EXECUTIVE - 23 NOVEMBER 2017

DRAFT GENERAL FUND BUDGET 2018-19

Executive Summary

This report represents an interim stage in the business planning process of the Council.

The report incorporates known service variations for 2018/19, indicates budget risks and pressures both for 2018/19 and over the period of the Medium Term Financial Strategy.

The summary shows that strategic investments acquired by the Council have generated sufficient income to offset the 2018/19 cost pressures. However, as has previously been identified, there continues to be significant cost pressures to manage the financial position over the period to 2021/22.

The budget and medium term forecasts will continue to be refined, assumptions challenged and more detailed assessments made where further information is required. Any updates as a result of the Chancellor's budget and the Provisional Local Government Finance Settlement will also be incorporated in the projections.

The draft budget will form the basis for consideration by Managers, Corporate Management Group and Portfolio Holders to identify proposals to meet the medium term savings requirement. This may be through cost reductions from transformational savings and efficiencies, or new income streams including Invest to Save proposals. The aim will be to achieve these with the minimum impact on citizen outcomes over this period.

Reasons for Decision

Consideration of these proposals will enable the preparation of the Council's budgets for 2018/19 to proceed.

Recommendations

The Executive is requested to:

RESOLVE That

(i) the draft General Fund Budget for 2018/19 be received; and

(ii) Managers, Corporate Management Group and Portfolio Holders be asked to review the draft budget to identify cost reductions from transformational savings and efficiencies, or new income streams including Invest to Save proposals. The aim will be to achieve these with the minimum impact on citizen outcomes.

The Executive has authority to determine the above recommendations.

Background Papers:

None.

Sustainability Impact Assessment
Equalities Impact Assessment

Reporting Person:

Leigh Clarke, Finance Director
Ext. 3277, E Mail: Leigh.Clarke@woking.gov.uk

Contact Person:

Neil Haskell, Business Support Manager
Ext. 3246, E Mail: Neil.Haskell@woking.gov.uk

Portfolio Holder:

Cllr Ayesha Azad
E Mail: CllrAyesha.Azad@woking.gov.uk

Shadow Portfolio Holder:

Cllr Deborah Hughes
E Mail: CllrDeborah.Hughes@woking.gov.uk

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1.0 Introduction

1.1 This report represents an interim stage in the business planning process of the Council's draft General Fund budget for 2018/19.

1.2 The Council's financial strategy is to achieve a balanced budget over the MTFS period that is consistent with:

- maintaining the level of Council services;
- ensuring value for money in all of the Council's services; and
- maintaining the Council's assets in a good state of repair.

1.3 The draft revenue budget has been prepared in accordance with this strategic approach and provides for:

- inflationary increases limited to those elements which carry a contractual/unavoidable obligation to adjust by inflation;
- the revenue impact of new investments be limited to a sustainable increase in accordance with the provisions of the Prudential Code;
- additional spend agreed by the Executive for inclusion in the draft budget;
- no other 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.

1.4 This report considers the following:

- General Economic Environment
- Government funding and policy
- Budget approach
- Management and Administration 2018/19
- Fees and Charges 2018/19
- Contractual Inflation
- Service Plans
- Pension Costs
- Service issues, budget pressures and risks
- Revenue Reserves
- Investment Programme and Treasury Management
- Medium Term Financial Strategy (MTFS)

2.0 General Economic Environment

2.1 After the UK surprised on the upside with strong economic growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.2% (+2.0% y/y), quarter 2 was +0.3% (+1.7% y/y) and quarter 3 was +0.4% (+1.6% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy.

2.2 The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over

3% at the 14 September meeting MPC. Inflation actually came in at 3.0% in September 2017 and is expected to rise slightly in the coming months.

2.3 As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently.

2.4 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

3.0 Government Funding and policy

3.1 The election in June 2017 delayed the progress of local government finance reforms and the Local Government Finance Bill was not reintroduced in the Queen's Speech which sets out the proposed legislation for the Parliament.

