EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	Thursday, 24 January 2019
Place:	Council Chamber - Civic Offices	**Time:**	7.30 - 8.33 pm

Members Present: Councillors G Mohindra (Chairman), A Lion, J Philip, S Stavrou and C Whitbread

Other Councillors: Councillors L Burrows, I Hadley, J Jennings, H Kane, S Kane, P Stalker, B Vaz and J H Whitehouse

Officers Present: J Bell (Principal Accountant), G Blakemore (Strategic Director), T Carne (Public Relations and Marketing Officer), J Chandler (Service Director (Community & Partnership Services)), A Hendry (Senior Democratic Services Officer), E Higgins (Insurance & Risk Officer), D Macnab (Acting Chief Executive), P Maddock (Assistant Director (Accountancy)), G. Nicholas (Interim Transformation Manager), J Nolan (Service Director (Commercial & Regulatory Services)), R Pavey (Service Director (Customer Services)), R Perrin (Senior Democratic Services Officer) and N Richardson (Service Director (Planning Services))

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42. Webcasting Introduction

The Chairman reminded everyone present that the meeting would be broadcast live to the Internet and that the Council had adopted a protocol for the webcasting of its meetings.

43. Substitute Members

The Cabinet Committee noted that there were no substitute members for this meeting.

44. Declarations of Interest

There were no declarations of interest pursuant to the Council’s Code of member Conduct.

45. Minutes

Resolved:

That the minutes held on 15 November 2018 be taken as read and signed by the Chairman as a correct record.

46. Any Other Business

Resolved:

That, as agreed by the Chairman of the Cabinet Sub-Committee and in accordance with Section 100B(4)(b) of the Local Government Act 1972, the following items of urgent business be considered following the publication of the agenda:

- Council Budgets 2019/20
- Annex 5 – Medium Term Financial Strategy

47. Detailed Directorate Budgets 2019/20

The Assistant Director Accountancy presented a summary of the detailed directorate's budgets for 2019/20. The budgets were presented on a directorate by directorate basis in line with the revised management structure. It contained some background to each service heading and any CSB (Continuing Services Budget) and DDF (District Development Fund) changes proposed. This was the member's opportunity to comment and make recommendations prior to the budget being formally set on 21 February 2019.

Initially the budget setting process commenced in July 2018 with the presentation of the Financial Issues Paper which incorporated the Medium Term Financial Strategy (MTFS), which confirmed an identified savings target for 2020/21 and 2021/22 of £0.3 million. Furthermore, the settlement figures that had been provided in December 2015 for the four year period had subsequently reduced, although appearing slightly better than expected for 2019/20. It included a reversal of the previous decision on a Negative Revenue Support Grant worth £280,000 and a New Homes Bonus allocation of £452,000. The MTFS had previously assumed the CSB element would drop to £116,000 going forwards and given the volatile nature and potential revisions to the formula, it was seen prudent to reduce the CBS slightly to £100,000, whilst putting the rest into the DDF. The CSB lists now showed a reduction of £749,000 over the three year period from 2019/20 with £900,000 being diverted to the DDF in 2019/20 and 2020/21. There was also a one off windfall in 2019/20 of £50,000 which related to the redistribution of surplus Business Rates levy income collected by Central Government.

The commitment made to move to 100% retention of Business Rates locally had changed to 75% during 2018/19 and a consultation had been launched with responses required by 21 February. The Essex authorities (excluding Thurrock) had applied to be a pilot status, although the county had not been successful and it was expected that the current retention proportions (40% District, 9% County and 1% fire) would change.

Furthermore, Support Service Allocations had now been made discretionary and the budget had been prepared on the basis of allocations only to the HRA and corporate activities.

The new Council structure and budget databases had to be created and prepared by the end of October 2018 to enable budget process, although it had included the Governance and Member Services directorate which had now been removed. The intention was to disaggregate Governance and Members Services budget when the formal budget papers were put together.

The budgets highlighted areas where either Continuing Services Budget (CSB), District Development Fund (DDF) savings or growth and Invest to Save (ITS) expenditure had occurred and that ITS in particular, included with the budgets relating to revenue items only. Each budget was presented by the relevant Service Director.

