high collection rates for council tax and business rates
- Make prudent investment of reserves and cash balances
- Generate increased income from the external use of Council assets
- Optimise the use of Council assets, realise capital receipts from sale of surplus assets
- Identify new opportunities for generating income

Investment in Services

- Use Annual Service Targets to allocate resources to deliver the Council's Priorities
- Prioritise capital investment to ensure retained property is fit for purpose
- Maximise the use of external funding opportunities to deliver improvements to the community infrastructure, including affordable housing
- Deliver the four year capital programme of £2.5 m
- Maintain a minimum uncommitted level of capital reserves of £1 million at 31 March 2020

Efficiency

- Review services to ensure they continue to provide value for money
- Achieve a reduction in operating costs through smarter working
- Reduce the subsidy of Council occupied properties
- Increase the efficiency and resilience of the organisation through investment in staff and technology
- Deliver savings so as to improve the forecast budget position by £3.3 million by 2019/20.

Section 2: CORPORATE PLAN: MANAGING RESOURCES

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

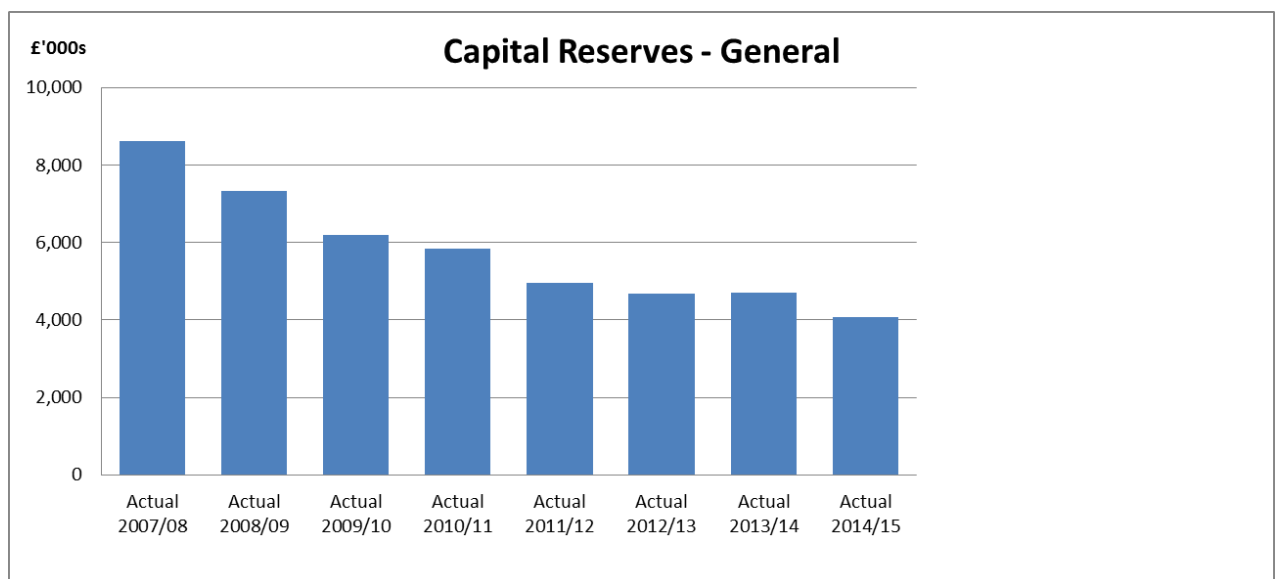
Supporting Strategies & Plans	Objectives
Financial Plan / Medium Term Financial Strategy	<ul style="list-style-type: none"> • Maintain sound Council finances. • Allocate Resources to Council priorities. • Measure financial performance.
Asset Management Plan	<ul style="list-style-type: none"> • Ensure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

Section 3: THE COUNCIL'S FINANCIAL STANDING

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

Capital Account

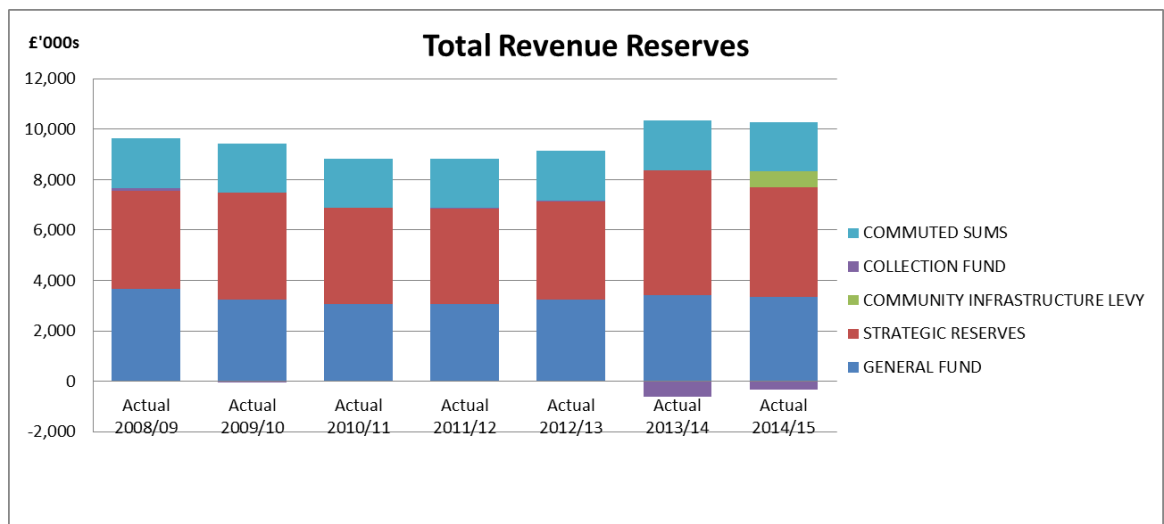
- 1.8 The following tables trace the level of capital reserves since March 2008.



- 1.9 Although the Council's remains debt free there has been significant pressure on capital reserves since 2008. The Council anticipates that it can remain debt free during the next four years. However, the Council will need to consider borrowing options to finance additional capital spending plans during this period, unless there is a major development or sale of property.
- 1.10 The Council has not generated enough new capital receipts through the sale of property and land over the past three years to fund the capital programme. It has, however, increased its capacity to finance affordable housing schemes through the generation of planning gain receipts. These Section 106 funds will be used to fund housing and other infrastructure schemes during the four year cycle. Additional funds may be available from Community Infrastructure Levy and New Homes Bonus.

