GENERAL FUND, SERVICE PLANS, BUDGETS AND PRUDENTIAL INDICATORS 2019-20

Executive Summary

The Service Plans and Estimates for 2019/20 are presented for recommendation to Council.

The final local government settlement was announced on 29 January 2019. Allocation of local authority funding by Revenue Support Grant (RSG) and retained Business Rates have been confirmed for just 2019/10. These base allocations are consistent with the figures provided in February 2016 when the Council accepted the multi-year settlement.

As proposed in the autumn consultation, the negative RSG has been removed, saving the Council £1m in 2019/20. The levels of government funding from 2020/21 onwards remain uncertain and it may be that the negative RSG will be incorporated into base funding levels under the new arrangements. Therefore the benefit in 2019/20, which may be one-off, has been transferred to reserve and will be used to mitigate any future funding changes. The additional transfer to reserves is £1.3m for 2019/20. It is likely the future funding position will not be known until autumn 2019.

Unfortunately the Surrey Business Rate Pilot bid for 2019/20 was not successful. Whilst it had been hoped that the 2018/19 pilot could continue, the government had announced that there would be fewer pilots and there would be less benefit on offer for each. Only £200k of annual income from Business Rate growth, pooling or pilot arrangements has previously been included in annual revenue budgets. This will be maintained for 2019/20 and funded from retained surpluses from previous years if growth is not achieved. The benefit from the 2018/19 pilot will be calculated at the end of the year and will be available to fund economic development projects as set out in the bid.

The draft General Fund Budget for 2019/20 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.

The current MTFS, reported in October 2018, indicated a further requirement of £3.3m to 2022/23. The uncertainty of proposed changes in funding mechanisms and potential reductions of funding make forecasting over this period very difficult. These years are also a critical period for the Council with the town centre improvements potentially affecting the Council's income streams. On completion of the Victoria Square development there will also be a transitional period while activity increases to a steady state. It will be important to maintain reserves to provide support, if necessary, during these years.

The net budget for the General Fund is £10m and the resulting Band D Council Tax figure for 2019/20 of £240.46, an increase of £7.00 (3%) compared to 2018/19. The increase is within the referendum limit of 3% set by the Government in December 2018. 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 charge a long-term empty premium of up to 100% on top of the council tax payable, in respect of domestic properties that have been left empty and substantially unfurnished for two years or more. It is proposed that the Council implement this premium with effect from 1 April 2019. It is also proposed that the current council tax discount available for vacant properties be reduced from 1 month to 7 days with effect from the same date.

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.

The draft budget position will be discussed at the Finance Task Group on 31 January 2019 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 2019/20 be approved;

ii) a Band D Council Tax for the Borough of Woking for 2019/20 of £240.46 be approved;

iii) a long-term empty premium of 100% be added to the Council Tax payable for properties empty and substantially unfurnished for 2 years or more and the exemption available for unfurnished vacant properties be reduced to 7 days;

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 Surrey County Council element of the land charges fee be set at £38 plus VAT for Con29R and 19.20 plus VAT for Con29O from 1 April 2019;

vi) the Finance Director, in consultation with the Portfolio Holder, submit responses to the 'Business Rates Retention Reform' and 'Review of; Local Authorities' Relative Needs and Resources' funding consultations;

vii) the Service Plans for 2019/20 at Appendix 4 to the report be approved; and

viii) 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 2019/20.

The items above will need to be dealt with by way of a recommendation to Council.

Background Papers: None.

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General Fund, Service Plans, Budgets and Prudential Indicators 2019-20

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 12 set out the main assumptions made in preparing the budget. These sections also consider the most significant areas of risk within the 2019/20 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. Due to investments in group companies and the acquisition of strategic properties it is possible to transfer £1.3m to the MTFS reserve in 2019/20. However it is possible that this annual surplus will be lost following introduction of the new funding arrangements in 2020/21. With minimal time available to manage the 2020/21 budget position it is important that the Council has these funds available to manage any reduction in support from the funding review. To protect services, other sources of income must continue to be maintained during 2019/20.

1.5 The net budget for the General Fund is £10m and the resulting Band D Council Tax figure for 2019/20 is £240.46, £7 more than in 2018/19, and a 3% increase in Council Tax.

