

GENERAL FUND, SERVICE PLANS, BUDGETS AND PRUDENTIAL INDICATORS 2020-21

Executive Summary

The Service Plans and Estimates for 2020/21 are presented for recommendation to Council.

The provisional local government settlement was announced on 20 December 2019. The base allocation of Business Rates and the removal of negative Revenue Support Grant (RSG) were consistent with the figures included in the November draft budget. The Council's allocation of New Homes Bonus (NHB) was less than forecast, this reduces the balance transferred to the NHB reserve which is used to fund Investment Programme projects.

As in 2019/20, the negative RSG has been removed, which would have cost the Council approximately £1m. The government review of local government funding has been deferred until 2021/22. The levels of government funding from 2021/22 onwards remain uncertain and it may be that the negative RSG will be incorporated into base funding levels under the new arrangements. It is likely that the future arrangements will not be known until autumn 2020.

The draft General Fund Budget for 2020/21 recommended for approval has been prepared with minimal impact on citizen outcomes.

The draft budget includes a £100,000 savings target which was set as part of the Medium Term Financial Strategy (MTFS). In recent years it has been difficult to secure cost savings. However as there are continued upward pressures, it remains important that the saving and efficiency programme is maintained.

The MTFS will be updated in March to incorporate the budget changes, reflect the cumulative impact of project decisions, update assumptions and assess any further actions which may be required over this period.

In addition to the government funding decisions, 2021/22 continues to be a critical year for the Council locally as the town centre redevelopment and car parks are completed and become operational. There remain MTFS strategies, agreed by Council to mitigate the impact of recognised future budget pressures, which are not yet fully implemented. It will be important to consider progress early in 2020/21 in advance of the detailed budget preparation for the following year.

The net budget for the General Fund is £10.2m and the resulting Band D Council Tax figure for 2020/21 of £245.46, an increase of £5.00 (2.08%) compared to 2019/20. The increase is within the provisional referendum limit flexibilities of 2% or £5 proposed by the Government in December 2019. When assessing the resources available to the Council the government assumes that Council tax is increased by the maximum amount.

To encourage empty homes to be brought back into use the government has passed legislation to enable councils to increase the Council Tax premium on domestic properties that have been left empty and substantially unfurnished for two years or more. It is proposed that the Council implement the increased premiums in line with the legislation.

To meet uncertainties a risk contingency of £250,000 has been included in the budget. The Council's financial position will be reported to each meeting of the Executive during the year through the monitoring information presented in the Green Book and additional reports where appropriate.

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The draft budget position will be discussed at the Finance Task Group on 30 January 2020 and any matters raised will be brought to the Executive as appropriate.

Recommendations

The Executive is requested to:

RECOMMEND TO COUNCIL That

- i) the Revenue Estimates and Human Resource requirements for 2020/21 be approved;
- ii) a Band D Council Tax for the Borough of Woking for 2020/21 of £245.46 be approved;
- iii) the charge for overnight car parking in the town centre car parks be amended to apply from 6pm from 1 April 2020;
- iv) a long-term empty premium of 200% be added to the Council Tax payable for properties empty and substantially unfurnished for between 5 and 10 years from April 2020, and of 300% to be added to the Council Tax payable for properties empty and substantially unfurnished for over 10 years from April 2021;
- v) the Prudential Indicators at Appendix 3 to the report be approved, subject to any changes arising from consideration of the Investment Programme, revenue budgets and Final Government Settlement;
- vi) the Service Plans for 2020/21 at Appendix 4 to the report be approved; and
- vii) the Food Safety Plan and Health and Safety Plan at Appendix 4a and 4b to the report be approved.

Reasons for Decision

Reason: To recommend that Council approves the resources necessary to implement its Service Plans and objectives and raises the necessary revenue through the determination of Council Tax for 2020/21.

The item(s) above will need to be dealt with by way of a recommendation to Council.

Background Papers: None.