<u>Chief Executive</u>

The Assistant Director Accountancy advised that budget was made up of support services and corporate activities. The original estimate for 2018/19 had been expenditure of £994k with a probable outturn of £981k. The net decrease had been attributed to the Corporate Fraud Investigation Team actively selling their services to other authorities.

<u>Business Support Services</u>

The Assistant Director Accountancy reported that the service area was responsible for providing support to the other service areas including business support, ICT, accountancy and the People Team.

He advised that the probable outturn for 2018/19 was £4.6m with net expenditure of £3.5m. The reason for most of the movement was the ICT Strategy and the large negative figure in 2019/20 related to the People Strategy and was included under Finance Miscellaneous until further details could be provided.

<u>Commercial & Regulatory Services</u>

The Commercial & Regulatory Services Director advised that the service area brought together the Commercial functions, Environmental Regulatory services, Emergency Planning, Risk Management and North Weald Airfield operations.

He advised that the probable outturn 2018/19 was £3.6m with the net expenditure of £4.1m in 2019/20. The increase had been due to the Shopping Park £2.2m contribution which would increase to £2.5m 2019/20. There were also rises expected in the business premises income of £100,000 which could rise further when the details of the Land Mark building lets were finalised. Furthermore, the Saturday market contractor at North Weald Airfield had been finding trade difficult and their income had reduced in the last two quarters. A reduced rental income had been agreed and the Council had exercised their right to retender, in the hope that a better income stream could be provided.

<u>Community & Partnership Services</u>

The Community & Partnership Services Director advised that service area now included Economic Development in conjunction with Planning Services and Private Sector Housing, Museum and Heritage and Community Safety Services.

The probable outturn for the 2018/19 was £3.5m and the next expenditure for 2019/20 was £3.8m. The uplift and expenditure at the year end and within 2019/20 related to the DDF item of the appointment of the three funded Police Officers and for Town Centre Support, Strategy and Smart Place Work, which was part of the economic development. Also in the Economic Development budget there was £350,000 for superfast broadband.

<u>Contract & Technical Services</u>

The Acting Chief Executive advised that the service area brought together Technical service, contracts, the Waste and Leisure Contracts.

The probable outturn for 2018/19 was £7.6m and would reduce to £6.7 in 2019/20, which had been driven by the additional income through the leisure and car parking contracts. The new car park tariffs would generate around £300,000 and the leisure management contract would deliver the £1m savings per annum. There was also a £100,000 DDF item for Match Funding the County Highways Panel.

The waste and recycling markets continued to be under pressure to find other outlets for the waste and recycling products and the Council had a risk share arrangement that would need to be considered and incorporated into the budget. The Contaminated Land and Water Quality budgets continued to fluctuate, although this was a reactive service.

Customer Services

The Customer Service Director advised that service area brought together Revenues and Benefits, Customer Services and going forward it would include Governance and Members Services.

The probable outturn for 2018/19 was £3m and would increase slightly to £3.2m for 2019/20. There was a single CSB saving of £70,000 from the People Strategy in both 2018/19 and 2019/20, which related to post now deleted. The DDF included the People Strategy implementation costs of £126,000 and costs relating to additional staffing to improve revenue collection, although the Council received precepts that more than covered the associated costs and a one-off grant to help with the new burdens placed on the Council from Central Government.

Governance & Member Services

The Customer Service Director advised that the service area included Members Services, Elections, Transformation and Legal. The Leadership Team had reviewed the services and allocated the services into other areas for 2019/20. The Legal services would now come under Business Support Services, Governance and Members Support under Customer Services and Transformation would now fall under the Strategic Director level.

The probable outturn for 2018/19 was £2m and the net expenditure was £1.8m for 2019/20. The largest items of DDF related to Transformation, the Service Accommodation Review and election costs and similarly in 2019/20, the costs were associated with Transformation and election. The biggest savings had come from the salary savings from within the People Strategy.

Housing & Property

The Acting Chief Executive advised that the service area included Property Maintenance, Housing and Development.

The probable outturn for 2018/19 was £699,000 and would reduce to a net expenditure of £634,000 in 2019/20. The largest change to CSB was in relation to the People Strategy which provided £27,000 in 2018/19 and £47,000 in 2019/20. The DDF item was in relation to the Building Maintenance programme which was £253,000 in 2018/19 and in terms of probably outturn £160,000 in 2019/20.