1.6 The draft General Fund Budget for 2019/20 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 Business Rates and Revenue Support Grant (RSG) figures for 2019/20 announced on 13 December 2018 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 January 2019			
	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
Tariff adjustment removed 19/20				991
	2,679	2,105	2,053	2,099
Reduction(-)/Increase in funding	- 730	- 574	- 52	46

2.3 The most important change for the Council was the removal of the negative RSG in 2019/20 which the provisional settlement confirmed. The Council has also been allocated an additional £32k due to the redistribution of previous years Business Rates surpluses. This means that instead of a reduction of £1m, the funding settlement compared to 2020/21 is actually an increase of £79,000. On 28 January one-off funding to support Brexit preparations was announced. The Council will receive £35,000 to be paid over 2018/19 and 2019/20.

2.4 As set out in the sections below, the government funding position is incredibly uncertain after 2019/20, with several changes expected from 2020:

- A Spending Review, to set budgets across government departments, is expected at some time during 2019 and will be effective from April 2020. Some departments will have funding levels protected and the government has committed to additional funding for the NHS. This puts pressure on the remaining departments.

- A 'Fair Funding' review of relative needs and resources across local government is due to determine the funding required by individual local authorities. A technical consultation on the latest work in this area was published with the provisional settlement.

- A new system for the allocation of Business Rates income and growth will be introduced. This will retain 75% of Business Rates growth within the sector (50% under the current system, 100% in the 2018/19 Pilot). A further consultation on the latest work on this was published with the provisional settlement.

2.5 Both the 'Needs and Resources' and the 'Business Rates Retention' consultations are technical in nature, and will be reviewed at the Finance Task Group on 31 January. Work is ongoing within the sector to consider the proposals, the impact on local government as a whole, specifically for District Councils (Society of District Council Treasurers) and for Surrey (Surrey Treasurers). It is proposed that the Finance Director prepares and submits the Council response, in consultation with the Portfolio Holder, by the deadline of 21 February 2019.

2.6 Further consultations are expected later in 2019 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.

<u>Business Rate Retention (BRR)</u>

2.7 The government originally intended to introduce 100% retention of business rates by local government by the end of this Parliament. Following the 2017 general election the Local Government Finance Bill was dropped and the government will now implement the Business Rates changes, doing as much as can be done without primary legislation. The result is a proposed system of 75% retention from 2020/21.

2.8 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.

2.9 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 the baseline level. 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.

2.10 Pooling enables all of the 50% local share to be retained locally, with no levy payable. The Council was part of the Surrey Business Rates Pool in 2015/16 and 2016/17. In the Surrey Pilot (2018/19) 100% of the growth is retained in Surrey.

2.11 It had been hoped that the Surrey Pilot could continue into 2019/20, however the bidding process sought fewer Pilots and each with less of a benefit than in the current year (75% retention rather than 100%). Surrey was not one of the areas selected to be a pilot in 2019/20. The Council is not one of the better placed Surrey Districts for 2019/20 so will not be in the pool formed as an alternative. The benefit of the 2018/19 Pilot will be reported once final figures are available at the end of the year. Any income in excess of that which would have been retained under the 50% system and pooling, will be allocated for economic development schemes as set out in the bid.

2.12 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.

2.13 The Valuation Office provides the Council with information on appeals and very few are currently at each stage of Check, Challenge and Appeal. Given the time since the revaluation the Council can now be more confident that the system changes have been successful in reducing the number of speculative appeals.

2.14 During 2017 there were a number of rating adjustments as a result of the ongoing works in the Town Centre. At 31 March 2018 a provision was made for additional adjustments, however most of these appear to have now been corrected.

2.15 If no further information is received to suggest additional potential liabilities before the end of the year, it is likely that the provision for appeals and valuation corrections can be reduced at 31 March 2019.

2.16 The base budget for 2018/19 includes a £200,000 surplus of business rates over baseline levels. Whilst the Council is not in a pool in 2019/20 this would be funded from previous years surpluses if not achieved through growth in the year.