3.2 Despite this, the government has indicated their intention to continue with reforms, however there have been no announcements on a revised timetable, process or direction since the election.

3.3 The only recent announcement has been the invitation to bid to take part in a 100% business rates retention pilot. Woking has submitted a bid in response to this invitation as part of the proposed Surrey-wide pilot.

3.4 Further details may be included within the Chancellor's budget in Parliament on 22nd November. Any relevant announcements will be reported to the Executive at the meeting. For the purposes of this draft budget the assumptions around the various funding sources are considered in the following paragraphs.

Revenue Support Grant (RSG)

3.5 2018/19 is the third year of the four year settlement offer announced by the government in February 2016. The Council accepted the offer which, despite not being very attractive, has provided some certainty for budget setting for the last two years and removed the risk of further reductions over this period.

3.6 The 2019/20 figures included a Tariff adjustment or 'negative RSG' a reduction in funding of almost £1m. In accepting the offer, the Council made it clear that the tariff adjustment was not acceptable and not considered part of the multi-year agreement. The government had intended that the negative RSG would be superseded by the introduction of the new funding arrangements in 2019/20. This is now unlikely. If the tariff adjustment remains in the provisional figures announced in December the Council should again respond that the introduction of negative RSG remains wholly unacceptable.

Government Funding	**4 year settlement - February 2016**			
Final Settlement - 8 February 2016	**2016/17 £'000**	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**
Business Rates	1,954	1,992	2,051	2,116
RSG	588			
Transition Grant	137	112		
Tariff adjustment				- 991
	2,679	2,104	2,051	1,125
Reductions in funding	- 730	- 575	- 53	- 926

3.7 The technical consultation for the 2018/19 settlement proposed that funding for those authorities who accepted the multi year settlement would be as previously announced. This will be confirmed in the provisional settlement to be announced in December.

3.8 Despite the stability the multi-year settlement provided, the Council's Medium Term Financial Strategy (MTFS) extends to 2 years post this settlement period and there is no indication of what future funding levels might be.

Business Rates

3.9 The government proposed the introduction of 100% retention of business rates by local government by the end of the Parliament. It is now not expected to be 2019/20, but more likely to be 2020/21.

3.10 The new system will require baseline income and needs to be assessed. Once determined these levels will be used for the redistributive model within the scheme. This is a significant risk as it will ultimately determine the financial impact of the transition to the new system.

3.11 As the total national income from business rates exceeds the amounts currently distributed, a number of different grants will be assumed covered by rates income and no longer separately funded by the government. There will also be a transfer of some responsibilities from central to local government to be funded from the business rate income.

3.12 The latest consultation, in February 2017, provided some details of the proposed approach to the new arrangements. However, no further detail has been provided since then, and no direction on the fair funding review which will determine how the resources are allocated.

3.13 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. If income is at the baseline level, as assumed by the government, just 4.4% is retained locally. This is equivalent to the £2m funding from business rates shown in the table above.

3.14 In 2015/16 and 2016/17 the Council signed up to be part of a Surrey Business Rate pool. Pooling allows a greater proportion of the funds, in excess of the assumed baseline, to be retained in Surrey rather than being shared with central government. The benefit is shared between Surrey County Council (50%) and the pooling Districts (remaining 50% pro-rata).

3.15 Woking is not in the pool in 2017/18. This was partly due to the uncertainty around business rates income following the revaluation for 2017/18, and the proposed level of town centre redevelopment, but also the Surrey Pool approach to share the pooling benefits by rotating membership where possible.

3.16 The benefits achieved in 2016/17 were sufficient to provide the annual £200k contribution from pooling to support the base budget for 2017/18.

3.17 In September the government issued an invitation to bid to be a pilot area for 100% Business Rates Retention. As a county area Surrey prepared a bid, and the approach was supported by the Executive at its meeting in October. The bid was submitted for consideration by the government by the 27th October deadline and feedback is awaited. The final announcement of pilot areas is expected alongside the provisional settlement figures for 2018/19 in December.