Revenue Account

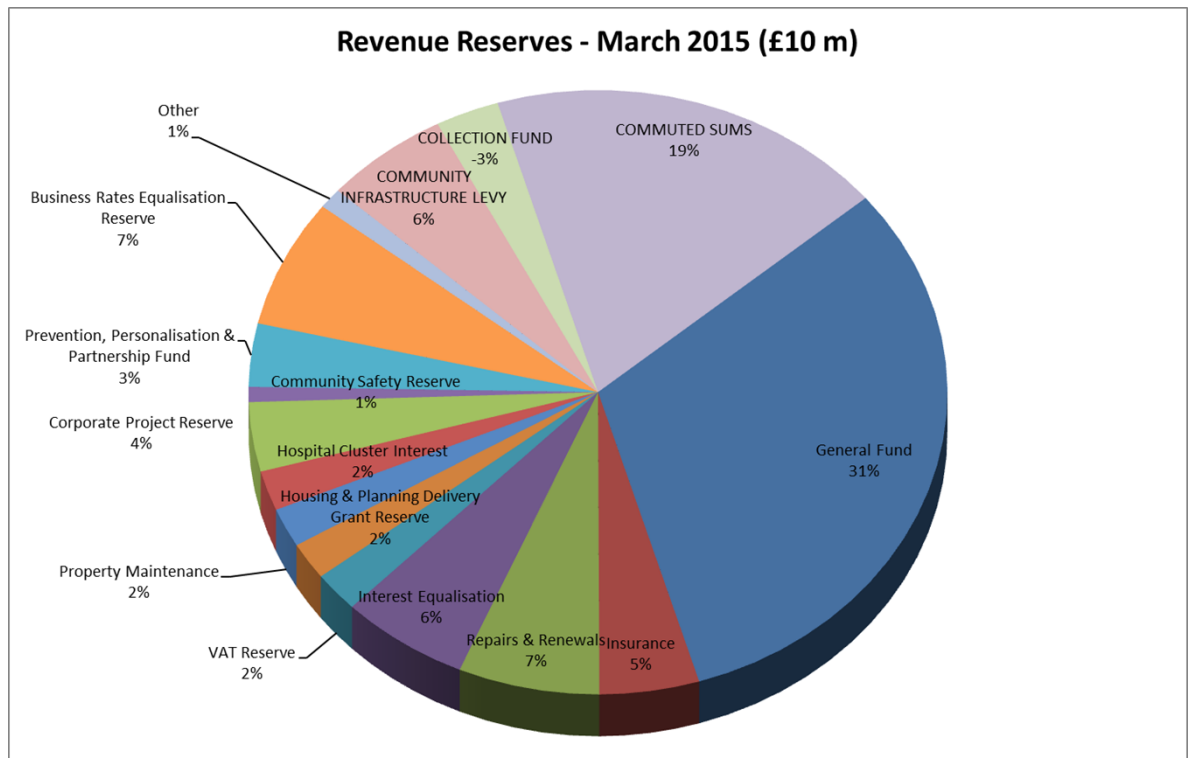
- 1.11 The following tables trace the level of revenue reserves since March 2009.



	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
General Fund	3,655	3,254	3,070	3,058	3,230	3,417	3,333
Strategic Reserves	3,894	4,225	3,802	3,802	3,902	4,956	4,379
CIL	0	0	0	0	0	0	612
Collection Fund	126	-7	4	7	48	-625	-404
Commuted Sums	1,965	1,965	1,965	1,965	1,965	1,965	1,965

1.12 The Council has been able to maintain strength in its strategic revenue reserves despite using the working balance to help maintain service levels when required.

1.13 The following Chart identifies each revenue reserve.



1.14 The Council reviews its financial reserves annually to:-

- manage financial and service risks
- assist medium term planning and decision making
- help finance services to residents
- provide greater certainty over future investment

1.15 The following reserves and provisions were held at March 2015:-

Purpose of Reserve	
CAPITAL	
CAPITAL RECEIPTS - general	Funds raised by the past sale of Council property assets. Used to fund capital programme where external funding not available. Unspent balance invested and interest generated used to help finance the General Fund Revenue Account provision of services.
CAPITAL RECEIPTS - hospital cluster	Transferred sums to fund development of hospital cluster site.
SECTION 106 - unapplied capital reserves	Planning Gain Receipts set aside for capital infrastructure schemes fulfilling terms of agreement with developers
REVENUE	
COMMUNITY SAFETY PARTNERSHIP	Support for partnership community safety work in the Borough.
LOCAL PARTNERSHIP FUND	Partnership reserves held on behalf of the Epsom & Ewell Local Strategic Partnership.
YOUNG PEOPLE PARTNERSHIP FUND	Fund to support capital investment and/or revenue expenditure on initiatives for Young People
YELL FUNDS	Small Local Strategic Partnership fund for young people's activities, spent following consultation with them
HISTORIC BUILDINGS	Earmarked to fund historic building repairs
HOSPITAL CLUSTER INTEREST	Interest generated from Hospital Cluster receipts held as a contingency against liability if Horton Chapel receipt has to be repaid.
INSURANCE	Provision for self-insured liability claims.
CORPORATE PROJECT RESERVE	Contingency for unplanned projects, including the holding costs on stalled developments and partnership schemes. The reserve is also used to finance revenue and capital 'spend to save' one-off costs.
VAT RESERVE	Reserve against liabilities for unrecoverable VAT payments including breach of partial exemption rule.
HOUSING & PLANNING DELIVERY GRANT	Provision for planning-related investments.

Purpose of Reserve	
INTEREST EQUALISATION	Contingency provision for interest rate reductions to help manage variations in interest rates each year.
PROPERTY MAINTENANCE FUND	Provision for essential / unplanned backlog repairs and maintenance that cannot be funded within annual budget programme.
REPAIRS & RENEWALS	Provides for the replacement of plant and equipment where no revenue budget is available. Manages the risk of unplanned expenditure at all Council properties, including health and safety expenditures.
TRAINING RESERVE	Provision for funding of Council's apprenticeship scheme
PREVENTION, PERSONALISATION & PARTNERSHIP FUND	Funding from ring fenced grant for local authorities to undertake their new public health functions.
CIVIC INVESTMENT FUND	Funding set aside for grants to improve shop fronts
BUSINESS RATES EQUALISATION RESERVE	Reserve used to manage variations in retained share of business rate income due to this Council
GENERAL FUND REVENUE ACCOUNT WORKING BALANCE	Provision for unforeseen expenditure and used to support Revenue Budget in the medium term. Interest on balance used to finance the General Fund revenue account.
COMMUNITY INFRASTRUCTURE LEVY	Planning receipts to fund infrastructure projects as identified in the Council's Infrastructure Development Programme
RECREATION COMMUTED SUMS	Transferred payments ring-fenced for investment with returns used to finance grounds maintenance costs following transfer of Hospital Cluster Land
COLLECTION FUND	Surplus/Deficits on collection fund - EEBC element.

Section 4: THE STARTING POINT

1.1 The following table summarises estimated income and expenditure for 2016/17:-

	£m	£m	£m
INCOME			
<u>General Grant and Taxes</u>			
Revenue Support Grant	0.4		
Retained share of Business Rates	1.4		
Council Tax Income	5.8		
Sub-Total		7.6	
<u>Service Income</u>			
Fees and Charges	10.0		
Rents	2.3		
Grants and Subsidies	26.0		
Interest on Balances / Reserves	0.2		
Use of Reserves	0.6		
Internal Asset Credits	2.9		
Sub-Total		42.0	
Budgeted Income			49.6
EXPENDITURE			
Employee Costs	11.3		
Premises Costs	3.0		
Transport Costs	1.5		
Contracted Services and Supplies (incl. grants)	7.2		
Housing & Council Tax Benefits	22.1		
Contributions to Reserves	1.6		
Internal Asset Charges	2.9		
Sub-Total		49.6	
Budgeted Expenditure			49.6