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1.0 Introduction

- 1.1 This paper sets out the draft General Fund budgets and reserves (Appendices 1-2), Service Plans (Appendix 4) and Prudential Indicators for 2020/21 (Appendix 3).
- 1.2 Section 2 of this report sets out the impact of the government settlement, other government announcements and policy changes.
- 1.3 Sections 3 to 12 set out the main assumptions made in preparing the budget. These sections also consider the most significant areas of risk within the 2020/21 budget and going forward. A savings target of £100,000 continues to be included in the annual budget as proposed in the Medium Term Financial Strategy (MTFS). Given the identified risks, uncertainties and financial pressures, the draft budget also retains a risk contingency of £250,000.
- 1.4 Sections 13 and 14 of this report consider the MTFS and the level of the Council's reserves.
- 1.5 The MTFS reserve is used to manage fluctuations in the annual budget in particular due to the impact of Investment Programme projects and timing of changes in government funding. In 2019/20 assumed net income from property acquisitions was transferred to reserve. For 2020/21 this surplus has been required to cover budget pressures as set out in this report. There is an assumed use of £288,000 for the year which will cover the one-off costs/loss of income from the closure of HG Wells during 2020.
- 1.6 The net budget for the General Fund is £10.2m and the resulting Band D Council Tax figure for 2020/21 is £245.46, £5 more than in 2019/20, and a 2.08% increase in Council Tax.
- 1.7 The draft General Fund Budget for 2020/21 recommended for approval has minimum impact on citizen outcomes.

2.0 External Finance - Local Government Settlement Funding Assessment

- 2.1 With the National focus on Brexit, there has been a delay in all the proposed reforms to Local Government funding. A new system of government funding had been due to be implemented for 2020/21. This would include a review of Fair Funding (where resources should be allocated) and a review of the Business Rates system (the mechanics of how income is distributed and to what extent any growth is retained).
- 2.2 The Ministry of Housing, Local Government and Communities (MHCLG) have deferred the introduction of these changes until 2021/22. There has been very little information made available in the last year which would provide any basis on which to assess the impact once implemented.
- 2.3 Further consultations are expected later in 2020 to determine the final schemes, prior to initial indicative figures being available. Until this modelling has been completed it is difficult to determine the impact of many areas of the proposals on any individual authority.

Settlement Funding Assessment

- 2.4 The provisional Business Rates and Revenue Support Grant (RSG) figures for 2020/21 announced on 20 December 2019 were consistent with those previously assumed in the November draft budget.
- 2.5 The government again provided grant to offset the 'negative RSG' within the allocation of funds. For Woking this is approximately £1m.

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Business Rates

- 2.6 The delay in implementation of the new Business Rates system has resulted in an additional year of Business Rates pooling under the current arrangements. Pooling enables a greater proportion of Business Rates growth to be retained locally.
- 2.7 The provisional settlement accepted the Surrey Business Rates pool, which includes Woking, for 2020/21. The benefit of pooling will depend on the actual level of Business Rates collected in 2020/21. For budgeting purposes a £200,000 contribution towards service provision has been assumed. This is the approach that has been taken for a number of years with the income either from the annual Business Rates growth, or from prior year surpluses held in reserves (in years when the Council is not in a pool/pilot)
- 2.8 As well as Business Rates collected, the Council also pays Business Rates on its own properties. The Council's draft budgets have been adjusted for assumed inflation and changes in the Council's assets including the demolition of the red car park.

New Homes Bonus

- 2.9 The New Homes Bonus (NHB) scheme match funded the additional Council tax for each new home and property in the Borough brought back, above a baseline level, for four years after that home was built or brought back into use.
- 2.10 The Government has set out plans to reduce the funding awarded in future years:
- In 2020/21 pay 3 years 'earned' payments from 2017/18-2019/20 plus award funding for 2020/21 based on applying the same approach (4 years in total)
 - 2021/22 funding will be 2018/19 and 2019/20 legacy payments only – i.e. funding awarded in 2020/21 will be 'one-off' and not generate an ongoing grant (2 years in total)
 - It is assumed that in 2022/23 only a 2019/20 legacy payment will be received and the system will then have been phased out or replaced by an alternative scheme.
- 2.11 The table below illustrates the historic and forecast funding from New Homes Bonus. It also shows the amount which has been included in the annual base revenue budget to support service delivery. The in-year use has been reduced as part of reducing reliance on NHB given the expected reform of the system.