3.18 In reality 100% retention does not mean that all the business rates collected in Surrey remain in Surrey but refers to the growth over baseline income levels. This could still be a significant amount of additional income for the Council if the pilot is successful.

3.19 The pilot would be for 2018/19 only so any additional income raised cannot be assumed as ongoing in future years. The invitation to bid set out the areas that the government would like to see any additional funds allocated to. For Districts and Boroughs this was economic development so some of the benefit would need to be used to support these activities.

3.20 If the Surrey pilot is not accepted, Woking will be part of the Surrey Business Rates pool for 2018/19 with the same arrangements as in previous years. Assuming Woking remains above its baseline Business Rates income, this would still provide some additional funding.

3.21 As well as Business Rates collected, the Council also pays Business Rates on its own properties. The Chancellor has been under some pressure in recent weeks to consider the impact of Business Rates on businesses and provide some relief in the budget, particularly to mitigate the inflationary impact. A number of reliefs and assistance have been introduced within previous budgets and statements by the Chancellor. The Council's draft budgets have been adjusted for assumed inflation and will be further reviewed for the final budget in February.

New Homes Bonus (NHB)

3.1 The New Homes Bonus (NHB) scheme has previously match funded the additional Council tax for each new home and property in the Borough brought back into use for each of the six years after that home is built or brought back into use.

3.2 In 2016 the government introduced changes to save money from New Homes Bonus. From 2018/19 the NHB will only be paid for 4 years. There is a transitional arrangement in place for 2017/18 with the equivalent of 5 years being retained. The table below illustrates how the scheme now works.

Year of Payment

Year of Delivery

Cumulative Payments	2011 / 12	2012 / 13	2013 / 14	2014 / 15	2015 / 16	2016 / 17	2017 / 18	2018 / 19	2019 / 20	2020 / 21	2021/ 22
Payments for Year 1	£310,360	£310,360	£310,360	£310,360	£310,360	£310,360					
Payments for Year 2		£303,783	£303,783	£303,783	£303,783	£303,783					
Payments for Year 3			£254,189	£254,189	£254,189	£254,189	£254,189				
Payments for Year 4				£441,162	£441,162	£441,162	£441,162				
Payments for Year 5					£219,020	£219,020	£219,020	£219,020			
Payments for Year 6						£514,578	£514,578	£514,578	£514,578		
Payments for Year 7							£391,535	£391,535	£391,535	£391,535	
Payments for Year 8								£150,000	£150,000	£150,000	£150,000
Total Payments	£310,360	£614,143	£868,332	£1,309,494	£1,528,514	£2,043,092	£1,820,484	£1,275,133			

3.3 The scheme now has a baseline below which additional properties will not be rewarded. This baseline was a 0.4% increase in properties for 2017/18 but this may change from year to year. It is therefore not possible to calculate a reliable estimate of funding for 2018/19.

3.4 If the baseline were retained at 0.4% of the existing Council Tax base an increase of 300 Band D equivalents each year would generate approximately £150,000 of grant. By 2021/22 the funding would be £150,000 x 4 years = £600,000. The MTFS assumed this level of annual income. Until arrangements for 2018/19 are announced this assumption remains in the draft budget.

3.5 Previous levels of this grant and the amounts used and transferred into reserves are shown in the table below, together with the forecast based on the new scheme.