Planning Services

The Planning Services Director advised that the service area included Planning Policy and Development Management including the Local Plan.

The probable outturn for 2018/19 was £2.02m and would increase to a net expenditure of £2.9m. The fluctuations were due to the DDF items in 2018/19 from the Garden Town Project which was expected to be spent the following year. Additional income was expected in 2018/19 and 2019/20 from Development Control which was to be spent purely on planning services. The Local Plan had now been submitted and further DDF expenditure had been allocated.

<u>HRA</u>

The Assistant Director Accountancy advised that some of the expenditure and income allocated to the HRA was governed by legislation and were therefore not controlled by the Council. The budget related to the management and maintenance of council properties and 25% of the total costs were charges for corporate activities.

He advised that the probable outturn for 2018/19 was £409,000 followed by a surplus of £29,000 in 2019/20. Also a transfer of £500,000 was anticipated to be transferred to the Self-Financing Reserve in 2019/20. It was also worth noting was that there were 53 weeks in 2019 and clarification was required on whether the 1% rent reduction was required each week or across the year.

The Leader thanked the officers for the detailed budgets and the work which had been involved to incorporate the changes in the responsibilities within the new service areas.

Recommended:

(1) That the detailed directorate budget for Community & Partnership Services be recommended to the Cabinet for approval;

(2) That the detailed directorate budget for Commercial and Regulatory Services be recommended to the Cabinet for approval;

(3) That the detailed directorate budget for Housing and Property Services be recommended to the Cabinet for approval;

(4) That the detailed directorate budget for Planning Services be recommended to the Cabinet for approval;

(5) That the detailed directorate budget for Contract and Technical Services be recommended to the Cabinet for approval;

(6) That the detailed directorate budget for Business Support Services be recommended to the Cabinet for approval;

(7) That the detailed directorate budget for Customer Services be recommended to the Cabinet for approval

(8) That the detailed budget for the HRA be recommended to Cabinet for approval.

Reasons for Decision:

To give Members an opportunity to review and provide recommendations on the detailed budget prior to adoption by Council.

Other Options Considered and Rejected

Other than deciding not to review the budget there were no other options.

48. Corporate Plan 2018-2023 - Performance Report Q3 2018/19

The Interim Transformation Manager, G Nicholas presented a report regarding the outturn position for Quarter 3 - 2018/19.

The Corporate Plan 2018-2023 was the authority's key strategic planning document, which laid out the journey the Council would take to transform the organisation to be 'Ready for the Future'. The plan linked the key external drivers influencing Council services, with a set of corporate aims and objectives, grouped under three corporate ambitions.

A Corporate Specification for each year (previously called the Key Action Plan) detailed how the Corporate Plan was being delivered through operational objectives, with these in turn linked to annual service business plans.

The success of the Corporate Plan was assessed through the achievement of a set of benefits, each measured through one or more performance indicator, focussed on what the Council achieved for customers. The Leadership Team, Cabinet and the scrutiny committees had overview and scrutiny roles to drive improvement in performance and ensure corrective action was taken where necessary.

The Interim Transformation Manager updated members on the following performance indicators;

M2.1 Number of safeguarding concerns – The value of 10.34% had been incorrectly inputted and the actual target had been met and should have been 27%.

M1.2 Number of 'take-away' restaurants signed up to 'Tuck In' pledge – This had missed the target set for quarter 3, although officers were promoting the scheme.

M2.2 Number of days to process to benefits claims – It was now on target for quarter 3.

M4.3 Number of new residential properties built or acquired by the Council – This remained below target due to delays on the Council site at Springfield and Burton Road.

M9.6 Delivery of the Technology Strategy – This had missed the target in quarter 3 because of new projects being added, which reduced the overall percentage completed and there were a number of projects on hold.

M10.2 Annual Council Tax collection – This measure had marginally missed the target in this quarter, although the Business Support Portfolio Holder advised that payments were still chased after the year end and would improve.

RESOLVED:

(1) That the outturn position for Quarter 3 2018/19, in relation to the achievement of the Corporate Plan for 2018-2023 be noted.

