

BOROUGH OF REIGATE AND BANSTEAD

Overview & Scrutiny Committee 17th January 2019

ADDENDUM TO THE AGENDA

AGENDA ITEM 6 : BUDGET PROPOSAL FOR 2019/20 - UPDATE

The report on the Budget Proposal for 2019/20 - Update was marked as To Follow; this is now attached to this Addendum to the agenda.

The Committee is requested to consider the information and make any comments for consideration by the Executive in line with the Council's budget and policy procedure rules.



REPORT OF:	DIRECTOR OF FINANCE & ORGANISATION
AUTHOR:	PAT MAIN
TELEPHONE:	01737 276063
E-MAIL:	Pat.Main@reigate-banstead.gov.uk
TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	17 JANUARY 2019

WARD(S) AFFECTED:	N/A
SUBJECT:	BUDGET PROPOSAL FOR 2019/20 - UPDATE
<p>RECOMMENDATION:</p> <p>The Committee is requested to consider the information and make any comments for consideration by the Executive in line with the Council's budget and policy procedure rules.</p>	
<p>SUMMARY:</p> <p>This report provides an update on additional information that will be included in the Budget 2019/20 and Capital Programme Report to Executive on 24 January 2019, relating to:</p> <ul style="list-style-type: none"> (i) The Provisional Settlement Announcement of 13 December 2019; and (ii) The Capital Programme 2019/20 to 2023/24 proposals. <p>This information was not available when the Service & Financial Planning 2019/20 report was submitted to Executive on 8 November 2018 and subsequently considered by the Budget Scrutiny Panel on 22 November 2018 and Overview & Scrutiny on 6 December 2018.</p>	

1. The Provisional Local Government Settlement 2019/20

- 1.1 The Provisional Settlement announcement on 13 December 2018 included a significant change to previous proposals, which has now been taken into account in the final base budget proposals for 2019/20:
- 1.2 The forecast national £153m budget pressure relating to 'Negative RSG' for 2019/20 will be funded by the Government, through a reduction in its share of business rates;
- 1.3 This means that the Council's budget forecast for 2019/20 will be £1.543 million better than the November budget assumptions. Therefore we will be able to fund the entire 2019/20 budget from sustainable sources, without drawing on reserves. This is a 'one-off' benefit and is not forecast to continue beyond 2019/20.
- 1.4 It also presents a budget growth opportunity to establish a permanent budget of £0.250m to fund new posts that may be required as a result of team restructures during 2019/20. It is intended that this arrangement will continue in future years and will be built into Medium Term Financial Plan projections going forward.

1.5 The details are set out in the table below.

PROPOSED 2019/20 BUDGET REQUIREMENT As Reported to Executive November 2018		PROVISIONAL SETTLEMENT DECEMBER 2018	CHANGE
	£m	£m	£m
Reduction in Retained Business Rates	1.48	(0.063)	(1.543)
Salary Change Forecast	0.61	0.61	
Budget Growth (Annex 5) <i>comprised of:</i>	2.62	2.87	0.25
<i>Loss of income</i>	0.79	0.79	
<i>Service improvements</i>	0.75	0.75	
<i>Transfer of CPDF-funded salaries into revenue budget</i>	1.08	1.08	
<i>New Posts Fund</i>	0	0.25	0.25
Budget Savings (Annex 4) <i>comprised of:</i>	(1.22)	(1.22)	-
<i>Efficiency measures</i>	(0.44)	(0.44)	
<i>Income generation</i>	(0.78)	(0.78)	
Total increased budget requirement	£3.49m	£2.197m	(£1.293m)
PROPOSED FUNDING SOURCES FOR 2019/20 BUDGET REQUIREMENT			
Sustainable Sources			
Council Tax Demand increase at 2.99% (estimate)	(0.57)	(£0.57)	
Property Investment	(0.96)	(£0.96)	
Revenue Resources Released from Budget review	(0.50)	(£0.50)	
Total from sustainable funding sources	(£2.03m)	(£2.03m)	-
Reserves (One off funding sources)			
Government Funding Reduction Reserve	(0.46)		0.46
Business Rates Equalisation Reserve	(1.00)		1.00
Other earmarked reserves and General Fund	0	(0.167)	(0.167)
Total From (negative) / To (positive) Reserves	(£1.46m)	(£0.167m)	£1.293m
Total Required to Fund Increased Budget Requirement	(£3.49m)	(£2.197m)	

