

EXECUTIVE - 1 FEBRUARY 2018

GENERAL FUND, SERVICE PLANS, BUDGETS AND PRUDENTIAL INDICATORS 2018-19

Executive Summary

The Service Plans and Estimates for 2018/19 are presented for recommendation to Council.

The provisional government settlement was announced on 19 December 2017. Allocations were published for Revenue Support Grant (RSG), retained Business Rates and Transition Grant for the period from 2017/18 to 2019/10. These allocations were consistent with the figures provided in February 2016 when the Council accepted the multi-year settlement.

Most significantly for the Council, the government also announced 10 new Business Rates pilot areas for 2018/19 which included Surrey. This means that a greater proportion of Business Rates income will be retained. The Business Rates collected will fund the settlement allocation and surpluses above the baseline level will be retained in Surrey. The financial benefit of the pilot will depend on the level of Business Rates collected in the year as it is those receipts over the baseline level which are affected. As the pilot is just for one year at this stage no additional one-off benefit has been included in the 2018/19 budget. Instead, any income accrued will be available to fund economic development projects as proposed by the Surrey bid.

Final settlement figures have not yet been published. The impact of any changes in the final figures will be reported at the meeting if available.

The draft General Fund Budget for 2018/19 recommended for approval has been prepared on the basis of minimum 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). It has become increasingly difficult to secure cost savings. However, as there are continued upward pressures, it remains important that the saving and efficiency programme is maintained and contributes to the requirement.

The MTFS will be updated in March to incorporate the budget changes, update assumptions and assess any further actions which may be required over this period. The draft 2018/19 budget proposes using £309,000 from reserves to support services. The current MTFS indicates a further requirement of £3m to 2021/22, of which £2.4m relates to known or assumed reductions in government funding. The next 4 years include the uncertainty of proposed changes in funding mechanisms. They are also a critical period for the Council with the town centre improvements potentially affecting the Council's income streams. It will be important to maintain reserves to provide support, if necessary, during these years.

The net budget for the General Fund is £9.7m and the resulting Band D Council Tax figure for 2018/19 of £233.46, an increase of £6.75 (2.98%) compared to 2017/18. The increase is within the referendum limit of the greater of 3% or £5 set by the Government in December. The increase in the referendum limit from 2% to 3% generates an additional £76,000 in 2018/19 and is assumed within the government assessment of the Council's available resources.

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 25 January 2018 and any matters raised will be brought to the Executive as appropriate.

Reasons for Decision

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 2018/19.

Recommendations

The Executive is requested to:

RECOMMEND to Council That

- i) the Revenue Estimates and Human Resource requirements for 2018/19 be approved;**
- ii) a Band D Council Tax for the Borough of Woking for 2018/19 of £233.46 be approved;**
- iii) the Finance Director, in consultation with the Portfolio Holder, be authorised to approve the terms of the Surrey Business Rates Pilot on behalf on the Council and to sign the Memorandum of Understanding;**
- iv) 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;**
- v) the Service Plans for 2018/19 at Appendix 4 to the report be approved; and**
- vi) the Food Safety Plan and Health and Safety Plan at Appendix 4a and 4b to the report be approved.**

<p>The recommendations above will need to be dealt with by way of a recommendation to the Council.</p>

Background Papers:

None.

Sustainability Impact Assessment
Equalities Impact Assessment

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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 2018/19 (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 10 set out the main assumptions made in preparing the budget. These sections also consider the most significant areas of risk within the 2018/19 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, and the difficulty in achieving the savings target in 2017/18 the draft budget also retains a risk contingency of £250,000.
- 1.4 Sections 11 and 12 of this report consider the MTFS and the level of the Council's reserves. To maintain services and balance the budget £309,000 of reserves have been used in year. This is as a result of a change in the allocation of overheads between the Housing Revenue Account and General Fund and is £335k less than used in 2017/18 but £335k more than forecast in the draft November budget.
- 1.5 The net budget for the General Fund is £9.7m and the resulting Band D Council Tax figure for 2018/19 is £233.46, £6.75 more than in 2017/18, and a 2.98% increase in Council Tax.
- 1.6 The draft General Fund Budget for 2018/19 recommended for approval has minimum impact on citizen outcomes.