Reasons for Decision:

The combined report brings together the performance of the Council against the Corporate Plan and gives 'clear line of sight' for performance across the Council via the new benefits maps and performance indicator set. The benefits maps provided an opportunity for the Council to focus attention on how specific areas for improvement would be addressed, and how opportunities will be exploited and better outcomes delivered. It is important that relevant performance management processes are in place to review and monitor performance against performance indicators to ensure their continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of slippage or under performance.

Other Options Considered and Rejected:

No other options were appropriate in this respect. Failure to monitor and review performance and to consider corrective action where necessary could have negative implications for judgements made about the Council's progress and might mean that opportunities for improvement were lost.

49. Risk Management - Corporate Risk Register

The Risk Management & Insurance Officer, E Higgins presented a report regarding the Councils Corporate Risk Register.

He advised that it had been considered by the Risk Management Group on 17 December 2018 and Leadership Team on 19 December 2018. The reviews identified updates for the current risks and no new risks, although both of the groups agreed the need for a review of Council's Risk Management Strategy by September 2019.

Furthermore, several of the Risk Owners required updating following the implementation of the new senior management structure. These were as follows;

Risk No.	Risk Name	Former Risk Owner	New Risk Owner
3	Welfare Reform	Alan Hall	Rob Pavey
6	Data/Information	Simon Hill	Rob Pavey
9	Safeguarding	Alan Hall	Julie Chandler
10	Housing Capital Finance	Alan Hall	Paul Pledger
12	Waste Management	Derek Macnab	Qasim Durrani

The amendments to the Corporate Risk Register included the following;

(a) Risk 1 - Local Plan

The Council had submitted the Local Plan to the Secretary of State and the risk Vulnerability, Trigger and Consequence had been extensively re-written. The risk Consequence for not achieving an adopted plan remained at an increased annual requirement of 923 homes, rather than the 518 set by the Council. Therefore the increase would result in vulnerability to the planning appeal decisions and potential development in the Green Belt, as the presumption in favour of sustainable development would apply.

The Effectiveness of Controls/Actions and Required Further Management Action relating to the Epping Forest Special Area of Conservation (SAC) had also been updated.

(b) Risk 2 - Strategic Sites

The Effectiveness of Controls/Actions and Required Further Management Actions had been updated to reflect the Landmark Site (Former Winston Churchill), St John's

Road Development and the disposal strategy of Pyrles Lane Nursery and relocation of services to Town Mead.

(c) Risk 3 - Welfare Reform

The Required Further Management Action was updated to include the need for an action plan to be developed by the end of 2019/20, for the baseline effects of Universal Credit for implementation in 2020/21. The resulting Critical Success Factor and Measure identified the impact of Universal Credit on all services and the necessary mitigating actions.

(d) Risk 4 - Finance Income

The risk Vulnerability had been updated to reflect increasing dependence on locally generated income and little information had been available relating to funding from 2020/21. The increasing possibility of a no deal Brexit could cause challenging trading conditions for businesses, which could impact a number of the Council's income sources including commercial rentals and business rates. The changes in economic conditions were also reflected in the updated risk Trigger.

(e) Risk 5 - Economic Development

The Existing Controls/Actions to Address Risk had been updated to advise that the Economic Development Plan has been drafted and presented to the Economic Development Board and the Required Further Management Action needed an Economic Development Implementation Plan.

(f) Risk 7- Business Continuity

The Effectiveness of Controls/Actions had been updated to advise that an audit of Business Continuity arrangements had commenced.

(g) Risk 9 - Safeguarding

The Required Further Management Action had been updated to advise that training records were to be held and maintained by the People Team via the iTrent system when it was fully operational.

(h) Risk 10 - Housing Capital Finance

The Critical Success Factor and Measures had been amended to advise that any impact from Central Government Policy changes must be minimised as far as possible.

(i) Risk 11 - Transformation Programme

The Existing Controls/Actions to address risk were updated to advise that Leadership Team considered Transformation issues at their weekly meetings. The Effectiveness of Controls/Actions had also been updated, to advise that the People Strategy was at Level 2 Service Manager Implementation Stage; the People Strategy had been considered by Overview & Scrutiny in December 2018; and that Cabinet agreed the revised Accommodation Strategy on 10 December 2018.

The Required Further Management Action advised that the Leadership Team and Transformation Programme Board continued to monitor projects and ensure adequate human and financial recourses were available. Furthermore, part of the

Overview and Scrutiny Framework Task & Finish Panel would consider Performance Monitoring.