Section 5: FOUR YEAR BUDGET FORECAST

- 1.2 The main focus for budget forecasts is the Councils net budget requirement which comprises service spending less income generated from those services.
- 1.3 It is a Government requirement that Councils provide residents with spending figures focused on the Council Tax Requirement. This is the amount of spending that will be funded from council tax payments in the Borough.
- 1.4 For 2016/17 the Council's spending can be analysed as follows:-

	£000	£000
NET EXPENDITURE		
Gross Expenditure on Services	49,541	
Less: Gross Income on Services	- 39,074	
Sub-Total (policy committee net)		10,467
Less: Internal recharges (asset rentals)		2,879
Forecast Net Expenditure		7,588
FUNDING		
Formula Grant	417	
Retained Business Rates	1,435	
Council Tax	5,783	
Collection Fund Deficit	-47	
Aggregate External Finance		7,588

1.5 The following table summarises the Council's four year budget forecast prepared in February 2016 for the 2016/17 budget report:-

	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
	<u>Budget</u> £000	<u>Forecast</u> £000	<u>Forecast</u> £000	<u>Forecast</u> £000
Net Cost of Service b/f		8,702	8,077	8,001
Pay & Prices Increases		+ 360	+ 360	+360
Contingency for Service Changes and Pressures		+ 334	+ 528	+ 257
Increases in Fees & Charges		- 200	- 200	- 210
Annual Savings Target		- 1,119	- 764	- 509
Forecast Net Cost of Services	8,702	8,077	8,001	7,899
Interest on Balances	-220	-220	-220	-220
Use of Business Rates Equalisation Reserve	-121	0	0	0
Use of New Homes Bonus	-773	-500	-500	-500
Transfer from Working Balance (-)	0	0	0	0
Forecast Net Expenditure	7,588	7,357	7,281	7,179
Formula Grant Forecast	417	0	0	0
Business Rates Forecast	1,435	1,464	1,493	1,522
Tariff Adjustment	0	- 50	- 320	- 620
Council Tax Income Forecast	5,783	5,943	6,108	6,277
Collection Fund Deficit	-47	0	0	0
Collection Fund Income	7,588	7,357	7,281	7,179

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

ASSUMPTIONS USED	BASE £000	<u>2016/17</u> <u>Budget</u>	<u>2017/18</u> <u>Forecast</u>	<u>2018/19</u> <u>Forecast</u>	<u>2019/20</u> <u>Forecast</u>
General Inflation - prices	9,000	0%*	2.0%	2.0%	2.0%
Pay bill growth	11,000	2.1%**	1.6%**	1.6%	1.6%
Fees & Charges allowance: annual increased yield on	-6,600	6.0%	3.0%	3.0%	3.0%

ASSUMPTIONS USED	<i>BASE</i> £000	<u>2016/17</u> <u>Budget</u>	<u>2017/18</u> <u>Forecast</u>	<u>2018/19</u> <u>Forecast</u>	<u>2019/20</u> <u>Forecast</u>
discretionary charges					
Interest rate used		1.25%	1.5%	1.75%	2.0%
Increase in Council Tax income	-5,581	2.0%	2.0%	2.0%	2.0%

** allows for unavoidable price inflation only apply*

*** assumes pay controls*

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

	+ / -	Impact on Each Year £000	Cumulative Impact (4 years) £000
Price Inflation	1%	90	360
Pay Inflation	1%	110	440
Fees & Charges	1%	66	264
Interest on Balances	0.5%	70	280
Council Tax	1%	56	226

- 1.8 The General Fund Working Balance was £3.3 million at 31 March 2015 and is forecast at £2.9 million at 31 March 2016.
- 1.9 Subject to delivery of targeted savings the working balance will be maintained at this level for the next four years.
- 1.10 In the light of government funding cuts and required level of savings some flexibility will be required and the Council's policy is to maintain a minimum working balance of £2.5 million at 31 March 2020.

Section 6: ECONOMIC OUTLOOK

1.11 The following projections were included in the Autumn Statement:-

UK	2014	2015	2016	2017	2018	2019	2020
Gross Domestic Product	2.9%	2.4%	2.4%	2.5%	2.4%	2.3%	2.3%
CPI Inflation	1.5%	0.1%	1.0%	1.8%	1.9%	2.0%	2.0%
Average Earnings (all sectors)	1.5%	2.6%	3.4%	3.7%	3.6%	3.7%	3.9%
Unemployment	6.2%	5.5%	5.2%	5.2%	5.3%	5.4%	5.4%

1.12 The Chancellor also announced that the government would restrict public sector pay awards to 1% for the next four financial years.

1.13 The Office for Budget Responsibility's Economic and Fiscal Outlook in November 2015 provided the following overview:-

1.14 The table of the following page provide a the Council's treasury management advisers forecasts of interest rates in December 2015.

DRAFT FINANCIAL PLAN 2016- 2020

CityWatch - December 2015

[PREVIOUS PAGE](#)[NEXT PAGE](#)[BACK TO TOP](#)

Economic Data

Economic Forecasts – Capita Asset Services December 2015

	End Q4 2015	End Q1 2016	End Q2 2016	End Q3 2016	End Q4 2016	End Q1 2017	End Q2 2017	End Q3 2017	End Q4 2017	End Q1 2018	End Q2 2018	End Q3 2018	End Q4 2018	End Q1 2019
Bank Rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.00%
5yr PWLB rate	2.30%	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%
10yr PWLB rate	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%
25yr PWLB rate	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%	4.40%	4.40%	4.40%	4.50%
50yr PWLB rate	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.30%	4.30%	4.40%

Economic Forecasts – Capital Economics December 2015

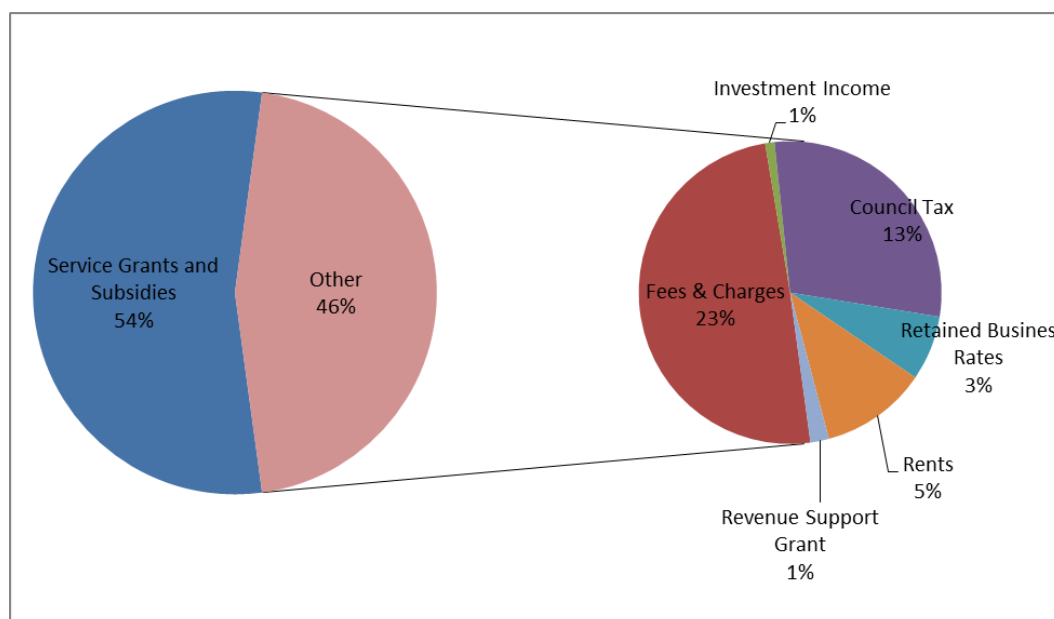
End Q4 2015	End Q4 2015	End Q1 2016	End Q2 2016	End Q3 2016	End Q4 2016	End Q1 2017	End Q2 2017	End Q3 2017	End Q4 2017
Bank Rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%
5yr PWLB rate	2.40%	2.60%	2.70%	2.80%	3.00%	3.10%	3.20%	3.30%	3.50%
10yr PWLB rate	2.80%	3.05%	3.05%	3.05%	3.30%	3.30%	3.55%	3.55%	3.80%
25yr PWLB rate	3.35%	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%
50yr PWLB rate	3.40%	3.40%	3.50%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%

