

## THE DISTRICT COUNCIL OF TANDRIDGE

### STRATEGY & RESOURCES COMMITTEE

Minutes and Report to Council of a meeting of the Committee held in the Council Chamber, Council Offices, Station Road East, Oxted on the 1<sup>st</sup> November 2018 at 7.30pm.

**PRESENT:** Councillors Fisher (Chair), Elias (Vice-Chair), Ainsworth (sub), Black, Botten, Childs, Davies, Harwood, Jones, Lee and Pursehouse.

**APOLOGIES FOR ABSENCE:** Councillors Bourne, Cannon and Jecks.

**ALSO PRESENT:** Councillors Allen, Duck, Lockwood and White.

#### 147. MINUTES

The minutes of the meeting held on the 11<sup>th</sup> October 2018 were confirmed and signed by the Chair.

#### **COMMITTEE DECISION** *(Under powers delegated to the Committee)*

#### 148. MEDIUM TERM FINANCIAL STRATEGY UPDATE (MTFS)

A draft MTFS report was presented to update the budget projections for the period 2019/20 to 2021/22.

The report reflected on a £1.30m (65%) reduction in government funding between 2016/17 and 2019/20 and the prospect of a negative Revenue Subsidy Grant (RSG) tariff of £729,000 payable from 2019/20. The tariff was originally intended to coincide with the retention of additional business rates although the rates reset had since been delayed until 2020/21. A final ruling on the tariff was now expected as part of the provisional local government financial settlement to be announced on 6<sup>th</sup> December. The settlement would also reveal the Council's future entitlement to New Homes Bonus and the results of the latest bids for 100% business rate retention pilots. For the sake of prudence, the MTFS was based on worst case scenarios of:

- the negative RSG tariff remaining in place from 2019/20;
- no future New Homes Bonus receipts (apart from legacy payments); and
- no business rate pilot gains.

The report explained the assumptions made about council tax funding within the MTFS and the intention to create 'voids avoidance' and 'equalisation' reserves during 2019/20. Such reserves would provide financial cover and smooth out revenue flows should any of the Council's investment properties lose a tenant.

Summaries of the latest MTFS and capital programme were presented as per **Appendices 'A' and 'B'** respectively, together with associated risk factors which could affect the core income and expenditure projections.

The Committee was informed about two impending funding reforms for local government:

- The fair funding review (FFR) was being undertaken to replace the current system of resource allocation to councils. A government consultation was due within the next six months with final details to be published by summer 2019. This would culminate in the government's spending round settlement for 2020/21. The new funding formula was likely to be based on populations with area cost adjustments for factors such as labour costs, business rates, remoteness, council tax support, core spending power and income.
- A business rate reset in 2020 would seek to simplify the current system of rates retention. A government consultation was expected in December 2018 at the same time as the provisional local government financial settlement.

The impact of these two initiatives could not be quantified at the present time.

Before inviting Members' questions on the report, the Chair commented on the prospect of Surrey County Council having to reduce services in order to address its budgetary deficit. It was confirmed that a report would be prepared for the Committee's 11th December 2018 meeting about the potential impact of SCC's situation upon the District. Members acknowledged that services such as libraries, children's centres and community recycling centres could be under threat and would welcome the opportunity for TDC to make robust representations to the County Council on behalf of local residents.

In response to the debate about the MTFS itself, the Chief Finance Officer:

- summarised the extent to which the Chancellor's recent (national) budget announcements would affect local government;
- justified the prudence measures within the MTFS;
- explained certain elements of the current MTFS relative to last year's version and offered to produce a reconciliation statement to explain the changes; and
- confirmed that the budgeted savings arising from the Customer First project were still on track to be delivered.

**RESOLVED** – that

- A. the General Fund budget target for 2019/20 be set at £9,671,162 at this stage and policy committees be invited to compile their draft budgets within this overall framework target;
- B. a pay award provision of £208,837 be made, representing an increase to the staffing budget of 2%;

- C. the following budget shortfalls in the MTFS be noted:
- £760,103 in 2019/20 (subject to the possible removal of negative Revenue Subsidy Grant);
  - £574,582 in 2020/21; and
  - £862,647 in 2021/22;
- D. the reporting timetables for the budget process for 2019/20 and the assumptions used in the MTFS be noted;
- E. the latest funding forecasts for business rates, New Homes Bonus and council tax within the MTFS be noted;
- F. the progress on the capital programme and potential funding requirements for 2019/20 be noted; and
- G. the latest update on funding reforms, their timetables and potential impact upon the Council be noted.