(j) Risk 12 – Waste Management

The Effectiveness of Controls/Actions had been updated to advise that the Recycling Index Unit Rate (RIUR) would continue to be monitored due to the volatility of sale prices for recycling materials

Finally, it was felt that the methodology and potential use of Pentana could be explored to record and present risks.

RESOLVED:

(1) That the updated Risk Owners be noted;

(2) That updated risk Vulnerability, Trigger, Consequence, Effectiveness of Controls/Actions and Required Further Management Action for Risk 1 be updated;

(3) That the Effectiveness of Controls/Actions and Required Further Management Action for Risk 2 be updated;

(4) That the Required Further Management Action and Critical Success Factors and Measures for Risk 3 be updated;

(5) That the Vulnerability and Trigger for Risk 4 be updated;

(6) That the updated Effectiveness of Controls/Actions and Required Further Management Action for Risk 5 be updated;

(7) That the updated Effectiveness of Controls/Actions for Risk 7 be updated;

(8) That the updated Required Further Management Action for Risk 9 be updated;

(9) That the updated Effectiveness of Controls/Actions and Critical Success Factors and Measures for Risk 10 be updated;

(10) That the updated Existing Control/Actions, Effectiveness of Control/ Actions and Required Further Management Action for Risk 11 be updated;

(11) That the updated Effectiveness of Controls/Actions for Risk 12 be updated;

(12) That the necessary review of the Corporate Risk Strategy be noted; and

RECOMMENDED:

(13) That the amended Corporate Risk Register be recommended to Cabinet for approval.

Reasons for Decision:

It was essential that the Corporate Risk Register was regularly reviewed and kept up to date.

Other Options Considered and Rejected:

Members may suggest new risks for inclusion or changes to the scoring of existing risks.

50. Council Budget 2018/19

The Assistant Director Accountancy presented a report that set out the detailed recommendations for the Council's budget for 2019/20. The budget added £0.51m to reserves and the Council maintained its policy on the level of reserves throughout the period of the Medium Term Financial Strategy (MTFS). Over the course of the MTFS the usage of the reserves would support the spending peaks at £1.153m in 2021/22, reducing to £0.384m in 2022/23. The budget was based on the assumption that Council Tax would not increase in 2019/20 and that the average Housing Revenue Account rents would decrease by 1% in 2019/20.

The annual budget process commenced with the Financial Issues Paper (FIP) being presented to this Committee on 26 July 2018, which continued the earlier start to the process and reflected concerns over the reform of financing for local authorities. It highlighted the uncertainties associated with Central Government Funding, Business Rates Retention, Welfare Reform, New Homes Bonus, Development Opportunities, Transformation, Waste and Leisure Contracts and Miscellaneous, including recession and pay awards.

In setting the budget for the current year it had been anticipated £306,000 would be used from the General Fund reserves. There was expected to be a surplus of £994,000 on ongoing General Fund activities and it had been agreed to make a transfer of £1.3m to the District Development Fund (DDF) ensure it remained in surplus. Also, the MTFS approved in February 2018 showed a combination of net savings targets and use of reserves which adhered to the Council's policy. Between 2017/18 and 2021/22 it was expected that a little under £1m would be used from the General Fund reserve bringing the balance down to £4.8m at the end of the period and this was above the target of 25% of the 2021/22 estimated Net Budget Requirement of £3.233m.

The revised MTFS presented with the FIP took into account all the changes known at that point and highlighted the uncertainties around income from business rates. The projection showed the savings targets could be left unchanged at £300,000 in both 2020/21 and 2021/22 and would keep revenue balances comfortably above the target level at the end of the final year. However, with significant uncertainties around funding beyond the next financial year it was making forward funding projections extremely difficult.

The budget guidelines for 2019/20 were therefore established as;

(a) the ceiling for CSB net expenditure be no more than £12.9m including net growth /savings;
(b) the ceiling for DDF net expenditure be no more than £0.553m; and
(c) the District Council Tax to continue to be frozen.

The overall position on the budgets through the medium term was rather different now to what it was in July 2018 and considerable progress had been made on implementing the People Strategy. The savings target set for 2018/19 had been exceeded. In roads had also been made into meeting the 2019/20 target by virtue of the fact that some of the savings contributing to the 2018/19 target had only been a part year effect with the remainder falling into 2019/20. The original budget included an expansion in community safety spending to help address the district wide problem of anti-social behaviour had been funded by the 2.48% increase in the Council Tax.