Section 7: RESOURCES

1.15 The Council's budgeted turnover for 2016/17 is £49.6 million.

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

FUNDING SOURCES 2016/17 BUDGET



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

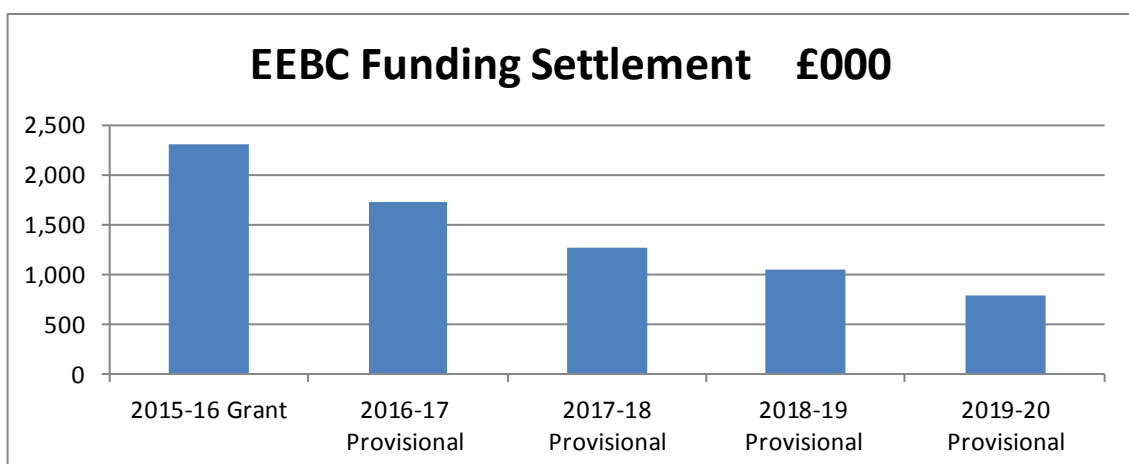
- Housing Benefits Subsidy is a reimbursement of benefits paid locally
- Housing and Council Tax Benefit Administration Grant is a contribution towards administrative costs
- Homelessness Prevention Grant provides funding for housing initiatives
- New Homes Bonus is a grant allocation for extra properties in the Borough

1.18 A total of £26 million is estimated to be received from these sources and a further £0.4 million from Formula Grant and £1.4 million from retained Business Rates to help fund the general provision of services.

- 1.19 The latest provisional funding settlement has revealed further significant cuts in government funding over the next four years with the loss of Revenue Support grant in 2017/18 and a new tariff adjustment also being introduced in 2017/18 that reduces the level of business rate income retained by the Council. These changes will have a significant impact on the Council's turnover and on the Council's resources for providing services to residents.
- 1.20 Central government specific grants provide reimbursement for services that are determined at a national level. The Council provides a mix of other services which need to be funded locally. This includes those services for which the Council has a statutory duty, such as rubbish collection and street cleansing, as well as those which the Council decides to do, such as social and leisure venues. The level of local services that the Council can provide depend on the amount of income raised from council tax, fees and charges, rents and retained business rates.
- 1.21 Resources are considered in more detail in the following sections:-
- Section 8: Government Grants and Business Rates
 - Section 9: Council Tax
 - Section 10: Fees, Charges, Rents and Interest earned on balances

Section 8: GOVERNMENT FUNDING / BUSINESS RATE RETENTION

- 1.22 The Funding Settlement comprises Revenue Support Grant and the Baseline level of funding from retained business rates
- 1.23 The headline core funding is used as an equalisation of resources between local authorities and is allocated to councils by the Department of Communities and Local Government.
- 1.24 The Government's provisional funding settlement provided on 17 December 2015 identifies a reduction in core funding for this Council over the next 4 years of over £1.5 million, a reduction of 65%.
- 1.25 Government have changed the methodology for determining authorities' RSG allocations. Rather than applying the same percentage cut to all authorities, the new approach takes into account individual authorities' council tax raising ability and the type of services provided.
- 1.26 The methodology appears to favour County, unitary and metropolitan authorities, and put significantly larger funding reductions for district councils. The approach also means that authorities with a higher taxbase have a higher reduction in grant. All Council's in Surrey (including the County) have a high Council tax base and all have fared significantly worse than the national average in the settlement.
- 1.27 The Council has suffered a heavy loss of core funding in the Spending Review period as illustrated in the following table.



- 1.28 The Council's central government funding settlement for 2016/17 is £1.72 million calculated as follows:-

	£000
Local share of retained Business Rates (Baseline)	1,300
Revenue Support Grant	417
Total Formula Grant	1,717

BUSINESS RATES RETENTION

- 1.29 The Department of Communities and Local Government introduced localisation of business rates in 2013/14 and this represented a significant change in funding for local councils.
- 1.30 Under the local retention scheme councils enjoy gains or suffer losses from the variations to the business rates collected, whether that is due to changes in collection rates or more /fewer businesses.
- 1.31 The provisional four year funding settlement announced in December 2015 provides the Council with details regarding the potential income that the Council is likely to retain from this source of funding.

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £000	2019/20 £000
<u>Provisional Settlement</u>					
Revenue Support Grant	1,006	417	0	0	0
Retained Business Rates - Baseline	1,289	1,300	1,320	1,360	1,410
Government Baseline Funding	2,295	1,717	1,320	1,360	1,410
Tariff Adjustment	0	0	-50	-320	-620

- 1.32 The new four year settlement introduced a new element called 'tariff adjustment', there had been no prior warning that government intended to implement this change prior to the funding announcement in December. It has the effect of being a negative grant and reduces the amount business rates retained in years 2017/18 to 2019/20 by this Council.

- 1.33 The provisional four year funding settlement sees the Council's core funding from RSG and retained business rates reduce from £2.3 million in 2015/16 to £800,000 in 2019/20 a cut in funding over next four years of £1.5 million or 65%.
- 1.34 The actual position will vary from this forecast depending on level of business rates collectable. Funding could still be lower if there was a reduction in business rates paid in the Borough or if public spending were further reduced.
- 1.35 The resource projections used in the four year financial plan are as follows:-

	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£000	£000
<u>Provisional Settlement</u>					
Revenue Support Grant	1,006	417	0	0	0
Retained Business Rates - Baseline	1,289	1,300	1,320	1,360	1,410
Government Baseline Funding	2,295	1,717	1,320	1,360	1,410
Tariff Adjustment	0	0	-50	-320	-620
Total Settlement	2,295	1,717	1,270	1,040	790
Surplus retained business rates	85	135	144	133	113
Total Funding included in Financial Plan	2,380	1,852	1,414	1,173	903

- 1.36 The Council's underlying position on business rate collection fund is that its share of retained business rates is around £100,000 higher than the income stated in the 'baseline' position.