<u>New Homes Bonus</u>

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

2.18 Since 2017/18 the scheme pays for four rather than six years and property increases only qualify if they exceed a baseline level. The final settlement for 2019/20 has not introduced any changes to the scheme and has retained the baseline at 0.4%. The grant awarded for 2019/20 is £1.18m, £137,000 less than assumed in the November draft budget. The 2019/20 element of the allocation was reduced as the increase in new homes, was offset by an increase in empty homes.

2.19 The table below sets out the assumed income from NHB in future years. As the transition to 4 years of payment, and reduced levels of award, work through the system it has been forecast the stabilised funding will fall to £600,000.

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
	£'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
2020/21 Forecast								150	150
2021/22 Forecast									150
Total Allocation	868	1,309	1,528	2,043	1,820	1,386	1,181	816	575
Used in Base Budget	614	804	504	1200	1200	1000	600	600	600
Balance to NHB Reserve	254	505	1,024	843	620	386	581	216	-25

2.20 The 2018/19 budget assumed a use of £1m from NHB to support service delivery. The Medium Term Financial Strategy (MTFS) had allowed for a £200k reduction in this in-year reliance until 2020/21. Given the reduction in NHB funding this year, it is proposed that the in-year use of NHB is reduced to £600,000 for 2019/20. This will be reviewed again as part of the 2020/21 budget process and may need to be reduced further, however, New Homes Bonus is another element of government funding which is under review so the future indicative allocations are likely to be calculated on a revised basis.

2.21 The Executive has agreed that surplus New Homes Bonus is transferred into the New Homes Bonus reserve. These funds will have repaid the funds loaned by Enterprise M3 towards the Sheerwater Access Road project by the end of 2018/19. Given the limited resources in the NHB reserve it is proposed that the Sheerwater Social Support work now be funded from the Investment Strategy. The reserve is currently forecast to be overcommitted from 2022. Once future levels of NHB, or its successor scheme are understood, it may be necessary to fund the continued investment in Brookwood Cemetery from an alternative reserve.

3.0 Budget setting 2019/20

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 2018/19 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 2019/20 Budget is due to be discussed at the Finance Task Group on the 31 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 £625,000 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 2018/19 deflation	730
In year pay progression and structure changes	152
Woking Market Team	174
Reduction in Investment Programme funding	53
Additional external funding	-117
Allowance for 2019/20 pay award	300
Total pay pressures	1,292

4.4 It is proposed that the control total be increased by the base amount of £400,000, plus £175,000 to cover the costs of the market staff now employed directly, and £210,000 towards reducing the vacancy management saving built into the base position. The control total in the draft budget therefore increases by £785,000 for 2019/20.

4.5 There remains pressure within the salary budgets of £507,000 (3%) of the total fully funded staffing structure. This is less than the 5% vacancy factor in the 2018/19 budget, and closer to the target included in 2017/18 (2.7%). The 2018/19 staffing budget is currently forecasting a slight overspend, however there is a saving for the Housing Revenue Account offset by an overspend in General Fund areas. Salary budgets will continue to be monitored closely during the year and if necessary additional management action will be taken to control recruitment.

4.6 The following table shows the budgeted staffing costs (in cash terms) and numbers since 2012/13.

Year	Budget (in cash terms) £m	Average Number of FTE Staff
2012/13	12.845	350
2013/14	13.000	350
2014/15	12.400	335
2015/16	12.500	335
2016/17	12.600	335
2017/18	13.000	335
2018/19	13.575	340
2019/20	14.360	350

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 was 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 2019/20 the full Management and Administration budget is £19.8m which is allocated as set out in the table below.

	2019/20		2018/19		Difference	
	£'000	%	£'000	%	£'000	%
General Fund	17,779	86.2	17,051	85.8	728	0.4
HRA	2,801	13.6	2,704	13.6	97	0.0
Other (capital/reserves)	42	0.2	108	0.5	-66	-0.3
TOTAL	**20,622**	**100.0**	**19,863**	**100.0**	**758**	**0.0**

4.10 The total increase in costs between years represents the increase in the Control Total, £785,000, together with a net £57,000 reduction in other management and administration budgets due to additional rental income from the Civic Offices and a reduction in Facilities Management costs.

4.11 Following the review in 2018/19, the General Fund is now bearing a higher percentage of the overheads. This allocation of overheads will be kept under review in future years, in particular following any 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 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. The deficit funding and ongoing contributions were held at previous levels.