There had been two important consultation papers issued, that requested responses by 21st February 2019 for the Fair Funding Review (FFR) and reforms to business rates retention, which would determine how local authorities would be funded in the medium term starting in 2020/21.

The Assistant Director Accountancy advised that this was the last year of the Ministry of Housing, Communities & Local Government (MHCLG) four-year settlement and the overall reductions had been £2.2m or over 40% with little information on future prospects. The provisional settlement figures were released on 13th December and the Council was still awaiting confirmation of the figures.

The Revenue Support Grant would disappear completely by 2019/20 with the Local Council Tax Support (LCTS) grant to parishes being phased out by this date as well.

The Council had taken part in the Essex bid to become 75% Business Rates pilot, which had been unsuccessful, although the Council would continue to be part of the Essex Business Rates Pool, which should mean some additional resources being available when compared to EFDC acting on its own. There had been no growth assumed for in 2020/21 and a new ratings list had only two years of data, which meant that there was very little data on appeals and there were still appeals outstanding on the old list. The total provision for these appeals was currently £3.39m. Furthermore the Council would receive £50,000 as a one-off windfall repayment in 2019/20 for the levy on business rates growth being higher than that paid out in safety net payments.

The scheme of Local Council Tax Support (LCTS) would see no changes to the maximum level of support being 75%. The Universal Credit (UC) was now live across the District for all new claims relating to those of working age and the existing claims for working age claimants would be migrated over a period of time up to 2023. One other aspect of welfare reform that continued was the DWP achieving their savings through reducing the grant paid to local authorities to administer housing benefit. Following a relatively modest reduction of £22,000 in 2015/16, £40,000 was taken in 2016/17 £42,000 in 2017/18 and £25,000 in 2018/19. A further reduction of £37,000 was proposed for 2019/20.

The Assistant Director Accountancy advised that during 2017/18, significant changes were made to the way New Homes Bonus (NHB) was allocated and the Council received £0.849m in 2018/19. The original estimate for 2019/20 was £0.7m but because of increased growth in housing provision and also a significant increase in empty properties being brought back into use the figure was £1.049m. The amount awarded for 2019/20 being £0.452m.

The retail park was now operational and all units were now let with the rent accounting for £2.498m. With regards to the negotiations of the mixed use re-development of the St Johns area in Epping falling through, the Council had taken the opportunity to redevelop the site. The capital cost of a new leisure centre was likely to be in the order of £16-20m and in order to pay for the construction the Council would need to borrow money. Although, it was the intention to produce a full development appraisal for the whole of the St John’s Road Scheme, that identified what capital contributions could be available to off-set the costs of any new Leisure Centre, including the existing site in Hemnall Street and the sale of any housing units identified in the adopted Design and Development Brief. There was also the likely revenue to be generated by any retail/focal beverage units provided as part of the development. In addition, the majority of units at the former Winston Churchill pub site were under offer or in negotiation and £250,000 should be achievable when all units were let.

As regards to transformation projects, an in-principle decision had been made to relocate back office functions to a new building on Council owned land at North Weald. This would be funded from the capital receipt generated by the sale of the Conder building, the rear extension and car park and supplemented by existing capital provision held as a result of a number of Civic Office projects put on hold by the review which totalled a little under £1.2 million. The People Strategy target of £647,000 set for 2018/19 had been achieved and progress had already been made toward the 2019/20 target. The actual position was expected be a saving of £716,000, £504,000 from the General Fund and £212,000 from the HRA. The ICT Strategy progressed broadly on track though some projects had been affected by the accommodation review and some additional costs could arise from a review of the current server hosting arrangements. The remaining amount left on the Invest to Save (ITS) had been allocated to the accommodation review and if the fund was to be continued, the General Fund would need to provide the initial finance.