NEW HOMES BONUS

- 1.37 The new homes bonus scheme was introduced in April 2011 and has been designed by central government to provide financial incentives and rewards for councils and communities who wish to build new homes in their area. The scheme provides reward funding calculated as follows:-

- For every additional residential property councils will receive a sum equivalent to the national average council tax for that particular property band for the next six years;
- For every property that is affordable housing there is a £350 per annum bonus payment for six years;
- There are also additional incentives for reducing the number of empty properties in the Borough;
- In two tier areas the district council receives 80% of the grant and the county council receives the remaining 20%.

1.38 The funding is not ring-fenced and may be used to fund general services or community infrastructure.

1.39 The following table provides an analysis of the new homes bonus the Council has been awarded over the last six year years.

NEW HOMES BONUS

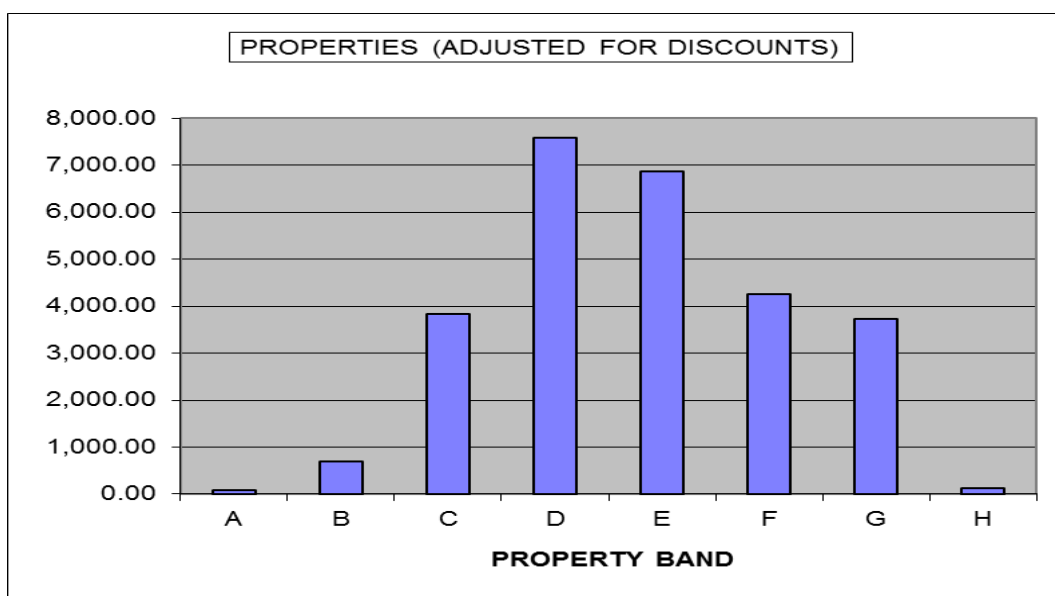
Scheme:	Year	Year	Year	Year	Year	Year
	2011/	2012/	2013/	2014/	2015/	2016/
Homes Delivered	£000	£000	£000	£000	£000	£000
2009/10 Actual	108	108	108	108	108	108
2010/11 Actual		500	500	500	500	500
2011/12 Actual			344	344	344	344
2012/13 Actual				595	595	595
2013/14 Actual					411	411
2014/15 Actual						158
Total Grant	108	608	952	1,547	1,958	2,116

1.40 Government has pledged to retain the new homes bonus, but is also looking to reform the current scheme and it is expected to result in a significant reduction in the level of funding that it currently provides to councils.

1.41 The scheme is currently being reviewed but the current method of grant allocation will continue for 2016/17. After 2016/17 the levels of funding that this Council may receive becomes dependant on the changes made to the scheme.

Section 9: COUNCIL TAX

- 1.42 There are over 31,000 domestic properties in the Borough.
- 1.43 Council Tax levels are based upon the District Valuer's assessment of property bands for each home.
- 1.44 The Borough's council tax base as at December 2015 is illustrated below:-

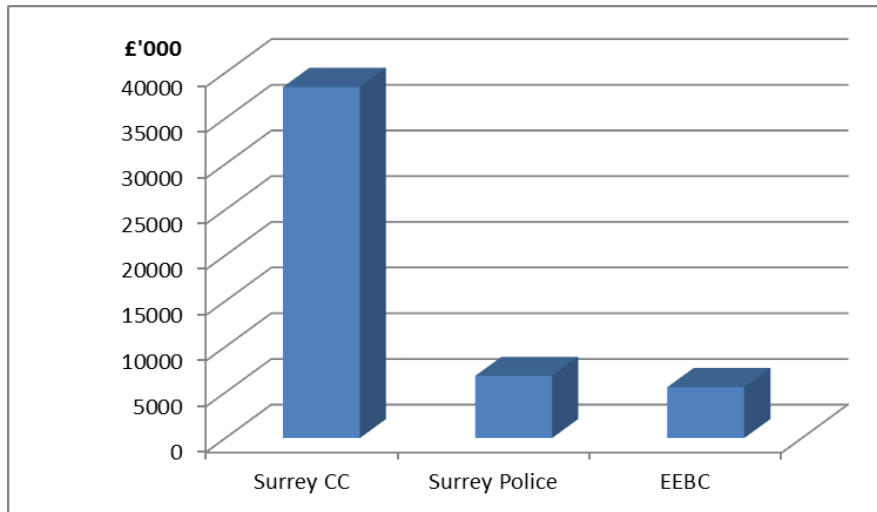


- 1.45 Allowing for the different amounts payable for each property band, the average amount that is raised from Council Tax is equivalent to more than 32,000 properties at the headline Band 'D' charge.
- 1.46 Comparative annual council tax charges published for 2015/16 were as follows:-

Council Tax	Surrey (average)	Epsom & Ewell
<i>Shire District only</i>	£181	£177
<i>Shire District including Parishes</i>	£194	£177
<i>Total Bill in Two Tier Areas</i>	£1,629	£1,613

- 1.47 The Council collects council tax on behalf of Surrey County Council and Surrey Police who levy a precept on the Surrey District Councils (i.e. tell the districts how much they must collect on their behalf).