5.2 The next review is due as at 31 March 2019 and will set the contributions from 2020/21 onwards. The latest indication from the actuary is that the fund is in a good position and almost 100% funded. This is positive and it is hoped that the valuation will not result in a change in contribution levels.

6.0 Fees and Charges 2019/20

6.1 Council agreed the Fees and Charges for 2019/20 in December 2018 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 £139,000. New income has been included from the interpretation and translation service now included as a direct Council service.

6.2 Since setting the charges, Surrey County Council (SCC) have increased their element of the land charges fee. There is no need to change the income budget set for this increase as the charge is passed through to SCC, however the Council is requested to approve the revised fee.

7.0 Commercial Rents 2019/20

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). The full year effect of the decisions approved is an additional £1.6m towards supporting Council services in 2019/20.

7.3 In addition to the new properties acquired, the commercial rents budget for 2019/20 has also been increased to include rental income from the market which was brought back into direct Council management during 2018/19. The employee costs are included in the salary budgets reported separately.

7.4 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.

7.5 Further information on the Council's approach to Strategic Property Investment can be found in the Capital and Investment Strategies, which are new requirements for 2019/20.

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, also on this agenda.

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 Thameswey Group

9.1 The Thameswey 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 Thameswey group. Investment in Thameswey Housing Ltd is at a margin of 1.5% over the Council's borrowing costs. Investment in Thameswey 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. Thameswey 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 2019/20 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 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 2018/19. In addition to the areas already considered in this report, the following are identified as risks or pressures within the proposed budget for 2019/20.

Car Park income

10.2 It has been necessary to close the red town centre car park while it is rebuilt as part of the Victoria Square regeneration. Analysis has shown that it should be possible to manage normal car park activity through use of the remaining car parks, however, it is possible that the reduced capacity will result in a reduction in car park income in the year. Activity assumptions have been reduced in budgeting for 2019/20, and parking income will be closely monitored.

Town Centre and other Commercial Income

10.3 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. This is particularly relevant with the current uncertainty due to Brexit.

10.4 Whist 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 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. Reserves will continue to be held to mitigate the risks.

Egley Road Leisure facilities

10.5 An estimate of the operational costs of running the Egley Road Leisure facilities was included in the budget in 2018/19. It may be that actual costs vary from these estimates but it is too early to assess this. Any variation in year will be reported in the Green Book, and it may be that future budgets need to be adjusted.

Timing of Investment Programme and interest costs

10.6 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 reduce the impact of financing deferring the costs into future years. Advances to group companies are based on the Thameswey Business Plans and reflect the best estimates of timing. Where advances are due to be made in year the margins on Thameswey Housing loans are included in the base budget. Other loans are budgeted to just cover costs so there is no net impact of slippage.

Loss of External Funding

10.7 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 and has an ongoing program to review service provision to generate substantial savings. Funding reductions have been incorporated where known for 2019/20 and the MTFS assumes further reductions in income.

10.8 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.

Universal Credit and Welfare Reform

10.9 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 2019/20.

Energy

10.10 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

10.11 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.

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 2019/20 budget includes a £80,000 allowance to provide grant funding for the Women's Support Centre. The centre provides a 'Transforming Women's Justice' service which had grant funding as a pilot and has proven very successful. Grant funding has ceased and this increase will enable the service to continue.

11.4 The Service Plans will be published before the 30 June 2019 statutory deadline.

11.5 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 2019/20

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 £9,936,686. The recommended Band D Council Tax for 2019/20 for Woking Borough Council is £240.46, an increase of £7 or 3%. The referendum level for District Councils in

2019/20 is 3% and in assessing the Council's core resources the government assumes that the maximum Council Tax increase is applied.

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

12.3 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 following changes are proposed to the Council Tax scheme.

<u>Long Term Empty Properties</u>

12.4 The government has passed legislation this year to enable councils to charge a long-term empty premium of up to 100% on top of the council tax payable, in respect of domestic properties that have been left empty and substantially unfurnished for two years or more.

12.5 It is proposed that the Council implements these changes from 1 April 2019 which means that if a property is empty and unfurnished for two years or more, council tax would be charged at 200% from 1 April 2019.