Rising: 8:10pm

APPENDIX 'A'

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**Medium Term Financial Strategy and Efficiency Plan - latest TDC position October 2018**

	2017/18	2018/19	2019/20	2020/21	2021/22
		£	£	£	£
<b>Net Council budget b/fwd</b>		9,849,670	9,981,848	9,671,162	9,836,471
<i>Inflation allowances &amp; pay increments</i>		381,060	429,500	458,819	468,004
<i>Inflation on fees and charges income</i>			-46,035	-47,186	-48,366
<i>Technical Funding Changes to base budget</i>					
Business Rate adjustment for the collection fund		621,764	-762,480	-250,000	-350,000
Revaluation of Pension Fund		0	0	0	0
Use of Reserves change (use of equalisation reserve for BR and Appeals)		-795,000	876,890	920,480	820,680
Asset / Investment Income - net after costs of borrowing		-300,000	-132,498	174,941	-184,521
New Homes Bonus - change in allocation		374,000	200,000	199,350	337,900
4 Year Settlement - Transitional Grant		131,900	0	0	0
Increase in provisions/reserves for voids and income equalisation		0	150,000	100,000	100,000
Treasury investment income from specified and non specified investments		-190,000	-80,000	0	0
Interest on working balances		0	-4,700	-4,599	4,738
Minimum Revenue Provision and interest costs for capital (net after contributions)		88,754	82,471	11,982	4,320
<i>Committee Growth/Savings (see attached summary)</i>					
Resources/Support Services		-388,900	5,700	1,900	0
Community Services		1,600	476,050	280,003	0
Housing Services GF		18,500	-106,700	-35,600	0
Planning Services		336,500	260,000	-735,000	0
Corporate saving - Insurance		-148,000	0	0	0
<i>Customer First Project</i>					
Project Costs	1,582,900	3,564,218	-3,228,998	-335,200	0
Anticipated Staff Savings	0	-313,000	-921,000	0	0
	1,582,900	3,251,218	-4,149,998	-335,200	0
Application of Development Fund Reserve	-1,089,000	-1,440,038	1,440,038	0	0
Application of General Budget Reserve	-493,900	-1,461,180	1,461,180	0	0
	0	-350,000	350,000	0	0
	0	0	-898,780	-335,200	0
<b>Forecast Net Cost of Services</b>	<b>9,849,670</b>	<b>9,981,848</b>	<b>10,431,266</b>	<b>10,411,052</b>	<b>10,989,227</b>
<i>Funding available to the Council</i>					
Council Tax surplus from Collection Fund	240,300	28,000	125,514	10,000	10,000
Business Rates/S31 Grant	600,000	585,000	600,000	600,000	600,000
Business Rates baseline funding	1,361,670	1,404,000	1,416,000	1,416,000	1,416,000
Base income from existing Council Tax base	7,342,900	7,647,700	7,964,848	8,258,448	8,539,271
Annual increase on existing Council Tax base	184,848	228,732	238,136	247,012	255,288
Growth on new Council Tax base	119,953	88,416	55,464	33,811	34,822
<b>Sub-total Council Tax</b>	<b>7,647,700</b>	<b>7,964,848</b>	<b>8,258,448</b>	<b>8,539,271</b>	<b>8,829,380</b>
Tariff adj negative			-728,800	-728,800	-728,800
<b>Total core funding available to Council</b>	<b>9,849,670</b>	<b>9,981,848</b>	<b>9,671,162</b>	<b>9,836,471</b>	<b>10,126,580</b>
<b>Forecast budget shortfall / gap</b>	<b>0</b>	<b>0</b>	<b>760,103</b>	<b>574,582</b>	<b>862,647</b>

APPENDIX 'B'

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**CAPITAL PROGRAMME 2017-2018 to 2020-21**

10/11/2017	Original Programme 2018-19	Additions / (Deletions) (Resources Feb 2018) 2018-19	Updated Programme 2018-19	Slippage from 2017-18	Revised Programm (After Slippage) 2018-19	Estimated Programme 2019-20	Estimated Programme 2020-21
	£	£	£	£	£	£	£
<b>COMMITTEE SCHEMES</b>							
<u>HOUSING HRA</u>							
SUB-TOTAL HOUSING HRA	4,929,700	6,020,200	10,949,900	385,900	11,335,800	6,118,300	3,689,700
<u>GENERAL HOUSING SERVICES</u>							
SUB-TOTAL GENERAL HOUSING SERVICES	320,000	170,000	490,000	111,300	601,300	320,000	320,000
<u>COMMUNITY SERVICES</u>							
COMMITTEE TOTAL	249,000	4,141,000	4,390,000	2,374,300	6,764,300	515,000	175,000
<u>SUPPORT SERVICES</u>							
COMMITTEE TOTAL	530,000	70,110,000	70,640,000	1,223,600	71,863,600	65,150,000	65,180,000
<b>TOTAL CAPITAL PROGRAMME</b>	<b>6,028,700</b>	<b>80,441,200</b>	<b>86,469,900</b>	<b>4,095,100</b>	<b>90,565,000</b>	<b>72,103,300</b>	<b>69,364,700</b>
<b>Financed By:</b>	<b>2018/19</b>	<b>2018/19</b>	<b>2018/19</b>	<b>2018/19</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	£	£	£	£	£	£	£
HRA Reserves	4,929,700	6,020,200	10,949,900	385,900	11,335,800	6,118,300	3,689,700
DFG Grant	220,000	170,000	390,000	36,900	426,900	220,000	220,000
General Fund Capital Receipts / Reserves/NHB	299,000	(34,000)	265,000	149,300	414,300	315,000	225,000
Housing Capital Receipts	100,000	0	100,000	74,400	174,400	100,000	100,000
Borrowing	480,000	73,985,000	74,765,000	3,448,600	77,913,600	65,350,000	65,130,000
	<b>6,028,700</b>	<b>80,141,200</b>	<b>86,469,900</b>	<b>4,095,100</b>	<b>90,265,000</b>	<b>72,103,300</b>	<b>69,364,700</b>