- 1.48 The amount of Council Tax collected by Epsom and Ewell Borough Council in 2015/16 was £51 million:-



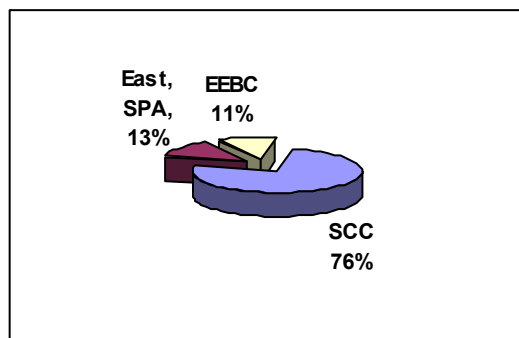
- 1.49 The Borough Council can only make decisions on its share of the bill which raises £5.6 million each year for Borough services which is calculated as follows:-

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

- 1.50 For 2016/17 the figures are as follows:-

$$32,013 \times £180.63 = £5,783,000$$

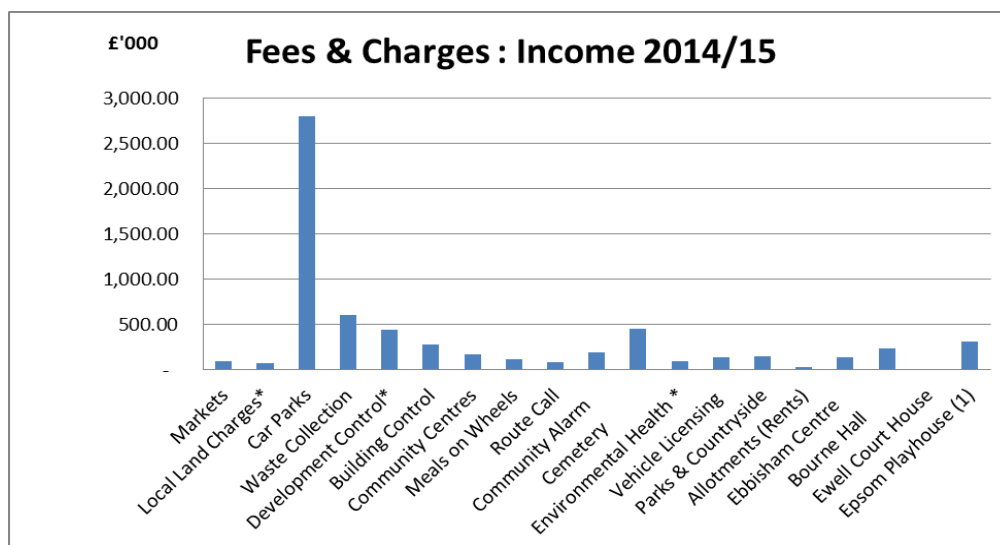
- 1.51 The Financial Plan for 2016-2020 includes a forecast of an additional yield of 2% per annum from the Borough's share of the Council Tax.
- 1.52 This will raise an additional £110,000 to £120,000 per annum to pay for Borough council services and cost the average Band D taxpayer an extra £3.51 per annum (7 pence per week). The increase is in line with the Government's target for inflation which is 2% and therefore aims to maintain council tax at current levels in real terms.
- 1.53 Whatever property band residents occupy the following proportions will apply to each council tax bill in 2015/16:-



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

Fees and Charges

- 1.54 Income from fees and charges forms an important income stream. At more than £6 million per annum the revenue exceeds council tax income.
- 1.55 Some fees are determined by the Council and other are subject to central government regulation.



* fees subject to regulation

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

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

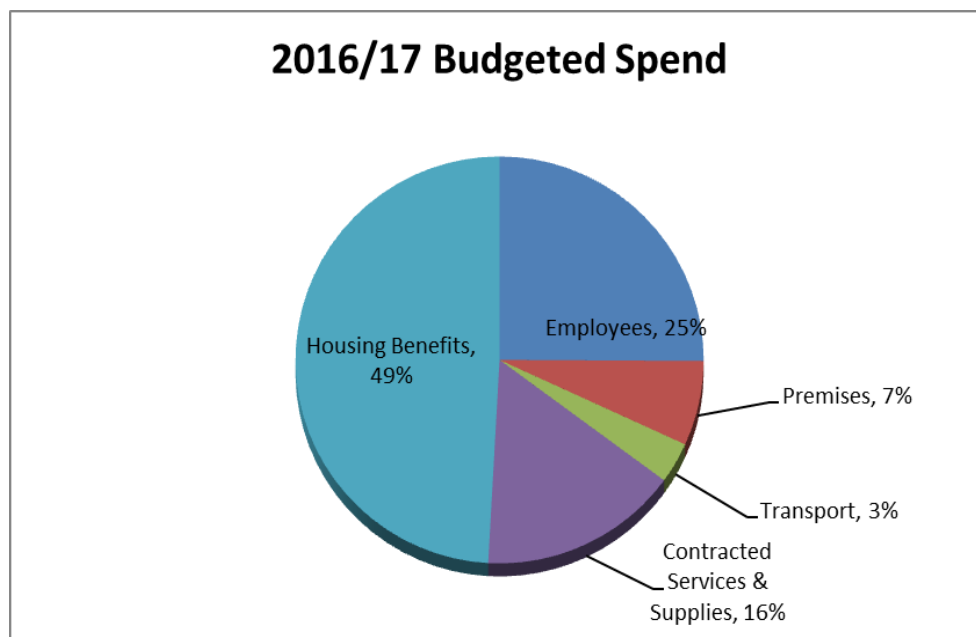
Interest on Balances

- 1.57 The Council invests its revenue and capital reserves and cash flow balances and uses the interest generated to help fund services, in the short term by using the interest to finance the revenue budget and, in the long term, by allocating part of the interest earned to specific funds.
- 1.58 The majority of funds are transferred to a fund manager who operates within a policy agreed by the Council as set out in the Treasury Management Strategy Statement.

- 1.59 Investments totalled £21 million at 31 March 2015.
- 1.60 The level of investments will continue to reduce as capital reserves are used to fund the capital programme.
- 1.61 Interest rates are expected to remain low but expect a gradual increase over for the next four years.

Section 11: COST ANALYSIS

- 1.62 The following chart analyses forecast costs for 2016/17:-



- 1.63 During 2016/17 the main area of expenditure is on housing benefit payments which are made in accordance with government regulations. The Council effectively acts an administering agent for central government.
- 1.64 This level of Council spending will reduce significantly over the next four years due to the implementation of Universal Credit (where housing benefits will no longer be administered by Councils).

Section 12: CONTINGENCIES FOR SERVICE CHANGES

1.65 The following section sets out the main statutory service changes expected to affect the Council's finances over the next four years.

1.66 It was not possible to provide detailed estimates of the impact of central government proposals at the time that this Financial Plan was prepared.

1.67 The following contingencies have been made in the financial forecast.

	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>Total</u>
	<u>Budget</u> <u>£000</u>	<u>Forecas</u> <u>t</u> <u>£000</u>	<u>Forecas</u> <u>t</u> <u>£000</u>	<u>Forecas</u> <u>t</u> <u>£000</u>	<u>Forecast</u> <u>£000</u>
1. Loss of Housing Benefit Admin Grant	0	51	45	24	120
2. Provision for major property maintenance / repairs work	200	50	50	0	300
3. Impact of latest benefit reforms	0	100	100	100	300
4. Pension Fund Valuation	133	133	133	133	532
5. IT and bin replacement programmes previously funded through the capital programme	0	0	200	0	200
Contingency for Service Changes and Pressures	333	334	528	257	1,452

1. Loss of Housing Benefit Admin Grant

The Council is allocated housing benefit grant admin grant by government. Although no specific mention has been made of cutting this grant further it remains very likely that we will see a reduction in this area of funding as the government tries to cut back on public expenditure

2. Provision for major property maintenance / repairs work

As part of the 2015/16 budget process it was highlighted that there is insufficient funds available to carry out major repairs or maintenance to our properties when required. Previously this expenditure would have been funded through the capital programme out of capital receipts. However, due to the current levels of capital funding available we are unable to continue funding these works through the capital programme and need to provide sustainable funding for these potential projects through the revenue budget.