New Homes Bonus

Year of Delivery

Year of Payment

Cumulative Payments	2013 / 14	2014 / 15	2015 / 16	2016 / 17	2017 / 18	2018 / 19	2019 / 20	2020 / 21	2021 / 22	2022 / 23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2011/12 Allocation	310	310	310	310						
2012/13 Allocation	304	304	304	304						
2013/14 Allocation	254	254	254	254	254					
2014/15 Allocation		441	441	441	441					
2015/16 Allocation			219	219	219	219				
2016/17 Allocation				515	515	515	515			
2017/18 Allocation					391	391	391	391		
2018/19 Allocation						261	261	261	261	
2019/20 Allocation							14	14	14	14
2020/21 Forecast								10	0	0
2021/22 Forecast									0	0
Total Allocation	868	1,309	1,528	2,043	1,820	1,386	1,181	676	275	14
Used in Base Budget	614	804	504	1200	1200	1000	600	400	200	0
Balance to NHB Reserve	254	505	1,024	843	620	386	581	276	75	14

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- 2.12 The 2020/21 budget assumes a use of £400,000 NHB to support service delivery. The Medium Term Financial Strategy (MTFS) had allowed for an annual reduction in use to support services, to a base level of £600,000. Given the announced phasing out of the grant, this annual reduction in reliance will need to continue through to 2022/23.
- 2.13 Any remaining New Homes Bonus is transferred into the New Homes Bonus reserve. The reserve is currently being used to fund the annual revenue investment in Brookwood Cemetery. As the grant declines beyond 2020/21 there will be insufficient funds available and, pending the introduction of any scheme to replace NHB, it is assumed the contribution to the Cemetery will be from the MTFS reserve.

Total Government Funding

- 2.14 The total impact of Government funding for 2020/21 with a forecast the for following 3 years is shown in the table below. It shows that the most critical year will be 2021/22 when it is forecast that Fair Funding and Business Rates retention changes, along with the proposed reductions in NHB funding, could be a £1.3m reduction in income for the Council.

Future Government Funding

	Actual	Provisional	Estimated		
	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Business Rates	2,100	2,135	2,199	2,265	2,333
New Homes Bonus	1,181	676	275	14	0
Assumed adjustment post BR retention/FF review		0	-1,000	-1,500	-2,000
Total Funding	3,281	2,811	1,474	779	333
Reductions in funding	-158	-470	-1,337	-695	-446

3.0 Budget setting 2020/21

- 3.1 The General Fund Summary at Appendix 1 summarises the proposed budget and Council Tax levels. Appendix 2 details the general budget pressures and specific service budget changes across the 'People, Place and Us' service areas. The Service plans in Appendix 4 set out the detailed budgets for each activity.
- 3.2 The proposed budget is based on the 2019/20 approved budget updated for contractual inflation, changes in funding and forecast income, agreed service changes and the impact of the draft investment programme which is also on this agenda.
- 3.3 Variances identified through in-year monitoring and the impact of Council decisions during the current year have been incorporated where appropriate. The 2020/21 Budget is due to be discussed at the Finance Task Group on the 30 January. Any matters raised will be reported to the Executive to consider in making the final budget decisions.

4.0 Staffing

- 4.1 The Executive has agreed that for budgeting purposes, the salaries budget will be controlled within two parameters of cost and average number of full time equivalent staff.
- 4.2 The draft Budget received by the Executive in November set out the pressures on the employees budget from previous pay progression, changes to structures and external funding. An increase in the control total of £536,000 was included in the November draft budget to meet some of these pressures.
- 4.3 Since November the results of the pension fund valuation has further increased the pressure on the control total. The final position is shown in the table below.

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Pressures on staffing budgets	£'000
2019/20 savings target built into base budget	507
Further cost of pay progression and allowances 2019/20	396
New posts and structure changes 2019/20	-31
New posts which will be funded by Skanska contract reduction	29
New posts CCTV	107
Add new posts externally funded	807
Changes in funding	-713
Superannuation Increase per 2019 draft valuation	296
Assumed increase for 2020/21	400
Pressure on staffing budget (before control total increase)	1,798
Assumed increase in control total	-1,330
Pressure on staffing control total	468

4.4 The draft budget in November, included a vacancy factor (savings target) of £966,000 (6%). This was higher than in previous years and could cause significant pressure on the staffing budget during 2020/21, requiring posts to be held vacant during the year. It is therefore proposed that the control total be increased so that the savings target is at a more manageable level (3%)

4.5 The table below explains the increase in the control total for 2020/21.

Increase in staffing control total	£'000
Add new services provided in-house	126
Increase in costs in excess of budget 2019/20	396
Superannuation Increase per 2019 draft valuation	296
Assumed increase for 2020/21	400
Increase in control total to reduce vacancy target to 3%	112
Pressure on staffing budget (before control total increase)	1,330

4.6 The budget tracks those posts which are funded by Council Tax and the Housing Revenue Account. It is net of any posts which are funded externally or by Investment Programme projects. The table below shows the trend in the total staffing budget.