1.6 Other announcements that are relevant to this Council included:

- A £180m balance on the national Business Rates Levy Account is being distributed based on need.

We will benefit from additional income in 2019/20 of £36k.

- Council Tax referendum limits will remain as previously indicated;

This was reflected in the proposed 2.99% council tax increase reported in the November 2018 budget report.

- For 2019/20 there are no changes to the New Homes Bonus 'deadweight';

The Council's New Homes Bonus allocation will therefore be in line with expectations (£1.993 million in 2019/20).

- Surrey was not selected to be one of the new 75% Business Rates;

No additional income was assumed to be received as a result of being part of a pilot in 2019/20.

1.7 In addition the Government published two new consultation papers on the Fair Funding Review and future arrangements for Business Rates Retention. The outcome of these consultations is expected to be announced in early autumn 2019 and will determine the arrangements for local Government funding in 2020/21 onwards.

2. Capital Programme

2.1 The Council's capital investment plans over the next five years are set out in the Capital Programme (Annex 2). The efficient and effective use of capital resources, including sound asset management, is fundamental to the Council achieving its medium and long-term aims and objectives. It is also critical to achieving the delivery of the efficiencies and providing optimum services.

2.2 Any capital investment decision will have implications for the revenue budget. The revenue costs over the lifetime of each proposed capital project are considered when the project is being developed to ensure that the impact can be incorporated within our financial plans and to demonstrate that the investment is affordable.

2.3 The Prudential System of Local Government Capital Finance has operated since 2004 and allows local authorities to borrow so long as their capital spending plans are affordable, prudent and sustainable. In order for borrowing to meet these criteria there must be a long-term source of revenue funding to meet the costs. Ideally this will come from revenue savings or from additional income generated directly from the capital scheme.

2.4 Updates to the Prudential Code for Capital Finance and the CIPFA Treasury Management Code were released in during 2017/18. The impact of these changes has been reviewed and is being implemented. This includes the new requirement to develop a Capital Investment Strategy that considers capital investments held for

treasury management purposes as well as investment in property and commercial enterprises. The Council's Capital Investment Strategy will be reported to Executive in March and Full Council in April 2019, at the same time as the annual Treasury Management Strategy Statement.

2.5 The Capital Programme for 2019/20, as set out below (detail at Annex 2), includes some initial assumptions about capital growth during the year and the resources that are available to fund it. New capital schemes will be reported to Executive for approval during the year as opportunities are identified. The current assumption that this expenditure will be funded within existing resources, including previously-approved borrowing limits.

2.6 The forecast Capital Programme beyond 2019/20 is also summarised below (detail at Annex 2) and is based on previously-approved capital schemes and funding. It is anticipated that the forecast Capital Programme for 2019/20 to 2023/24 will be reviewed during 2019/20 as the new Corporate Plan and Capital Investment and Housing Strategies are developed. At that stage recommendations will be made regarding further growth and funding requirements to support delivery of corporate priorities.