2.0 External Finance - Local Government Settlement Funding Assessment

- 2.1 The 2016/17 final settlement included a 4 year funding offer which has provided some certainty over the level of government funding for the last 2 years. Whilst the reductions in funding were not attractive, and amounted to a reduction of 67%, the alternative was the risk of potential further reductions in support.
- 2.2 The provisional figures for 2018/19 announced on 19 December 2017 were consistent with those previously published, with the Business Rates allocations adjusted for inflation. These are as shown in the table below:

Government Funding

	4 year settlement - Updated December 2017			
	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
Business Rates	1,954	1,993	2,053	2,099
RSG	588			
Transition Grant	137	112		
Tariff adjustment				- 991
	2,679	2,105	2,053	1,108
Reductions in funding	- 730	- 574	- 52	- 945

- 2.3 The most important change for the Council for 2018/19 was the success of the Surrey-wide Business Rates Pilot announced with the provisional settlement. As set out in the section below, this means that funding is not allocated through Revenue Support Grant (RSG) or Redistributed Business Rates as in the table above, but instead is taken directly from Business Rates collected by the Pilot area. An adjustment is made to the tariff paid under the Business Rates system to ensure the effect is neutral if Business Rates are collected at the assumed baseline levels.
- 2.4 The Council has received Transition Grant in 2016/17 and 2017/18 to mitigate the reductions in allocated resources. No Transition Grant is included for the final 2 years of the 4-year settlement. In setting out the provisional figures the Minister confirmed that the issue of the tariff adjustments included for a number of Councils in 2019/20 would be considered in spring 2018. This 'negative RSG', which for Woking amounts to a payment of £1m to the government, was intended to be resolved by the introduction of the new Business Rates system that has been delayed. It is not clear what proposals may be suggested to address the concerns of affected Councils.

Business Rate Retention (BRR)

- 2.5 The government originally proposed the introduction of 100% retention of business rates by local government by the end of this Parliament. Following the general election the Local Government Finance Bill was dropped and it was not clear what the intention would be going forward. It has now been confirmed that the department will continue to implement the Business Rates changes, doing as much as can be done without primary legislation. The suggestion is that this may be a system of 75% retention from 2020/21.
- 2.6 The retained percentage relates to the amount of Business Rates income collected which is retained by local government. It also reflects the amount over the baseline level, which is retained locally.
- 2.7 Currently the government operates a system of 50% localisation of Business Rates. The government receives 50% of the total income with Woking and Surrey County Council sharing the remaining income 40%/10% respectively. Woking is required to pay a tariff out of its allocation and a levy is paid at 50% of any income over baseline. If income is at the baseline level as assumed by the government, just 4.4% is retained locally, equivalent to the £2m funding from business rates shown in the table in paragraph 2.2.
- 2.8 In 2015/16 and 2016/17 the Council was part of the Surrey Business Rates pool. This meant that all of the 50% local share, all of the increase over baseline was retained in Surrey rather than shared again with the government, with no levy payable.
- 2.9 In the 2018/19 Pilot, the government still takes its tariff (adjusted to exclude RSG/Business Rates funding as in paragraph 2.3) but does not gain from any uplift.
- 2.10 The governance arrangements of the Surrey Pilot ensures that all Councils achieve at least as much income as they would have if they were not in a pilot, and those who would have been in a pool (including Woking) also have any pooling benefit protected. The government has also agreed that the safety net system will apply to the new Pilot areas, albeit at a Pilot level rather than for any individual authority.
- 2.11 The Council will need to sign up to a Memorandum of Understanding (MoU) with the government. At this stage only an early draft has been received which does not include much detail. There has been no guidance on timescales or any other requirements of the Pilot which may be included in the MoU. It is recommended that the Finance Director, in

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consultation with the Portfolio Holder, be delegated authority to agree the terms of the Pilot and sign the MoU once details have been agreed.