Year	Budget (in cash terms) £m	Average Number of FTE Staff
2014/15	12.400	345
2015/16	12.500	345
2016/17	12.600	335
2017/18	13.000	335
2018/19	13.575	340
2019/20	14.360	350
2020/21 (proposed)	15,690	365

4.7 Accounting rules require that these costs are allocated out to individual services to show the full cost of the service. The total Management and Administration budget includes salaries, and other overhead costs which need to be allocated across services such as ICT and

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expenditure relating to the Civic Offices. In total for 2020/21 the full Management and Administration budget is £22.7m which is allocated as set out in the table below.

	2020/21		2019/20		Difference	
	£'000	%	£'000	%	£'000	%
General Fund	19,372	85.4	17,779	86.2	1,593	-0.8
HRA	3,088	13.6	2,801	13.6	287	0.0
Other (capital/reserves)	230	1.0	42	0.2	188	0.8
TOTAL	22,690	100.0	20,622	100.0	2,069	0.0

4.8 The total increase in costs between years represents the increase in the Control Total, £1,330,000, adjusted by £507,000 income from Surrey County Council to fund the family centres which is separately included in the Service Plan budgets. Other increases include the increase in pension fund deficit funding, £168,000 and additional ICT costs of £130,000 offset by a £152,000 reduction in depreciation costs.

4.9 Following the full review of allocations in 2018/19, the General Fund is bearing a higher percentage of the overheads. This allocation of overheads will be kept under review in future years, in particular following the restructure of 'People' services which may impact on where resources are directed.

5.0 Pensions

5.1 The triennial actuarial review of the pension fund has now been completed for the fund at 31 March 2019. The results set the employer's ongoing pension contributions and annual lump sum payment towards the pension fund deficit for 2020/21 to 2023/24.

5.2 The indications from the actuary had been that the fund was in a good position and almost 100% funded and it was hoped that the valuation would not result in a change in contribution levels

5.3 The funding strategy for the pension fund is based on an overall contribution rate compared to total payroll. The increase in the payroll since 2016, due to more services being directly operated as well as increases in salaries, has meant an increase in actual cash contributions compared to the draft budget as the lump sum deficit funding hadn't been increased proportionately.

5.4 The recommended contribution levels are now incorporated into the 2020/21 budget. Contributions over the 3 year period will be reflected in the MTFS.

6.0 Fees and Charges 2020/21

6.1 Council agreed the Fees and Charges for 2020/21 in December 2019 and the changes to the income budgets are incorporated into the budgets and detailed service plans. The increase in yield included in the Fees and Charges report was £89,000. Budgets in some areas have been adjusted to reflect 2019/20 monitoring where income is below forecast.

6.2 As set out in paragraphs 10.3-10.6 it is proposed that the overnight charge for the town centre car parks be brought forward from 7pm to 6pm from 1 April 2020. This will be a 1 year pilot to assess the impact, both in terms of encouraging evening visitors to the town, and any impact on the overall income generated. The budgeted car park income for 2020/21 has not been adjusted as a result of this change and any variance to income will be reported in the Green Book during the year.

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7.0 Commercial Rents 2020/21

- 7.1 Over recent years the Council has had an increasing portfolio of commercial properties. The performance of property acquired for strategic purposes since 2016/17 is reported monthly on the Strategic Properties page of the Green Book.
- 7.2 New income is assumed to reflect the MTFS approach approved by Council in December 2018. The financing and repayment costs are included in the interest costs reported separately in the General Fund Summary (Appendix 1). Where there has been a delay in implementing the strategy there is a risk to the budget that the net income will not be received. In the short term this will affect the balance of funds transferred to or from the Medium Term Financial Strategy (MTFS) reserve. This reserve is available to mitigate the timing impact of financial pressures or withdrawal of government funding over the MTFS period. In the longer term if the property is not secured the base budget will need to be amended to remove the net income.
- 7.3 Whilst some properties have vacant space the income budgets are generally kept at full occupancy to reflect the income which should be achievable from the asset. A number of reserves are available, some specific to particular properties, to mitigate any budget variance as a result of vacancies. In some instances it has been agreed to reduce budgeted income to enable funds to be set aside for future investment.