Year		Receipt £ million	Use of New Homes Bonus £ million	Transferred to NHB Reserve £ million
2011/12	Actual	0.310	-	0.310
2012/13	Actual	0.614	-	0.614
2013/14	Actual	0.868	0.614	0.254
2014/15	Actual	1.309	0.804	0.505
2015/16	Actual	1.529	0.504	1.025
2016/17	Actual	2.043	1.200	0.843
2017/18	Actual	1.820	1.200	0.620
2018/19	Forecast	1.275	1.000	0.275
2019/20	Forecast	1.206	0.800	0.406
2020/21	Forecast	0.842	0.600	0.242
2021/22	Forecast	0.600	0.600	0.000

3.6 The November draft budget assumes a £1m in-year use of NHB, with £275,000 credited to the NHB reserve. This starts the reduction in reliance on NHB to support the annual budget as shown in the table above, recognising that NHB as a funding source is at risk. It may be necessary to accelerate the reduction in NHB taken to support the in-year budget. It is considered that any replacement funding arrangements would remain variable and therefore would continue to be a risk if used to support the in-year budget.

3.7 The Executive has agreed that surplus New Homes Bonus will be transferred into the New Homes Bonus reserve (See Appendix 3). These funds have been used to repay the funds loaned by Enterprise M3 towards the Sheerwater Access Road project, support investment in Brookwood Cemetery and may be used for funding of infrastructure as agreed.

Council Tax

3.8 In the final funding settlement for 2016/17 the government introduced flexibility for district councils to increase Council Tax by the higher of £5 or the previous referendum limit of 2%. This was maintained as the limit for 2017/18.

3.9 The government has recently consulted on Council Tax increases for 2018/19 and have indicated that the limits will be the same as the last 2 years, that is the higher of £5 or 2%.

3.10 The draft budget assumes an increase in Council Tax of £4.95, which equates to 2.18%. In calculating settlement allocations the government include the resources available to each Council assuming that this increase is taken irrespective of the actual Council Tax decision. It is therefore critical that the Council continues to maintain its Council Tax base income.

3.11 There has been an increase in the Tax Base for 2018/19 which reflects new properties being included in the calculation.

Council Tax Support Scheme

3.12 The Council Tax Support scheme was agreed by the Council in January 2013 and introduced in 2013/14. The scheme was aimed at not causing severe financial hardship on Council Tax charge payers on low incomes and to not cause an adverse effect on the Council's income from unpaid charges.

3.13 The scheme has not impacted on collection rates and there have been minimal issues caused to claimants. The scheme will be kept under review and a consultation exercise will be undertaken if it is considered that any revisions are required.

4.0 Approach to preparing the draft 2018/19 budget

Monitoring 2017/18 Budget

4.1 As can be seen from the Green Book monitoring, a saving is currently forecast against revenue budgets for 2017/18. Within the 2017/18 budget there is a £100,000 savings target. Whilst savings have not yet been identified to achieve this target, this is offset by the £250,000 risk contingency against which only £110,000 of costs had been allocated to September 2017.

4.2 Permanent variations to budgets identified through in year monitoring of the 2017/18 position have been incorporated in the draft 2018/19 budget where appropriate. The position will continue to be reviewed and the 2018/19 budget adjusted as appropriate.

2018/19 Draft Budget

4.3 The draft revenue budget for 2018/19 is based on the 2017/18 approved budget adjusted for changes in accordance with the guidelines set out in 1.3 and against the background and performance set out above.

4.4 The summary 2018/19 Budget position is shown in Appendix 1, with an analysis of the changes compared to the 2017/18 budget provided in Appendix 2.

4.5 The overall position at this stage is that new strategic commercial properties provide sufficient additional income to offset the in year cost pressures. It has also been possible to remove the ‘one-off’ use of reserves for 2018/19.

4.6 Detailed work still needs to be completed in several areas where estimated figures have been included and there will need to be a comprehensive review of budget assumptions in particular around the timing and rates of interest costs and income. Further commentary on the key budget assumptions at this stage is provided in following sections.

5.0 Management and Administration

5.1 Staffing is currently controlled through two measures – the number of Full Time Equivalent (FTE) staff employed and the cost including overheads of employing them. The levels were set for 2017/18 at 335 FTE and £13,000,000.

5.2 The Council’s pay scheme rewards performance and determines how the available budget for pay progression is allocated to staff.

5.3 The management structure has identified a number of areas where additional resource is required in order to progress the Council’s aspirations. Only some of these posts have been recruited to whilst the financial position continues to be assessed.