- 2.12 The bid prospectus described the government vision that Pilot benefits would be used for financial stability and encouraging further growth. The Surrey bid set out that the County Council would use funds predominantly to promote financial stability, while the Districts would invest any additional income achieved in economic development schemes. It is intended that any benefit of the pilot for Woking will be allocated to fund feasibility studies, in particular to progress the Network Rail works at Victoria Arch.
- 2.13 All properties subject to business rates were revalued by the Valuation Office with new charges coming into force for 2017/18. The government also introduced a new system for appeals from 1 April 2017, referred to as 'Check, Challenge, Appeal'. The intention was to reduce the number of speculative appeals, making the process more efficient and ensuring genuine cases were resolved more quickly.
- 2.14 Revaluation increases in Woking were less than the national average increase. As the revaluation is intended to be fiscally neutral, this means the adjustment to the multiplier would on average result in reductions in business rates charged in Woking. However, there remained an inflationary increase to the base business rates income and an allowance made for successful appeals. Overall the average increase in Woking was 3.3%. The tariff paid to the government will be adjusted to make the effects of the revaluation neutral in terms of the amount retained by the Council.
- 2.15 The Valuation Office has not provided any information on appeals since the 2017 revaluation, so it is not clear what level of adjustment may be required to baseline income. Recently, however, the Council has received a high level of rating adjustments, in particular in the Town Centre. It is likely that these are due to the current ongoing works and will reduce the income generated by the Council until the works are complete. However they could be routine corrections/adjustments to the valuation list.
- 2.16 Given the unknown level of appeals in the system or still to be lodged, and the redevelopment of the Town Centre which will impact both the number of rated properties and the valuation attributed to neighbouring properties, there remains a significant level of uncertainty around the eventual income for 2018/19. If no further information is available the Council will need to take a prudent view on the value of income which may be subject to a successful appeal in setting the appeals provision at 31 March 2018.
- 2.17 The base budget for 2017/18 includes a £200,000 surplus of business rates over baseline levels. Whilst the Council is not in a pool in 2017/18 this would be funded from previous years surpluses if not achieved in the year. It is proposed that the business rates surplus taken to support the 2018/19 in-year budget be maintained at £200,000. Any benefit achieved as a result of being part of the pilot will be allocated to support economic development projects.
- 2.18 As explored later in section 11, the future proposals for changes to the Business Rates system from 2020/21 generate a significant level of uncertainty for the medium term financial outlook. The mechanics of how any new system resets baseline income, assesses need, and allocates growth is yet to be determined.

New Homes Bonus

- 2.19 The New Homes Bonus (NHB) scheme provides funding for new homes and property in the Borough brought back into use.

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2.20 Since 2017/18 the scheme pays for four rather than six years and property increases only qualify if they exceed a baseline level. The provisional settlement for 2018/19 did not introduce any significant changes to the scheme and retained the baseline at 0.4%. The grant awarded for 2018/19 is £1.386m, £111,000 more than assumed in the November draft budget.

2.21 The table below sets out the assumed income from NHB in future years.

2.22 As the transition to 4 years of payment, and reduced levels of award, work through the system it is forecast the stable funding will fall to £600,000.

New Homes Bonus

	Year of Payment									
	2013/14 £'000	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2021/22 £m
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 forecast							150	150	150	150
2020/21 forecast								150	150	150
2021/22 forecast									150	150
2022/23 forecast										150
Total Allocation	868	1,309	1,528	2,043	1,820	1,386	1,317	952	711	600
Used in base budget	614	804	504	1,200	1,200	1,000	800	600	600	600
Balance to NHB reserve	254	505	1,024	843	620	386	517	352	111	0

2.23 The 2017/18 budget assumes a use of £1.2m from NHB to support service delivery. This was based on the level the grant was forecast to fall to by 2019/20. The Medium Term Financial Strategy (MTFS) allows for a £200k reduction in this in-year reliance until 2020/21. The 2018/19 budget therefore proposes using just £1m in year with £386k transferred to reserve.

2.24 The Executive has agreed that surplus New Homes Bonus will be transferred into the New Homes Bonus reserve. These funds are to be used to repay the funds loaned by Enterprise M3 towards the Sheerwater Access Road project. It is proposed that the reserve is used to support continued investment in Brookwood Cemetery while the funds are available, with funding allocated from the Investment Strategy Reserve thereafter.

3.0 Budget setting 2018/19

3.1 The draft revenue budgets have been prepared in accordance with the following guidelines:

- inflationary increases limited to those elements which carry a contractual/unavoidable obligation to adjust by inflation;

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- the revenue impact of new investments be limited to a sustainable increase in accordance with the provisions of the Prudential Code;
 - no increase in net revenue expenditure, unless unavoidably necessary, is likely to be approved for 2018/19;
 - review of the Investment Programme to continue;
 - the programme to identify further efficiency savings to continue; and
 - to propose fees and charges to optimise the income yield.
- 3.2 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.
- 3.3 Variances identified through in-year monitoring and the impact of Council decisions during the current year have been incorporated where appropriate. The 2018/19 Budget is due to be discussed at the Finance Task Group on the 25 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, reductions in external funding and government changes to salary sacrifice schemes. An increase in the control total of £415,000 was included in the November draft budget to meet some of these pressures.
- 4.3 The final position is shown in the table below.