Key Strategic Property Assumptions 2020/21

Midas House	Income budget remains in the base budget as a target to be secured by alternative strategic income on sale of Midas House to SCC.
New Acquisitions	Rental income added to the base budget following acquisitions during 2019/20 (Commercial Way, 1 Christchurch Way)
Triangle Site	Current income, £387k, included in the base budget pending redevelopment as part of the HIF funded scheme. Once received the HIF grant will reduce the Council's borrowing costs on acquisition of this property. On development any outstanding finance costs would be capitalised.
Strategic Properties	Income from property approved for acquisition in October 2018 is included in the base budget. Not all of the acquisitions have been completed. Income from other property transactions are not included until they have completed.

- 7.4 Further information on the Council's approach to Strategic Property Investment can be found in the Capital and Investment Strategies, also on this agenda.

8.0 Investment Programme

- 8.1 The draft Investment Programme, also on this agenda, was considered by the Executive at its November meeting and has been reviewed by the Finance Task Group.
- 8.2 Since November changes have been made to reflect decisions made since that date and the profiling of existing projects has been updated where appropriate. These are considered in more detail in the Investment Programme report.

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8.3 The revenue impacts of the Investment Programme have been built into the draft General Fund budget. This includes interest and repayment costs for those projects funded by borrowing, and contributions from reserves for some revenue projects.

9.0 Thamesway Group

9.1 The Thamesway Group of companies provides direct service benefit as well as financial benefit to the Council. The financial benefit arises in a number of ways. There is a benefit from the loans and shares invested in the Thamesway group. Investment in Thamesway Housing Ltd is at a margin of 1.5% over the Council's borrowing costs. Investment in Thamesway Energy Ltd for the new Poole Road Energy Centre is at a margin of 1% over the cost of borrowing.

9.2 In addition, as part of the funding for Milton Keynes, the Council receives a 1% loan arrangement fee. Thamesway Ltd receives a project fee for its intellectual property in Milton Keynes of 4% of the capital expenditure on works in any one year. The project fee is being used to support energy and environmental initiatives in Woking. Utilising the companies can provide efficient ways of procuring services.

10.0 Robustness of the 2020/21 Budget and Risks

Savings Target and Risk Contingency

10.1 A £100,000 savings target has been included in the budget as set out in the MTFs. Whilst it has been difficult to secure significant savings in recent years there continues to be a need to review the Council's services for productivity and procurement efficiencies. The funded Risk Contingency has been kept at £250,000, the same level as in 2019/20. In addition to the areas already considered in this report, the following are identified as risks or pressures within the proposed budget for 2020/21.

HG Wells Centre

10.2 The HG Wells Centre will close on 31 July 2020 and the Council's lease of the property will cease on 30 September 2020. Arrangements are being put in place to ensure appropriate provision for activities which have previously been hosted at HG Wells. Once the Victoria Square development is complete the hotel will provide conference facilities in the town centre. There will be a saving in 2020/21 from the property lease, which will be offset by one-off costs on closure and declining income during the 4 operational months.

Car Park income

10.3 For some time The Ambassadors Theatre Group has requested that the overnight rate for parking in the town centre car parks be brought forward from 7pm to 6pm. It is their view that this will encourage visitors to the town for evening theatre and cinema entertainment to arrive earlier resulting in less of a last minute rush to attend shows.

10.4 It is considered that their proposed amendment in charging structure could also support the wider night time economy in the town centre and attract more visitors to appreciate the offer following the Council's investment over recent years, including in the newly refurbished cinema. It would also assist town centre evening workers.

10.5 In line with the Council's climate change objectives, and the need to improve air quality, a change in the charging structure could also encourage parking in the town centre car parks rather than on-street.

10.6 Whilst it is acknowledged that there could be a cost to the proposed change, perhaps up to a £250,000 reduction in income, it is proposed that a 1 year pilot commence 1 April 2020. The

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impact will be monitored during 2020/21 and proposals for 2021/22 will be considered during the budget process next year.