5.4 The MTFS assumed increases of £300,000 each year over the period. For the draft budget it has been assumed that an additional £415,000 is allowed. This provides funding for the tax changes to salary sacrifice schemes which affects the Council’s leased car scheme as well as the baseline increase, and equates to a 3.2% increase.

5.5 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. Direct Staffing costs and numbers have fallen over the last 10 years, from a high of £17.7m, 511 Full Time Equivalents (FTEs) in 2008/09 to £13m, 335 FTE in 2017/18. During the period between 2014/15 and 2016/17 only minimal increases were allowed to the control total. More recently, and in the MTFS, it is recognised that it is necessary to more fully provide for a greater proportion of the identified cost pressures.

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 (Assumed increase)	13.415	345

5.6 The known pressures on the staffing budgets, before any pay award for 2018/19, are summarised in the following table. Allowing growth of only £415,000 at this stage generates a savings target of £371,000 (2.8%) to be met from within the total £13.4m employee budget.

Pressures on staffing budgets	£'000
2017/18 savings target built into base budget	370
Further cost of pay progression and allowances 2017/18	79
New posts and structure changes 2017/18	345
Remove joint waste contract posts – moved to service cost	-170
Add posts transferred from WAVS	115
Add new posts externally funded	160
Changes in funding	-228
Increased cost of Salary Sacrifice scheme	115
Pressure on staffing budget (before control total increase)	786
Assumed increase in control total (November 17 draft budget)	-415
Pressure on staffing control total	371

5.7 Assuming a £400,000 cost of pay progression in 2017/18 would require £771,000 to be found from the £13.4m control total, equating to a 5.7% scaling back/vacancy factor across the total staffing budget.

5.8 Those posts which are capitalised or funded from Investment Programme budgets are categorised as externally funded. Only posts directly working on projects are allocated, this position will continue to be reviewed including the opportunity to fund wider staffing costs from project budgets.

5.9 As the overall position is further refined, it may be that additional allowance needs to be included in the budget for 2018/19 to reflect the above pressures which are not fully incorporated in the base to date.

5.10 Consideration of the cash control total for 2018/19 will form part of the work prior to agreeing the budget in February 2018.

5.11 Accounting rules require that these costs are allocated out to individual services to show the full cost of the service. Allocations have not been substantially reviewed for a number of years so this year the basis of all allocations are being considered by service managers. It is possible that this will result in more significant changes in the services to which staffing and overhead costs are charged, in particular the balance between the General Fund and Housing Revenue Account may change. Once this process is complete any implications will be reported in the final draft budgets.

5.12 The staffing budgets will continue to be monitored in the Green Book.

6.0 Fees and Charges 2018/19

6.1 Elsewhere on this agenda is a report on the proposed Fees and Charges for 2018/19. The General Fund base budget for 2018/19 in Appendix 1 incorporates the forecast changes in charges and activity in this report.

6.2 Not all the income from Fees and Charges has a direct impact on the General Fund budget. Additional yield from Controlled Parking Zones for example would be credited to the Parking Account.

6.3 Fees and Charges are expected to contribute an increase in income of £375,000 to the 2018/19 budget.

7.0 Contractual Inflation

7.1 Negotiations, supported by the Commercial Unit, are undertaken with suppliers to minimise the impact of inflation on the Council's costs. Provision has been included in the draft budget allowing for instances where it is impossible to avoid an increase.

7.2 Where contracts are under negotiation an estimate of the forecast implications is included in the draft budget.

7.3 The new joint waste contract agreed by Council in October 2016 started in September 2017. The £100,000 saving guarantee agreed with the Council's partners in the joint contract has been included in the base budget for 2018/19.

7.4 The draft budget includes a £100,000 allowance for the operating costs of the new leisure facilities at Egley Road in line with the estimate in the June 2016 project report.