Pressures on staffing budgets	£'000
Reverse 2017/18 deflation	370
In year pay progression and structure changes	491
Selective Licensing team	160
Additional Investment Programme funding	-40
Additional external funding	-111
Changes to salary sacrifice scheme	115
Allowance for 2018/19 pay award	300
Total pay pressures	1,285

- 4.4 It is proposed that the control total be increased by the base amount of £300,000, plus £115,000 to cover the costs of the salary sacrifice changes and £160,000 to allow for the costs of the selective licensing team which will be funded from income generated and accounted for outside of the salary budgets. The control total in the draft budget therefore increases by £575,000 for 2018/19.
- 4.5 There remains pressure within the salary budgets of £710,000 (5%) of the total fully funded staffing structure. This is greater than the 2.7% vacancy factor included in the 2017/18 budget and will require careful management of the staffing position during the year. The 2017/18 staffing budget is currently forecasting an underspend and a number of the pressure areas have been addressed in updating the budgets for 2018/19 so this is

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considered an acceptable position. If expenditure cannot be contained it may be that the 2019/20 salary budget will need to increase to recognise the full costs.

- 4.6 The following table shows the budgeted staffing costs (in cash terms) and numbers since 2006/07.

Year	Budget (in cash terms) £m	Average Number of FTE Staff
2006/07	16.281	510.39
2007/08	16.832	503.16
2008/09	17.711	511.30
2009/10	15.675	469.00
2010/11	15.672	470.00
2010/11 in year adjustment	15.500	450.00
2011/12	15.500	450.00
2012/13	12.845	350.00
2013/14	13.000	350.00
2014/15	12.400	335.00
2015/16	12.500	335.00
2016/17	12.600	335.00
2017/18	13.000	335.00
2018/19	13.575	340.00

- 4.7 The adjusted control total applies to the salary budget net of any external funding which may be received to support a post, and any salaries which are allocated to capital projects. It is the net cost which is allocated to General Fund and HRA revenue budgets.
- 4.8 Accounting rules require that these costs are allocated out to individual services to show the full cost of the service. A full review of these allocations has been completed as part of the 2018/19 budget process. This has resulted in a reduction in the overheads allocated to the HRA and an increase to the General Fund.
- 4.9 The total Management and Administration budget includes salaries, and other overhead costs which need to be allocated across services such as ICT and expenditure relating to the Civic Offices. In total for 2018/19 the full Management and Administration budget is £19.8m which is allocated as set out in the table below.

	2018/19		2017/18		Difference	
	£'000	%	£'000	%	£'000	%
General Fund	17,051	85.8	15,831	82.2	1,220	3.7
HRA	2,704	13.6	3,119	16.2	-415	-2.6
Other (capital/reserves)	108	0.5	314	1.6	-205	-1.1
TOTAL	19,863	100.0	19,264	100.0	599	0.0

- 4.10 The total increase in costs between years represents the increase in the Control Total, £575,000, together with movements in other management and administration budgets, £24,000. Following the review, the General Fund is bearing a higher percentage of the overheads, which has added to the cost pressures in the 2018/19 budget. 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.

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- 4.11 The staffing budgets will be monitored in the Green Book against the overall control parameters of £13.575 million and the annual average of 340 FTE staff.

5.0 Pensions

- 5.1 The triennial actuarial review of the pension fund was completed for the position of the fund at 31 March 2016. The results set the employer's ongoing pension contributions and annual lump sum payment towards the pension fund deficit for 2017/18 to 2019/20.
- 5.2 The results showed a positive movement in the fund and the deficit funding and ongoing contributions were held at previous levels.

6.0 Fees and Charges 2018/19

- 6.1 Council agreed the Fees and Charges for 2018/19 in December 2017 and the changes to the income budgets are incorporated into the budgets and detailed service plans.
- 6.2 The increase in yield included in the Fees and Charges report was £397,000. Not all of the fees and charges income directly affects the overall budget position. Additional income relating to Controlled Parking Zones (CPZ) will be credited to the Parking account. Changes to the yield from Land Charges are adjusted in reserves as it is expected that this service will transfer to the Land Registry in future.
- 6.3 The delayed government increase in planning fees was implemented in January 2018 and £100,000 additional income is recognised in the 2018/19 budget.
- 6.4 The second EU Payment Services Directive came into force on 13 January 2018 which bans the charging of surcharges in respect of transactions paid for by credit card. The surcharges income budget of £18,000 has therefore been removed.