- 10.7 The red town centre car park is currently being rebuilt as part of the Victoria Square regeneration. Parking capacity has been actively managed during 2019/20 and income was broadly in line with budget until November 2019. The position for December 2019, however, shows a forecast variance of £500,000 for the year. Work will continue to monitor car park activity and income closely as Victoria Square nears completion.
- 10.8 Once complete the Council will acquire the car park element of the Victoria Square development. This was previously scheduled across 2020/21 and 2021/22. The timing of this has been slipped in the Investment Programme as the car park will not be complete during 2020/21. Any implications of this will be considered when the MTFs is updated in March.

Town Centre and other Commercial Income

- 10.9 The Council has an increasing portfolio of commercial assets mostly located in the Town Centre. There is a risk that rental income will reduce if there is a slow down in the economy and it becomes difficult to attract tenants to these properties. There is also a risk of business failure leading to rents not being recoverable.
- 10.10 Whilst the redevelopment of the Town Centre, through the Victoria Square regeneration project and Integrated Transport works, will affect the ability to attract tenants in the short term, the improvements are expected to improve the rental value of properties in the Town once completed. The Council will need to be able to withstand a period of transition with potential shortfalls in rental, car park and business rates income during the works. Reserves will continue to be held to mitigate the risks.

Family Centres

- 10.11 The budget includes adjustments to both the salaries and service budgets to reflect the Council taking on provision of the Family Centres from Surrey County Council (SCC). There is a net zero impact as costs are fully funded by income from SCC.

Timing of Investment Programme and interest costs

- 10.12 The Council's Investment Programme has a number of high value projects where the timing may change. This will affect both the financing costs and potentially any income generated as a result of the investment. Slippage of the schemes will defer the financing costs into future years.
- 10.13 Advances to group companies are based on the Thamesway Business Plans and reflect the best estimates of timing. Where advances are due to be made in year the margins on Thamesway Housing loans are included in the base budget. Other loans are budgeted to just cover costs so there is no net impact of slippage.
- 10.14 Some projects have been funded by borrowing as an interim measure pending receipt of grants or contributions. Any delay in the funds being recovered will increase the Council's financing costs.
- 10.15 Net interest costs during the year are also affected by decisions on whether borrowing should be taken long or short term, and when the borrowing should be secured. There will be a balance between assessing the long term benefit against the short term, as in 2019/20 when high levels of long term borrowing were taken earlier than required due to the attractive interest rates.

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Loss of External Funding

- 10.16 Surrey County Council contributes to a number of the services within the Council's People Service Plans as well as environmental maintenance and recycling. The County has experienced significant cost pressures in recent years and has an ongoing program to review service provision to generate substantial savings. Funding has been incorporated where known for 2020/21 and the MTFS assumes further reductions in income.
- 10.17 Where funding is withdrawn the Council's approach has been to continue to maintain the service while it is reviewed to identify efficiencies or new ways of provision. The Council may be required to reduce services which have previously been funded if no sustainable alternative solution can be found. There could also be increased demand on our own services as services elsewhere are closed.

Energy

- 10.18 The cost of energy remains volatile and difficult to predict. Based on current forecasts, a small inflationary increase in energy costs has been included in the budget.
- 10.19 The Council will be taking ownership of some assets previously owned by Thamesway Energy Ltd in Woking Park. This will result in a budget movement between direct costs and loan interest, but it is assumed there is no net effect in 2020/21.

General Risks

- 10.20 No specific provision has been made in the Budget for abnormal events. However, the proposed risk contingency and reserves should enable the Council to manage changes in circumstances during the year.

11.0 Service Plans

- 11.1 The draft Service Plans are set out in Appendix 4. The Service Plans are organised under the thematic headings of People, Place and Us to reflect the way the Council is structured.
- 11.2 Service Plans are designed to translate the Council's strategic vision, objectives and priorities into operational plans that drive improvement. Each Service Plan will identify what needs to happen for each area of Council activity to achieve success, what resources will be required, the outputs and outcomes that are anticipated and any risks that might impact delivery.
- 11.3 The Service Plans will be published before the 30 June 2020 statutory deadline.
- 11.4 Also included in the Service Plan section, at Appendices 4a and 4b, are the Food Safety Plan and Health and Safety Plan. These plans articulate how the Council will carry out its statutory environmental health responsibilities and are required to be approved by the Council each year, in accordance with the requirements of the Food Standards Agency (FSA) and Health and Safety Executive (HSE), respectively.