The waste contract had been procured at a lower cost and the savings had been included in the MTFS, however issues with recycling and service delivery had meant that the CSB growth of nearly £500,000 had been included in the revised estimates for 2016/17 and £200,000 of DDF expenditure. Furthermore, costs had increased in 2018 with the loss of recycling income of £150,000 and a one-off Capital cost of £200,000 and £50,000 ongoing CSB being required to meet the issues relating to the Chinese recycling market. This was not sustainable in the long term and options would need to be discussed. In addition, the Government's Resources and Waste Strategy 25-year environment plan would be consulted on and would likely have an impact on service delivery and costs.

The Leisure Management contract had started with Places for People on 1 April 2017 for a 20 year period and the average CSB savings would be more than £1m per year.

In addition, there were a number of other issues that needed to be considered, including the general economy cycle and potential of a recession, the possibility of a no deal Brexit, the annual pay award based on increases of 2.5% in 2020/21 and 2021/22 and 2% thereafter and the addition of 11,400 properties to the district over the period of the Local Plan.

Members were reminded that the MTFS was based on a number of important assumptions, including the following:

- Future funding for 2020/21 and beyond was subject to the Fair Funding Review and at this stage, there was little information on what funding would be available.

- CSB growth had been restricted with the CSB target for 2019/20 of £11.9m achieved. Known changes beyond 2019/20 had been included but if the new leisure contract failed to yield the predicted savings; the full savings from the people strategy did not materialise; or the waste management costs increased other efficiencies would be necessary.

- All known DDF items were budgeted for, and because of the size of the Local Plan programme a transfer in of £1.3m from the General Fund Reserve would be required in 2018/19 followed by a further £0.6m in 2019/20, to ensure funds were available through to the end of 2022/23.

- That the revenue balances of at least 25% of NBR be maintained.

The balance of the Housing Revenue Account (HRA) at 31 March 2020 was expected to be £2,081,000, after a deficit of £409,000 in 2018/19 and a surplus of £29,000 in 2019/20. The estimates for both years had been compiled on the self-financing basis and so the negative subsidy payments had been replaced with borrowing costs. Also since 2016/17 local authorities had been required to reduce rents by 1% per annum and 2019/20 was the final year of this policy. It had come to light that there was a potential problem in 2019/20 because there were 53 weeks in that year and clarification was required on whether the 1% was required to be applied to the annual rent or weekly.

It was noted that priority would be given to capital schemes that would generate revenue in subsequent periods and new borrowing should only be taken out to finance schemes with positive revenue consequences. This had been incorporated into the Treasury Management Strategy. The capital programme totalled £97m over a five year period and it had been anticipated that the Council would still have £3.9m of capital receipt balances at the end of the period (although these were one-four-one amounts to be used in the house building programme). In order to finance the capital programme, it was currently envisaged that £8.2m of borrowing would be required.

Members expressed their thanks to the Assistant Director Accountancy and the officers involved in the Council's budget process. There would be some significant challenges ahead, although prudent planning had put the Council in a good position.

Recommended:

(1) That in respect of the Council's General Fund Budgets for 2019/20, the following guidelines be adopted:

(a) That the revised revenue estimates for 2018/19, were anticipated to reduce the General Fund balance by £0.7m;

(b) That the target for the 2019/20 CSB budget would decrease from £12.1m to £11.9m (including growth items);

(c) That the target for the 2019/20 DDF net spend would increase from £0.553m to £2.296m;

(d) That the District Council Tax for a Band 'D' property would not change and be retained at £152.46;

(e) That there would be an estimated increase in General Fund balances in 2019/20 of £0.51m;

(f) The five-year capital programme 2018/19 – 2022/23;

(g) The Medium Term Financial Strategy 2018/19 – 2022/23;

(h) That the Council's policy on General Fund Revenue Balances would remain that they were allowed to fall no lower than 25% of the Net Budget Requirement.

(2) That the revised revenue estimates for 2018/19 and the 2019/20 HRA budget be recommended for approval ;

(3) That the rent reductions proposed for 2019/20 would give an average overall fall of 1% be noted;

(4) That the Chief Financial Officer's report to the Council on the robustness of the estimates for the purposes of the Council's 2019/20 budgets and the adequacy of the reserves be noted.

Reasons for Decision:

The decisions were necessary to assist the Cabinet in determining the budget that would be put before Council on 21 February 2019.

Other Options Considered and Rejected:

Members could decide not to approve the recommended figures and instead specify which growth items they would like removed from the lists, or Members could ask for further items to be added.

CHAIRMAN