7.0 Investment Programme

- 7.1 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.
- 7.2 Since November changes have been made to reflect decisions made since that date and the profiling of existing projects has been updated. These are considered in more detail in the Investment Programme report, also on this agenda.
- 7.3 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.

8.0 Thamesway Group

- 8.1 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. 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.

9.0 Robustness of the 2018/19 Budget and Risks

Savings Target and Risk Contingency

- 9.1 A £100,000 savings target has been included in the budget as set out in the MTFS. Whilst it has become increasingly difficult to secure significant savings 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 2017/18. In addition to the areas already considered in this report, the following are identified as risks or pressures within the proposed budget for 2018/19.

Town Centre and other Commercial Income

- 9.2 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.
- 9.3 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. However, these works 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.

Business Rates

- 9.4 Following the Business Rates revaluation effective 1 April 2017 there continues to be uncertainty around the new appeals system and how many may be successful. There is minimal data currently available from the Valuation Office. If there is a reduction in Business Rates income for 2018/19 the impact of the Business Rates pilot will be reduced. Only a £200,000 benefit over baseline position is assumed for the in-year revenue budget.

Egley Road Leisure facilities

- 9.5 An estimate has been included in the budget for the operational costs of running the Egley Road Leisure facilities which are expected to be open from September 2018. It may be that actual costs vary from these estimates and the budget allowance may need to be adjusted in 2019/20. Any variation in year will be reported in the Green Book.

Loss of External Funding

- 9.6 Surrey County Council contributes to a number of the services within the Council's People Service Plans as well as environmental maintenance and recycling credits. The County is experiencing significant cost pressures and has an ongoing program to review service provision to generate substantial savings. Funding reductions have been incorporated where known and the MTFS assumes further reductions in income.
- 9.7 Where funding is withdrawn the Council's approach has been to maintain the activity while it is reviewed to identify efficiencies or new ways of providing the service. 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.

Universal Credit and Welfare Reform

- 9.8 The roll out of Universal Credit started in Woking in 2016/17. As the introduction has been very gradual, it is not expected that this will have a significant impact on the budget in 2018/19.

Energy

- 9.9 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.

General Risks

- 9.10 The Council has experienced a number of abnormal events in recent years. No specific provision has been made in the Budget for these events. However, the proposed risk contingency and reserves should enable the Council to manage changes in circumstances.

10.0 Service Plans

- 10.1 The draft Service Plans are set out in Appendix 4. A more streamlined approach to the Plans was introduced for 2017/18 with the number of Service Plans being reduced from 44 to 10. The Service Plans are organised under the thematic headings of People, Place and Us to reflect the way the Council is structured.

- 10.2 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.

- 10.3 The Service Plans will be published before the 30 June 2018 statutory deadline.

- 10.4 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.

11.0 Medium Term Financial Strategy

- 11.1 The Medium Term Financial Strategy (MTFS) was last approved by the Council in April 2017. It sets out the likely cost pressures and changes to income streams over the period from 2018/19 to 2021/22. It was forecast that £3.5m of savings would need to be achieved and a strategy was set to meet this requirement. This was updated in November and the figures now include the draft budget position.

- 11.2 Detailed budget workings now replace the MTFS for 2018/19 and the use of reserves is £309,000. There are a number of factors which are now incorporated into the base 2018/19 budget which were not known when the MTFS was prepared.

- 11.3 A full analysis will be prepared for the update of the MTFS in March 2018. This will include an assessment of the assumptions incorporated.