12.0 Council Tax 2020/21

- 12.1 The amount to be raised from Council Tax, based upon the draft revenue estimates, and after taking account of the Revenue Support Grant Settlement and Collection Fund surplus, is £10,206,385. The recommended Band D Council Tax for 2020/21 for Woking Borough Council is £245.46, an increase of £5 or 2.08%. The provisional referendum level for District Councils in 2020/21 is expected to be the higher of 2% or £5. In assessing the Council's core resources the government assumes that the maximum Council Tax increase is applied.

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- 12.2 This proposal enables the Council to maintain its service outcomes and provides for some service development.

Long Term Empty Properties

- 12.3 The government passed legislation during 2018/19 to enable councils to charge a long-term empty premium on top of the council tax payable, in respect of domestic properties that have been left empty and substantially unfurnished
- 12.4 To encourage empty homes to be brought back into use, and to generate additional income to support the services of the County Council, the Police and Woking Borough Council, the premium for properties empty for over 2 years was implemented by the Council from 1 April 2019.
- 12.5 Legislation allows councils to charge a higher rate when properties are left empty and substantially unfurnished for longer periods from April 2020 and April 2021. It is proposed that the Council implements these changes from the applicable dates in line with the legislation.

Premium rate	Properties affected	Date from
100%	Properties empty for between two and five years	April 2019
200%	Properties empty for between five and ten years	April 2020
300%	Properties empty for over ten years	April 2021

- 12.6 Surrey County Council is considering granting the increased County element of Council Tax generated from changes to empty home policies to the District and Borough Council's to support community services. The terms and conditions relating to this additional funding are not yet clear so no benefit has been included in the 2020/21 budget.

13.0 Medium Term Financial Strategy

- 13.1 The Medium Term Financial Strategy (MTFS) was last approved by the Council in April 2019. It set out the likely cost pressures and changes to income over the period from 2019/20 to 2023/24. It was forecast that £6.5m of savings would need to be achieved by 2023/24, of which £5.5m are to be met through the Council's approved investment strategy.
- 13.2 Slippage in the investment strategy of investment in strategic commercial property and housing puts at risk achieving the income required to meet the forecast budget pressures.
- 13.3 Detailed budget workings now replace the MTFS for 2020/21. There are also a number of factors which are now incorporated into the base 2020/21 budget which were not included when the MTFS was prepared.
- 13.4 A full analysis will be prepared for the update of the MTFS in March 2020. This will include an assessment of the assumptions incorporated.
- 13.5 It is assumed that reductions in funding will continue under the new funding arrangements. This assumption will continue to be reviewed, but is prudent whilst the Council retains an allocation of funding through the settlement (see para 2.14). At 2023/24 just £333,000 remains in the forecast. It is considered that a reduction beyond zero is unlikely and continued reductions at previous rates would be unsustainable in the medium term.

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14.0 Reserves

- 14.1 Forecasts of the Investment Strategy Reserve and the total Reserves are shown in Appendix 2B.
- 14.2 The 2019/20 budget has been closely managed throughout the year and variations have been reported in the Green Book. The December reporting shows a projected overspend of £515,000. This forecast outturn is reflected in the revised 2019/20 reserves position through additional use of the Medium Term Financial Strategy (MTFS) reserve.
- 14.3 An annual transfer is made to the Investment Strategy reserve which for 2020/21 is £1.3m. It is forecast that a £287,000 contribution from the MTFS reserve will be used in 2020/21. This equates to the additional one-off costs/reduction in income due to the closure of the HG Wells centre.
- 14.4 Some items in the General Fund Summary (Appendix 1) are covered by the Council's revenue reserves. These tend to be variable or one off items which would otherwise cause the Council Tax requirement to vary significantly year on year.
- 14.5 The management structure will continue to be reviewed during 2020/21 where opportunities arise. An allowance of £250,000 to be met from reserves has been made for any resulting Management of Change costs.
- 14.6 Transfers are made from the Investment Strategy reserve to a number of specific reserves, for example the Group Company reserve, Community Fund and Wolsey Place reserves as shown in Appendix 2B. The reserves are used by the Council to manage and develop its ambitions as well as enabling one off investment.
- 14.7 The Council has a target to manage the Investment Strategy reserve to £3 million. When the budget was set in February 2019 the balance of this reserve was forecast to be slightly below this level. At £2.5m the forecast balance remains in line with the budgeted level. However, beyond 2019/20 the balance on the reserve reduces each year, with a forecast position of £626,000 at 31 March 2023. This is due to the funding of projects, in particular the flood schemes from the reserve. The position is considered acceptable given the other revenue reserves which have been created in recent years and the potential to reduce the impact of projects if necessary.
- 14.8 Management of the level of reserves will also be considered as part of the Medium Term Financial Strategy. At 31 March 2019 it was possible to increase the balances on the MTFS reserve, Business Rates reserve and the Off-Street Parking reserve, all of which provide resources to manage fluctuations in any one year. Further consideration will be given to reserve levels in preparing the final accounts at 31 March 2020.
- 14.9 The forecast reserves position shows overall revenue reserve of £28.5 million at 31 March 2020 which are being used in support of the business objectives of the Council. The current forecast level of reserves is adequate.