The Council is in the process of developing a deliverable 10 year asset management programme which will identify works required to Council assets

3. Impact of latest benefit reforms

A new range of central government proposals have been made to reduce public spending on welfare costs and at the same time there are increasing pressures on housing due to a reduced housing programme. The Council is not a housing provider but retains responsibility for housing advice and temporary accommodation for the homeless.

Where the Council has a duty to provide temporary accommodation, it has to meet the net cost of accommodating that household. Due to economic outlook and the welfare changes a contingency has been included in the budget forecast for increased housing costs.

4. Pension Fund Valuation

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

The Pension fund as at 31 March 2015 was in deficit by £31 million and the funding level was 65%. The deficit needs to be addressed over the next 20 years and the budget for 2016/17 includes payments of £818,000 to reduce the shortfall on the fund.

In context, the 65% funding level is lower than the target level of 100% but significantly better than most government pensions which are unfunded. The fund is still cash flow positive and the deficit is based on current assets plus a forecast of future contributions less an estimate of payments and other liabilities.

Recent changes to the Local Government Pension Scheme will relieve pressure on employer pension costs and reduce pension costs in the long term. Pension contributions are also affected by other factors such as investment returns. The Surrey Pension Fund will be re-valued as at 31 March 2016 with changes in employer contribution rates implemented in 2017/18.

5. IT and bin replacement programmes

IT and bin replacement featured as regular items within the Council's capital programme. It has been discussed at Capital Member Group over a number of years that these should be included within the revenue budget as they are on-going consumables for the supply of services to the public and to staff/councillors.

The Council needs to develop a deliverable replacement programme for plant, vehicles and equipment.

Section 13: COST REDUCTION

1.68 The Council is seeking to improve its forecast budget position by £3.3 million by 2019/20. £2.3 million of potential savings have currently been identified during this period;

FOUR YEAR COST REDUCTION PLAN - 2016/17 to 2019/20					
	Saving				Total £'000
	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	
Operational efficiencies and income generation	253	238	372	299	1,162
Strategy & Resources Committee					
Reduce hardship fund	5				5
Alternative payroll provision		10			10
Cap discretionary rate relief for business rates		22			22
Shared ICT Service		10			10
Environment Committee					
Introduce Planning Performance Agreements	12				12
Charging to variations to Section 106 Agreements	4				4
Charging for Enabling Officer	2	3			5
Parking income above 6% yield	367				367
Cease sweeping up highway verge cuttings after cutting			52		52
Cease additional cuts to highway verges		150			150
Social Committee					
Extend Housing Act charges	4				4
Cease extended out of hours service	24				24
Charge for Handyman Service	10				10
Introduce administration charge for Home Improvement service	10				10
Cemeteries increase charges for inscriptions	12				12
Increase of fees in cemetery	11				11
Merging Routecall Service	152				152
Social Centre Review	73				73
Leisure Committee					
Allotments – introduce water charging	8				8
Issuing of licences for professional users of parks		10			10
Advertising on litter bins	2				2
Allotments – self management			4		4
Review of operation of parks				77	77
Introduce vending in parks		5	5	5	15
Venues Service Review		64			64
Total Identified Savings	949	512	433	381	2,275
Unidentified savings Target	-	607	332	127	1,066
Forecast Total Savings Required to Deliver Balanced Budget	949	1,119	765	508	3,341

1.69 A programme has been implemented to deliver the necessary savings over the next four years.

1.70 The key features of the programme comprise:-

- A 'Star Chamber' exercise where Service Heads presented options for their services on how savings to the Council can be generated over the next four years.
- A number of Service Reviews phased over the next four years.
- 'Doing Business Better' reviews to be undertaken over the next four years for services with the aim of increasing efficiency, effectiveness and cost.
- Property Related Review – to realise cost reduction of Council operational buildings, increase income from investment properties and generate new receipts from surplus buildings/land.
- Income Generation Review – to include analysis of charging powers and service utilisation and identify options for income generation.

Section 14: CAPITAL INVESTMENT

- 1.71 The Council level of financial risk remains high due to the public sector spending cuts and central government reforms.
- 1.72 The full programme is set out in the Council's Capital Strategy 2016-2019 and summarised below:-

	Original Budget 2016/17 £'000	Proposed Budget 2017/18 £'000	Proposed Budget 2018/19 £'000	Total Provision 2016/17- 2018/19 £'000
ICT Programme of Work	0	250	0	250
Installation of LED Lighting	0	50	0	50
Installation of Solar Panels to Council Buildings-Town Hall	0	100	0	100
Container and Bin Replacement Programme	66	68	0	134
Waste Strategy Containers	25	25	0	50
Ashley Centre Car Park Repairs	0	150	100	250
Replacement of Car Park pay Machines	0	104	0	104
Disabled Facilities Grants	286	286	286	858
Cemetery Extension	654	0	0	654
St Mary's Church Wall Repair	0	60	0	60
Total	1,031	1,093	386	2,510

- 1.73 The programme contains:-

- Core Programme of Priority 1 Works (funded by reserves or grant)
- Schemes to be progressed subject to external funding being achieved
- Spend-to-Save schemes only to be progressed where the business case proves to meet the Council's agreed level of return on investment

- 1.74 The programme will be funded as follows:-

FINANCED BY:	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total £000
Capital Reserves (Core Programme)	695	629	100	1,424
Capital Reserves (Spend to Save Schemes)	0	150	0	150
Revenue Reserves	50	28	0	78
Government Grants	286	286	286	858
TOTAL	1,031	1,093	386	2,510

- 1.75 Unlike the revenue account, capital funding is not constrained by financial years. It is likely that schemes will be carried forward into the programme from the 2015/16 budget and there will be rescheduling of the programme throughout the planning period.
- 1.76 Based on the programme recommended for approval by Council in February 2016, capital reserves are projected at £1.3 million at 31 March 2019:-

CAPITAL RESERVES FORECAST	£m	£m
Capital Reserves 1 April 2015		3.5
New capital receipts		1.3
Balance of expenditure on 2012-16 approved schemes	5.3	
Less: External Funding on 2012-16 schemes	- 3.4	
Estimated use of Capital Reserves for 2015/16 programme		1.9
Uncommitted Capital Reserves at 31 March 2016		2.9
Capital Programme 2016-2019	2.5	
Less: External Funding	- 0.9	
Estimated Use of Capital Reserves 2016-2019		-1.6
Forecast Balance of Capital Reserves at 31 March 2019		1.3
Contingency for addition funding		- 0.3
Minimum Level of Capital Reserves		1.0

- 1.77 The Council's capital programme includes the use of Section 106 and Community Infrastructure Levy (CIL) receipts. These are earmarked for specific community infrastructure.
- 1.78 The Council's capital programme will be reviewed by the Capital Member Group and additional schemes brought forward where Section 106 or CIL funding is received.
- 1.79 The programme will be reviewed annually and the updated Capital Strategy Statement contained in the Budget and Council Tax Report.