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- 11.4 As in previous versions of the MTFS it has been assumed that reductions in funding will continue at approximately £450,000 pa in the years from 2019/20 onwards. This assumption will be continued to be reviewed, but is considered appropriate whilst the Council retains an allocation of funding through the settlement (see para 2.2). At 2021/22 just £238,000 remains, it is considered that a reduction beyond zero is unlikely and continued reductions at previous rates would be unsustainable in the medium term.
- 11.5 Of the £3m still to be identified in the 3 years to 2021/22, £2.4m relates to assumed government funding reductions through the settlement allocation (£1.788m), New Homes Bonus (£400k) and surplus Business Rates retained (£200k). Government funding and the Business Rates position beyond 2019/20 are unknown, meaning that over £1m of this is an estimate of the potential reduction in resources.
- 11.6 Post 2019/20 government funding will be influenced by a series of changes, each of which could significantly affect the Council's financial position. The government have published a consultation on the Fair Funding Review with a deadline in March 2018. This document remains at a very high level and only covers part of the changes to be considered. The intention is that the results of the Fair Funding Review determine the resources required by individual Councils from 2020/21 onwards. From 2020/21 there should also be the introduction of the new Business Rates system (perhaps 75% or 100% retention by local government) which will determine the mechanics of how Business Rates income is distributed/retained and how often it is reset. In addition the next Business Rates revaluation is due at 31 March 2020.
- 11.7 A summary of the current outlook is shown below:

<u>In year pressures</u>	2018/19	2019/20	2020/21	2021/22	TOTAL		
Remove use of reserves		309			309		
Remove Business Rates pooling/CF surplus		337			337		
Reduce reliance on NHB		200	200		400		
General Service Pressures		548	551	549	1,648		
Specific Service Variances		216	476	-	692		
Investment Programme projects		1,227	772	657	2,656		
Government Funding reductions		918	436	434	1,788		
		3,755	2,435	1,640	7,830		
Funded by:							
Fees and Charges - Car park income	-	250	-	250	-	750	
Council Tax income	-	361	-	375	-	1,125	
In year savings required	-	3,143	1,810	1,001	5,955		
MTFS Strategies							
Investment in Housing	-	788	-	788	-	450	2,025
Investment in MTFS Investments	-	300			-	300	
Investment in other acquisitions mitigating rents						-	
Limiting Investment Programme revenue cost	-	100	-	100	-	100	300
Productivity and Procurement	-	100	-	100	-	100	300
Surplus/deficit after agreed strategy	-	1,856	823	351	3,030		

12.0 Reserves

- 12.1 Forecasts of the Investment Strategy Reserve and the total Reserves are shown in Appendix 2B.
- 12.2 The 2017/18 budget has been closely managed throughout the year but some cost overspends have been unavoidable. The December Green Book shows a projected overspend of £40,000 after taking into account the savings target not achieved and risk contingency remaining. This does not include any income from the acquisition of Dukes Court as the asset is not yet in direct Council ownership. This forecast outturn is reflected in the revised 2017/18 reserves position.
- 12.3 An annual transfer is made to the Investment Strategy reserve which for 2018/19 is £1.3m. The decrease compared to 2017/18 relates to the treatment of the Leisure contract and Selective licensing schemes where annual variations are smoothed through use of reserves to ensure a consistent charge to Council Tax. As described above, £309k of the MTFs reserve will be used during 2018/19 to support services.
- 12.4 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.
- 12.5 The management structure will continue to be reviewed during 2018/19 where opportunities arise. An allowance of £250,000 to be met from reserves has been made for any resulting Management of Change costs.
- 12.6 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.
- 12.7 The Council has a target to manage the Investment Strategy reserve to £3 million. The balance of this reserve is forecast to be slightly below this level in 2019/20 and 2020/21 however this is considered acceptable given the other revenue reserves available and the potential to reduce the impact of projects if necessary.
- 12.8 Management of the level of reserves will also be considered as part of the Medium Term Financial Strategy. This will include consideration of the need to set funds aside to cover the financing of the new Victoria Square car parks and allow time for activity to generate sufficient income.
- 12.9 The Reserves forecast position shows overall revenue reserve levels of over £29 million at 31 March 2018 which can and are being used in support of the business objectives of the Council.
- 12.10 Reserves are used to fund management of change costs, one off service enhancements and to provide funds to cover risks. For a temporary period the MTFs reserve is also being used to meet the costs of maintaining services to allow time for the medium term strategy to be established. The current forecast level of reserves is adequate.

13.0 Prudential Indicators

- 13.1 The Treasury Management report elsewhere on this agenda sets out the borrowing limits and the policies and practices to be followed in managing the Council's debts and

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investments, and incorporates the Prudential Indicators which relate to borrowing and investment.

- 13.2 Allowance has been made in the borrowing limits for borrowing associated with the approved Thameswey Business plans. The limits include up to half of the following years Thameswey Housing Ltd (THL) allowances set out in the Investment Programme to be drawn down in advance. The whole Victoria Square project cost, £505 million, is allowed in the Prudential Indicators from 2017/18 onwards to enable flexibility of funding.
- 13.3 A full set of Prudential Indicators for approval by the Council is 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.