8.0 Service Plans

8.1 Draft Service Plans have been prepared (Appendix 4) to reflect the aims and objectives of the Council's services and these will be combined with the detailed service budgets when they are presented to the Executive in February.

8.2 No reductions in services are currently proposed. The Service Plans may need to be amended to reflect any changes in services or their priorities between the draft and final budget.

8.3 Performance management and financial monitoring information continues to be reported in the Green Book on a monthly basis.

9.0 Pension Costs

9.1 The triennial actuarial review of the pension fund was completed for the position of the fund at 31 March 2016. The result set the employer's on going pension costs, and annual lump sum payment towards the pension fund deficit, for 2017/18 to 2019/20. The results showed a positive movement in the fund and it has been possible to maintain deficit funding and ongoing contributions at previous levels.

10.0 Service issues, Budget Pressures and Risks

Commercial Income

10.1 Included in the base is income from two strategic properties acquired by the Council to further economic regeneration objectives since the 2017/18 budget was set in February. The purchase of Orion Gate was to be part funded by the capital receipt derived from the sale of part of Wolsey Place to Victoria Square Woking Ltd (VSWL). The rental income generated from the new asset offsets the reduction in retail rentals from the site now under redevelopment.

Civic Offices income

10.2 Increased income is expected due to the provision of space within the Civic Offices for Surrey Police and Job Centre plus. Income from the Police was included in the 2017/18 budget but the move has been delayed and it is unlikely that this income will be received in year. It is assumed that a full year of income from both areas is achieved in 2018/19.

HG Wells

10.3 The HG Wells centre is experiencing business pressures to both income and expenditure, as reported in the Green Book in recent months. The 2018/19 budget assumes a £50,000 reduction in expected income, together with a £20,000 increase in costs, resulting in an additional £70,000 net cost.

Surrey County Council funded services

10.4 Surrey County Council has an ongoing program to review service provision with the target to generate substantial savings. The County is experiencing significant pressures, in particular around social care and supporting adults and children with learning disabilities. As a result a number of grants and contributions currently allocated to Woking to support services are at risk. These include grants for care services at the Council's centres, Meals service and Home Improvements Agency. In addition the Surrey authorities are working on revised financial mechanisms around waste collection and disposal which will reduce the costs to the County. An assessment has been made of the likely reduction in support for 2018/19 and this is included in the base budget. The MTFS assumes further reductions.

Risk Contingency

10.5 The risk contingency has been retained at £250,000 in the draft Budget. This will be reviewed before the final budget is presented in the light of the risks associated with the budget, any savings target, the level of general and specific reserves and in the context of the Council's planned business.

11.0 Revenue Reserves

11.1 Some items in the General Fund Summary (Appendix 1) are covered by the Council's revenue reserves. These tend to be variable items which would otherwise cause the Council Tax requirement to vary significantly year on year. Transfers out of the reserve cover Management of Change costs and Investment Programme items.

11.2 The Council has a target to manage the Investment Strategy reserve to a level of £3 million. Other reserves have been established to enable the Council to manage and develop its ambitions. For example, the reserve held for Wolsey Place and Export House provides on going support to rental income as well as a source of funds for refurbishment of units.

11.3 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 3.

11.4 In 2016/17 and 2017/18 a transfer from reserves was used to supplement the budget pending review of the Medium Term Financial Strategy (MTFS). It has been possible to remove this for 2018/19 and the current figures suggest that £25,000 could be used to replace those funds used in the previous two years.

12.0 Investment Programme and Treasury Management

12.1 In addition to revenue projects which are directly funded by reserves as described above, the Investment Programme also affects revenue budgets through the cost of borrowing decisions.

12.2 A draft Investment Programme (IP) is elsewhere on the agenda. The draft IP has been considered by the Finance Task Group. Any changes to the programme and funding requirements agreed before February will be reflected in the final budgeted interest costs.

12.3 Lending to group companies generates income to support the Council's budget. The business plans for all of the group companies are also on this agenda. The Investment Programme and treasury estimates will be updated to reflect any changes in these once approved.