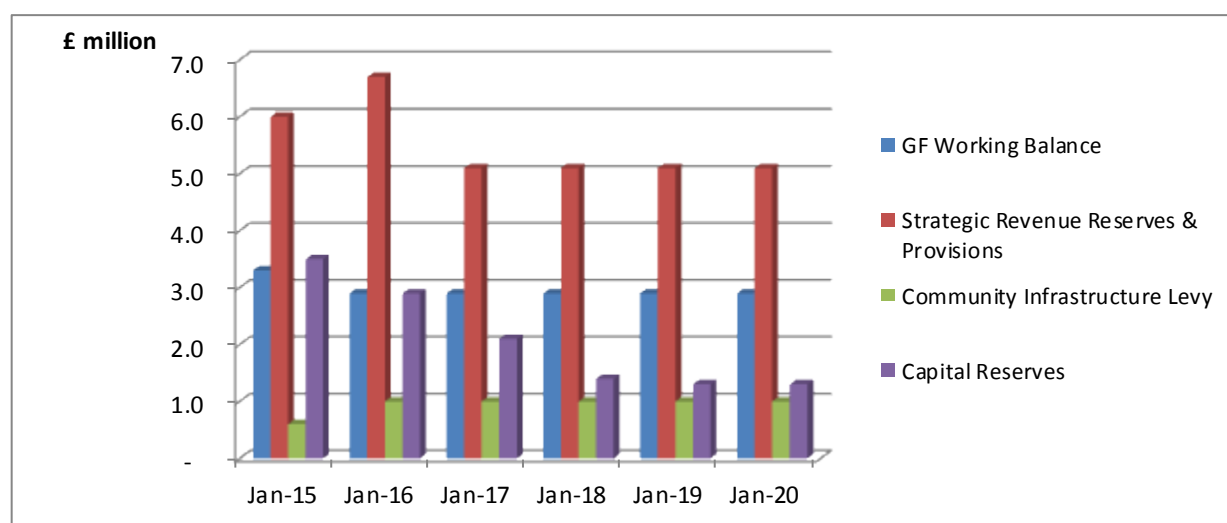
Section 15: RESERVES FORECAST

1.80 The following analysis is covered in this report:-

- Historic Levels of Capital and Revenue Reserves (Section 3)
- Current level of Revenue Reserves and Provisions (Section 3)
- Capital Reserves Forecast (Section 14)

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

	Marc h 2015	Marc h 2016	Marc h 2017	Marc h 2018	Marc h 2019	Marc h 2020
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
GF Working Balance	3.3	2.9	2.9	2.9	2.9	2.9
Strategic Revenue Reserves & Provisions	6.0	6.7	5.1	5.1	5.1	5.1
Community Infrastructure Levy	0.6	1.0	1.0	1.0	1.0	1.0
Capital Reserves	3.5	2.9	2.1	1.4	1.3	1.3



1.82 This overview is based on the following assumptions.

- **General Fund Working Balance:** See four year budget forecast (section 5)
- **Strategic Revenue Reserves & Provisions:** Assumes that levels of each reserve are reviewed annually but overall the Council will maintain its current level of prudence.
- **Community Infrastructure Levy:** The forecast assumes that the Council retains a balance of £1 million of unspent CIL receipts.
- **Capital Reserves:** The forecast reflects the approved use of reserves to fund the four year capital programme (section 14).

Section 16: RISK MANAGEMENT

1.83 The Council level of financial risk is higher than in previous years due to the severity of public sector spending cuts and central government reforms.

1.84 The Council maintains corporate and operational risk registers.

1.85 A financial risk assessment will be completed annually as part of the Budget and Council Tax report. The assessment will provide the scale of financial risk. The following analysis covers the major funding risk anticipated between 2016 and 2020.

RISKS	CAUSES
Government Funding Cuts	<ul style="list-style-type: none"> • Public Sector Spending Reduction • Business Rate Negative Growth (appeals, collection rate) • Specific Grants ended/reduced (e.g. New Homes Bonus)
Income from Fees and Charges below forecast	<ul style="list-style-type: none"> • Drop in demand for services, local competition • Reduced use of Town Centre (parking) • Planning Fee changes not implemented • Reduced recycling / material prices • New charging regulation (local land charges)
Income from Interest on Balances	<ul style="list-style-type: none"> • Interest rates fall or do not rise in future years • Reduced level of Council reserves
Rent loss	<ul style="list-style-type: none"> • Reduced use of Council property by other organisations • Downward rent reviews
Debt financing costs	<ul style="list-style-type: none"> • Capital resources exhausted requiring long term

RISKS	CAUSES
Pension Costs	borrowing <ul style="list-style-type: none"> • Pension Fund performance below forecast • Fall in Equity Market
Homelessness and Housing Support Costs	<ul style="list-style-type: none"> • Cost of accommodating households • Impact of Welfare Changes • Lack of new affordable housing and temporary accommodation
Failure to deliver saving target	<ul style="list-style-type: none"> • Planned service changes not implemented • Savings identified not achievable
Housing benefits	<ul style="list-style-type: none"> • Funding changes during transfer of housing support Universal Credit • Arrears on claimants if not transferred to DWP
Tax Collection (Council Tax and Business Rates)	<ul style="list-style-type: none"> • Recession / unemployment • Welfare benefit reform • Business contraction
Salaries Expenditure	<ul style="list-style-type: none"> • New regulation • Risks on resilience • Savings targets
Maintaining Council Fixed Assets	<ul style="list-style-type: none"> • Cost of major repairs affecting rent income • Cost of urgent work/replacement or overspends on planned works

1.86 The Council also benefits from windfall receipts and suffers for unplanned payments.

Section 17: ANNUAL REVIEW AND SUPPORTING INFORMATION

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

Annual Review	Financial Planning
May	• Financial Review
June	• End of Year Financial Reports
July – August	• Review of Reserves
	• Review of Income and Expenditure
	• Capital Funding Review
	• Financial Planning Brief
September	• Budget Targets for following year
October – November	• Estimates and Budget Options
December	• Capital Appraisals
	• Capital Finances
January	• Service estimates and investment plans for following year
February	• Determine Budget and Council Tax
March	• Publish Budget
	• Council Tax Information & Billing

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

Financial Standing:	Financial Statements – June
	Treasury Management - June
	Review of Reserves - September
Budget Position:	Budget Targets Report – September
	Revenue and Capital Budget – February
Capital Programme:	Funding Position – December
	Annual Capital Programme – February

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

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

FINANCIAL PLAN 2016 - 2020
AND
MEDIUM TERM FINANCIAL STRATEGY

Further Information

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

Telephone: 01372 732000

E-mail: contactus@epsom-ewell.gov.uk

Web Site: www.epsom-ewell.gov.uk

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

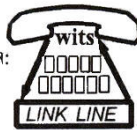
ਜੇਕਰ ਤੁਹਾਨੂੰ ਆਪਣੀ ਜ਼ਬਾਨ 'ਚ ਅਨੁਵਾਦ ਚਾਹੀਦਾ ਹੈ, ਤਾਂ 'ਲਿੰਕ' ਕਰਕੇ ਰਾਬਤਾ ਕਰੋ:

જો તમને પોતાની ભાષામાં ભાષાંતર જોઈએ છે, તો મહેરબાની કરીને સંપર્ક સાધો:

Se necessitar de uma tradução, contacte por favor:

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

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



01483 750548