15.0 Prudential Indicators

- 15.1 The Treasury Management, Capital and Investment Strategies elsewhere on this agenda set out the borrowing limits and the policies and practices to be followed in managing the Council's debts, capital spend and investments. The reports incorporate the Prudential Indicators which relate to borrowing and investment.
- 15.2 Allowance has been made in the borrowing limits for borrowing associated with the approved Thamesway Business plans. The limits allow for up to half of the following years Thamesway Housing Ltd (THL) allowances, as set out in the Investment Programme, to be

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drawn down in advance. The whole Victoria Square project cost, is allowed in the Prudential Indicators immediately to enable flexibility of funding.

- 15.3 Prudential Indicators for approval by the Council are set out in Appendix 3. These Prudential Indicators will be updated if necessary in the light of the Council's consideration of the Investment Programme and revenue budgets.

16.0 Chief Finance Officer

16.1 Taking into account all of the factors set out in this report and in accordance with the Local Government Act section 25, the Chief Finance Officer has confirmed that the 2020/21 estimates included within this paper are robust, and the level of reserves and provisions are adequate and will enable the Council to maintain a sound financial position.

16.2 Whilst the budget for 2020/21 is sound, considering the identified service risks and balances in reserves, there remains a risk in implementing the Council's agreed MTFS mitigation strategies. With the potential significant changes which will need to be incorporated into the budget in 2021/22, it will be important that any MTFS uncertainties be resolved as soon as possible ahead of budget preparation next autumn.

CIPFA Financial Resilience Index

16.3 Following the draft 'Resilience Index' published by The Chartered Institute of Public Finance and Accountancy (CIPFA) in 2018/19, a revised and updated model was published in December 2019. The 'Resilience Index' aims to provide an early warning of sustainability issues.

16.4 The detail for Woking is shown in Appendix 2C. There are only 2 areas which are highlighted as a potential risk:

- Borrowing levels
- Interest costs

16.5 These are not unexpected given the Council's long term investment in the Borough and the index identifies areas for consideration based simply on the aggregate figures with no analysis of the use of funds, level of assets or reserves.

16.6 Whilst no substantive issues are raised by this process, it should be recognised that the index is based on figures from the 2018/19 financial statements, so is backward looking. It does not consider future financial projections, plans or funding changes. The Resilience Index will be considered further as it develops and alongside future review of the MTFS and annual budget.

17.0 Implications

Financial

17.1 The financial implications are explicit in the report.

Human Resource/Training and Development

17.2 The Council's Human Resource Requirement reflected in these estimates is set out in section 4 of this report.

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Community Safety

17.3 The draft service plans take account of the Council's policies in respect of Community Safety.

Risk Management

17.4 Risks to budgets have been identified throughout the year and reported in the Performance and Financial Monitoring Information booklet (the "Green Book"). Draft budgets have been adjusted in appropriate cases. One-off or short term variances will be monitored against, and met from, the Risk Contingency during the year. Specific risks have been set out in the report.

Sustainability

17.5 The draft service plans take account of the Council's policies in respect of Sustainability.

Equalities

17.6 The draft service plans take account of the Council's policies in respect of Equalities.

Safeguarding

17.7 There are no specific safeguarding issues arising from this report.

18.0 Consultations

18.1 Members, including the Portfolio Holder, the Finance Task Group, and Officers, including Corporate Management Group, have been consulted in the preparation of the draft budget.

REPORT ENDS