CAPITAL PROGRAMME 2019/20 to 2023/24						
APPROVED CAPITAL PROGRAMME	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget	Projected	Projected	Projected	Projected	Projected
	£000	£000	£000	£000	£000	£000
FINANCE & ORGANISATION:						
Strategic Property	38,363.0	50.0	50.0	76.0	76.0	76.0
IT Services	139.3	275.0	100.0	300.0	275.0	275.0
Organisational Development	181.0	30.0	30.0	30.0	30.0	30.0
PEOPLE SERVICES:						
Housing	1,549.1	1,495.1	1,115.0	1,115.0	1,115.0	1,115.0
Wellbeing & Intervention	245.0	145.0	145.0	145.0	145.0	145.0
Community Partnerships	29.5	25.0	25.0	25.0	25.0	25.0
PLACE SERVICES:						
Neighbourhood Operations	1,323.4	1,742.0	3,661.0	2,927.5	1,307.5	1,307.5
Place Delivery	3,884.2	17,064.7	24,283.6	23,283.0	15,100.0	0.0
TOTAL EXPENDITURE	45,714.50	20,826.80	29,409.60	27,901.50	18,073.50	2,973.50

CAPITAL PROGRAMME GROWTH ASSUMPTIONS	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget	Projected	Projected	Projected	Projected	Projected
	£000	£000	£000	£000	£000	£000
Merstham Recreation Ground	0.0	100.0	700.0	700.0	0.0	0.0
Anticipated investment in new capital schemes in 2019/20 onwards to support delivery of the Corporate Plan, Housing Strategy and Investment Strategy. Subject to further review as these plans are developed.	0.0	25,000.0	0.0	0.0	0.0	0.0
TOTAL GROWTH	0.0	25,100.0	700.0	700.0	0.0	0.0

TOTAL CAPITAL PROGRAMME INCLUDING GROWTH ASSUMPTIONS	45,714.47	45,926.76	30,109.60	28,601.50	18,073.50	2,973.50
---	------------------	------------------	------------------	------------------	------------------	-----------------

FUNDED BY	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget	Projected	Projected	Projected	Projected	Projected
	£0	£0	£0	£0	£0	£0
Capital Reserves	21,824.8	2,416.9	0.0	4,378.2	0.0	0.0
Capital Receipts	290.3	462.0	17,333.4	11,569.5	15,575.5	475.5
Capital Grants & Contributions	3,599.4	3,047.9	2,776.2	2,653.8	2,498.0	2,498.0
Previously-Approved Borrowing	20,000	40,000	10,000	10,000	0.0	0.0
TOTAL CAPITAL FUNDING	45,714.50	45,926.80	30,109.60	28,601.50	18,073.50	2,973.50

CAPITAL PROGRAMME 2019/20 to 2023/24 - DETAILS

FINANCE & ORGANISATION

STRATEGIC PROPERTY	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Approved Capital Schemes:						
Park Farm	50.0	0.0	0.0	0.0	0.0	0.0
London Road	3,734.5	0.0	0.0	0.0	0.0	0.0
Reading Arch Road	1,125.0	0.0	0.0	0.0	0.0	0.0
Albert Road North	1,003.0	0.0	0.0	0.0	0.0	0.0
Regent House	16,378.0	0.0	0.0	0.0	0.0	0.0
Units 1-5 Redhill Distribution Centre	15,989.5	0.0	0.0	0.0	0.0	0.0
Rolling Programmes:						
Commercial Investment Properties	75.0	50.0	50.0	76.0	76.0	76.0
	38,355.0	50.0	50.0	76.0	76.0	76.0

IT SERVICES	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Rolling Programmes:						
ICT Replacement Programme	113.4	275.0	100.0	300.0	275.0	275.0
Disaster Recovery Systems Upgrade	70.0	0.0	0.0	0.0	0.0	0.0
	183.4	275.0	100.0	300.0	275.0	275.0

ORGANISATIONAL DEVELOPMENT	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Approved Capital Schemes:						
Replacement Photocopiers/Printers	70.0	0.0	0.0	0.0	0.0	0.0
Rolling Programmes:	0.0	0.0	0.0	0.0	0.0	0.0
Great Work Place	80.0	30.0	30.0	30.0	30.0	30.0
	150.0	30.0	30.0	30.0	30.0	30.0