12.6 Further legislation has been passed to allow councils to charge a higher rate when properties are left empty and substantially unfurnished for longer periods from April 2020.

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

<u>Council Tax Exemptions</u>

12.7 Vacant properties are currently exempt from Council Tax for the first month. It is proposed that the 30 days exemption from Council Tax is reduced to 7 days. This allows time for a change in tenant for rented properties whilst maintaining the charge payable by each property in the Borough.

13.0 Medium Term Financial Strategy

13.1 The Medium Term Financial Strategy (MTFS) was last approved by the Council in October 2018. It set out the likely cost pressures and changes to income over the period from 2018/19 to 2022/23. It was forecast that £3.2m of savings would need to be achieved by 2022/23.

13.2 An investment strategy was proposed to meet this budget deficit through investment in strategic commercial property and housing. The Investment Programme includes additional investment in Thameswey Housing £130m which seeks to achieve £2m net income (at 1.5% margin). £25m in each of 2019/20 and 2020/21 has been added to the MTFS Investment Strategy budget, which at 2% would achieve a further £1m.

13.3 Detailed budget workings now replace the MTFS for 2019/20 and it has been possible to increase the transfer into reserves by £250,000 compared to the forecast. There are also a number of factors which are now incorporated into the base 2019/20 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 2018. This will include an assessment of the assumptions incorporated.

13.5 As in previous versions of the MTFS it has been assumed that reductions in funding will continue under the new funding arrangements. This assumption will be continued to be reviewed, but is prudent whilst the Council retains an allocation of funding through the settlement (see para 2.2). At 2022/23 just £544,000 remains, it is considered that a reduction beyond zero is unlikely and continued reductions at previous rates would be unsustainable in the medium term.

14.0 Reserves

14.1 Forecasts of the Investment Strategy Reserve and the total Reserves are shown in Appendix 2B.

14.2 The 2018/19 budget has been closely managed throughout the year and variations have been reported in the Green Book. The December reporting shows a projected underspend of £129,000 after taking into account the risk contingency remaining. This forecast outturn is reflected in the revised 2018/19 reserves position.

14.3 An annual transfer is made to the Investment Strategy reserve which for 2019/20 is £1.3m. As described above, it is forecast that an additional £1.3m can be transferred to the MTFS reserve to mitigate against future risks.

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 2019/20 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. The balance of this reserve is forecast to be slightly below this level between 2019/20 and 2021/22, with a balance of £2.4m at 31 March 2022. However this is considered acceptable given the other revenue reserves available 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 2018 it was possible to create a new reserve with £1m to support the transition on completion of the town centre car parks, while income increases to meet financing costs. Further consideration will be given to reserve levels following closure of the accounts at 31 March 2019.

14.9 The forecast reserves position shows overall revenue reserve of £29 million at 31 March 2019 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 Thameswey Business plans. The limits allow for up to half of the following years Thameswey Housing Ltd (THL) allowances, as set out in the Investment Programme, to be 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 2019/20 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 The Chartered Institute of Public Finance and Accountancy has published a draft 'Resilience Index' which aims to provide an early warning of sustainability issues. Further work is required on the index to provide a useful and meaningful measure, however the draft version has been made available for authorities to consider as part of the budgeting process this year.

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

- Unallocated reserves – for this, the analysis has taken the £1m General Fund balance held by the Council. All other revenue reserves, including the Investment Strategy Reserve' are shown as 'Earmarked Reserves'. The level of Earmarked reserves is considered low risk, as are the remaining reserves indicators.

- Retained income from Rate Retention/Net Expenditure – this reflects the fact that compared to the level of net service costs the Council retains a smaller proportion of Business Rates than some other local authorities. This will have been affected by an increase in Business Rates appeals in 2017/18 due to the town centre works. The funding system will change from 2020/21 and it is not known how this indicator will be affected, however the Council is planning for further future reductions.

16.4 Whilst no substantive issues are raised by this process, it should be recognised that the index is based on figures from the 2017/18 financial statements, so 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

<u>Financial</u>

17.1 The financial implications are explicit in the report.

<u>Human Resource/Training and Development</u>

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

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