14.0 Council Tax 2018/19

- 14.1 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 £9,578,864. The recommended Band D Council Tax for 2018/19 for Woking Borough Council is £233.46, an increase of £6.75 or 2.98%. The referendum level for District Councils in 2018/19 is the greater of £5 or 3% so the proposed increase is within these parameters.
- 14.2 This proposal enables the Council to maintain its service outcomes and provides for some service development. The use of reserves in 2018/19 is considered acceptable as a temporary measure to allow time for the impact of investment projects to be realised.

15.0 Chief Finance Officer

- 15.1 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 2018/19 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.

16.0 Implications

Financial

- 16.1 The financial implications are explicit in the report.

Human Resource/Training and Development

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

Community Safety

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

Risk Management

- 16.4 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

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monitored against, and met from, the Risk Contingency during the year. Specific risks have been set out in the report.

Sustainability

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

Equalities

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

17.0 Consultations

17.1 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

EXE18-002

APPENDICES

Equality Impact Assessment

The purpose of this assessment is to improve the work of the Council by making sure that it does not discriminate against any individual or group and that, where possible, it promotes equality. The Council has a legal duty to comply with equalities legislation and this template enables you to consider the impact (positive or negative) a strategy, policy, project or service may have upon the protected groups.

		Positive impact?			Negative impact?	No specific impact	What will the impact be? If the impact is negative how can it be mitigated? (action) THIS SECTION NEEDS TO BE COMPLETED AS EVIDENCE OF WHAT THE POSITIVE IMPACT IS OR WHAT ACTIONS ARE BEING TAKEN TO MITIGATE ANY NEGATIVE IMPACTS
		Eliminate discrimination	Advance equality	Good relations			
Gender	Men					X	
	Women					X	
Gender Reassignment							
Race	White					X	
	Mixed/Multiple ethnic groups					X	
	Asian/Asian British					X	
	Black/African/Caribbean/Black British					X	
	Gypsies / travellers					X	
	Other ethnic group					X	
Disability	Physical					X	
	Sensory					X	
	Learning Difficulties					X	

	Mental Health					X	
Sexual Orientation	Lesbian, gay men, bisexual					X	
Age	Older people (50+)					X	
	Younger people (16 - 25)					X	
Religion or Belief	Faith Groups					X	
Pregnancy & maternity						X	
Marriage & Civil Partnership						X	
Socio-economic Background						X	
Carers						X	

The purpose of the Equality Impact Assessment is to improve the work of the Council by making sure it does not discriminate against any individual or group and that, where possible, it promotes equality. The assessment is quick and straightforward to undertake but it is an important step to make sure that individuals and teams think carefully about the likely impact of their work on people in Woking and take action to improve strategies, policies, services and projects, where appropriate. Further details and guidance on completing the form are [available](#).

important step to make sure that individuals and teams think carefully about the likely impact of their work on people in Woking and take action to improve strategies, policies, services and projects, where appropriate. Further details and guidance on completing the form are [available](#).

Sustainability Impact Assessment

Officers preparing a committee report are required to complete a Sustainability Impact Assessment. Sustainability is one of the Council's 'cross-cutting themes' and the Council has made a corporate commitment to address the social, economic and environmental effects of activities across Business Units. The purpose of this Impact Assessment is to record any positive or negative impacts this decision, project or programme is likely to have on each of the Council's Sustainability Themes. For assistance with completing the Impact Assessment, please refer to the instructions below. Further details and guidance on completing the form are [available](#).

Theme (Potential impacts of the project)	Positive Impact	Negative Impact	No specific impact	What will the impact be? If the impact is negative, how can it be mitigated? (action)
Use of energy, water, minerals and materials			X	
Waste generation / sustainable waste management			X	
Pollution to air, land and water			X	
Factors that contribute to Climate Change			X	
Protection of and access to the natural environment			X	
Travel choices that do not rely on the car			X	
A strong, diverse and sustainable local economy			X	
Meet local needs locally			X	
Opportunities for education and information			X	
Provision of appropriate and sustainable housing			X	
Personal safety and reduced fear of crime			X	
Equality in health and good health			X	
Access to cultural and leisure facilities			X	
Social inclusion / engage and consult communities			X	
Equal opportunities for the whole community			X	
Contribute to Woking's pride of place			X	