PEOPLE SERVICES

HOUSING	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Grant-Funded Schemes						
Flexible Homlessness Support (Grant Funded)	191.0	0.0	0.0	0.0	0.0	0.0
Large Scale & Small Scale Works Grants	50.0	0.0	0.0	0.0	0.0	0.0
Disabled Facilities Grant	1,052.0	965.0	965.0	965.0	965.0	965.0
Repossession Prevention Fund	30.0	30.0	30.0	30.0	30.0	30.0
Home Improvement Agency (Part grant funded)	90.0	120.0	120.0	120.0	120.0	120.0
Housing Development						
64 Massetts Road	353.6	0.0	0.0	0.0	0.0	0.0
Lee Street Bungalows	333.1	0.0	0.0	0.0	0.0	0.0
	2,099.7	1,115.0	1,115.0	1,115.0	1,115.0	1,115.0

WELLBEING & INTERVENTION	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Rolling Programmes:						
Leisure Centres	40.0	30.0	30.0	30.0	30.0	30.0
Existing Pavilions Programme	45.0	30.0	30.0	30.0	30.0	30.0
Harlequin Property Maintenance	168.0	40.0	40.0	40.0	40.0	40.0
Harlequin Facilities Maintenance	7.0	25.0	25.0	25.0	25.0	25.0
Capital Grants	20.0	20.0	20.0	20.0	20.0	20.0
	280.0	145.0	145.0	145.0	145.0	145.0

COMMUNITY PARTNERSHIPS	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Rolling Programmes:						
Day Centres Programme	25.0	25.0	25.0	25.0	25.0	25.0
	25.0	25.0	25.0	25.0	25.0	25.0

PLACE SERVICES

NEIGHBOURHOOD OPERATIONS	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Approved Capital Schemes:						
Refuse Vehicle Replacement	0.0	720.0	1,620.0	1,620.0	0.0	0.0
Rolling Programmes:						
Earlswood Depot/Park Farm Depot	10.0	10.0	10.0	20.0	20.0	20.0
Vehicles & Plant Programme	610.0	582.0	1,542.0	846.0	846.0	846.0
Air Quality Monitoring Equipment	83.6	48.0	108.0	40.0	40.0	40.0
Contaminated Land - Investigation work	60.0	30.0	30.0	30.0	30.0	30.0
Land Flood Prevention Programme	6.0	6.0	6.0	10.5	10.5	10.5
Play Areas Improvement Programme	218.0	222.0	226.0	230.0	230.0	230.0
Park & Countryside - Infrastructure & Fencing	45.0	45.0	45.0	45.0	45.0	45.0
Priory Park Maintenance	40.0	5.0	0.0	0.0	0.0	0.0
Car Parks Capital Works Programme	30.0	30.0	30.0	30.0	30.0	30.0
Public Conveniences	11.0	5.0	5.0	4.0	4.0	4.0
Cemeteries & Chapel	20.0	0.0	0.0	10.0	10.0	10.0
Allotments	20.0	4.0	4.0	2.0	2.0	2.0
CCTV Rolling Programme	30.0	30.0	30.0	30.0	30.0	30.0
Infrastructure (Walls etc.)	15.0	5.0	5.0	10.0	10.0	10.0
	1,198.6	1,742.0	3,661.0	2,927.5	1,307.5	1,307.5

PLACE DELIVERY	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Approved Capital Schemes:						
Merstham Regeneration	46.0	0.0	0.0	0.0	0.0	0.0
Marketfield Way Redevelopment (gross expenditure - see capital receipts above)	8,622.4	18,858.6	23,212.0	15,100.0	0.0	0.0
Cromwell Road Redevelopment	217.0	4,183.0	1,900.0	0.0	0.0	0.0
Pitwood Park	217.0	4,431.0	1,800.0	0.0	0.0	0.0
Horley Public Realm Improvements Phase 3	500.0	0.0	0.0	0.0	0.0	0.0
	9,602.4	27,472.6	26,912.0	15,100.0	0.0	0.0