12.4 The interest estimates will be further reviewed in the period to preparing the final 2018/19 budget:

- To incorporate any changes to the Investment Programme including project timing, new projects approved and any impacts of the Victoria Square and Sheerwater regeneration proposals as appropriate.
- To reflect updated timing of Thameswey Housing Ltd advances, which are currently based on the Thameswey business plan.
- To reflect the latest interest rate forecasts provided by the Capita Asset Services, the Council's treasury management consultants.
- To review the Minimum Revenue Provision (MRP) assumptions and the allocation of interest between the General Fund and Housing Revenue Account.

12.5 The Investment Strategy reserve is currently forecast to be in line with the target £3m balance for the next 3 years. The level of this reserve will be reviewed together with the consequences of other budget variations and decisions in assessing the position for setting the final 2018/19 budget.

13.0 Medium Term Financial Strategy (MTFS)

13.1 The MTFS was last updated in March 2017 and identified £3.5m of savings to be identified over the period to 2021/22. The analysis has been updated to reflect the changes now incorporated in the draft budget for 2018/19.

13.2 The MTFS has not been extended for an additional year at this stage due to the uncertainties around government funding post 2019/20. Otherwise assumptions have been kept consistent with the March 2017 version.

	2018/19	2019/20	2020/21	2021/22	TOTAL
In year pressures					
Remove use of reserves					**-**
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		1,379	533	421	**2,333**
Government Funding reductions		918	436	434	**1,788**
	-	3,598	2,196	1,404	**7,198**
Funded by:					
Reduce contribution to reserves		- 25			**- 25**
Fees and Charges - Car park income		- 250	- 250	- 250	**- 750**
Council Tax income		- 278	- 282	- 285	**- 845**
In year savings required	-	3,045	1,665	869	**5,579**
MTFS Strategies					
Investment in Housing		- 788	- 788	- 450	**- 2,025**
Investment in MTFS Investments		- 300			**- 300**
Investment in other acquisitions					**-**
Limiting Investment Programme revenue cost		- 100	- 100	- 100	**- 300**
Productivity and Procurement		- 100	- 100	- 100	**- 300**
Surplus/deficit after agreed strategy	**-**	**1,758**	**677**	**219**	**2,654**

13.3 The table shows that whilst the draft 2018/19 budget is now balanced, there continues to be budgetary pressures in future years, in particular in 2019/20 due to the negative RSG.

13.4 Some of the variations set out in Appendix 2 had not previously been identified and are therefore generate additional pressure to the earlier MTFS. Surrey County Council reductions in support for waste and environmental maintenance have also been withdrawn more quickly than had been assumed.

13.5 This position will be further analysed and refined, and assumptions reviewed alongside further detailed budget work. It will be necessary to consider the impact of any announcements in the Chancellor's budget on 22nd November and in the provisional government settlement in December.

13.6 The updated forecast will be included in the final 2018/19 budget report alongside any further actions considered necessary to establish a sustainable medium term position.

14.0 Implications

Financial

14.1 The financial implications are explicit in this report.

Human Resource/Training and Development

14.2 No new human resource or training and development implications arise from this report.

Community Safety

14.3 There are no specific community safety implications.

Risk Management

14.4 Risks to budgets are identified through on going monitoring throughout the year with variances reported monthly in the Green Book. Budgets are adjusted as appropriate in the following year. One-off or short term variances are met from the contingency at the end of the financial year.

14.5 Where specific risks have been identified they have been set out in this report and steps will be taken to mitigate against them.

Sustainability

14.6 There are no specific sustainability implications.

Equalities

14.7 There are no specific equalities implications.

15.0 Consultations

15.1 No public consultations have been undertaken in preparing this report. Corporate Management Group, Managers and Portfolio Holders have been consulted in the preparation of the draft budgets.

REPORT ENDS

EXE17-071

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						X	
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	

		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			
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	

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.

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	