



<b>REPORT OF:</b>	Management Team
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<b>TO:</b>	EXECUTIVE
<b>DATE:</b>	28 JANUARY 2016
<b>EXECUTIVE MEMBER:</b>	COUNCILLOR G. KNIGHT

<b>KEY DECISION REQUIRED:</b>	YES
<b>WARD(S) AFFECTED:</b>	All

<b>SUBJECT:</b>	<b>BUDGET 2016/17</b>
<b>RECOMMENDATIONS:</b> (i) a budget of £14.890m including the savings and growth previously reported, a provision for a pay award and an increase in Council Tax of 1.94% be approved (ii) the updated Capital Programme (shown at Annex 1) be approved (iii) the statement of the Chief Finance Officer (at Annex 2) be noted (iv) the Chief Finance Officer be authorised to make any necessary technical adjustments to the budget and Council Tax demand proposed to Council arising from final budget refinements or changes to government grant.	
<b>REASONS FOR RECOMMENDATIONS:</b> The Council is required to set a budget by March 11 each year. This report is a necessary part of that process.	
<b>EXECUTIVE SUMMARY:</b> This report proposes a budget – and a 1.94% increase in Council Tax - for 2016/17. It identifies the sources of funding for the budget and includes an updated Capital Programme.	

Recommendations (i) to (iii) are subject to approval by the Council and the Executive has authority to approve recommendation (iv).

## STATUTORY POWERS

1. The *Local Government Act 1992* places a requirement on Councils to set the following year's Council Tax by 11 March each year. The *Local Government Act 1972*, as part of proper financial management, requires a Council to set the associated annual budget requirement. This report is part of that process.
2. Section 65 of the *Local Government Finance Act 1992* requires the Council to consult representatives of those subject to non-domestic rates in the Borough about its proposals for expenditure for each financial year.

## ISSUES

### Process

3. The purpose of this report is to propose a budget and Council Tax level for 2016/17 and for the Executive to receive a commentary on the budget by Council's designated Chief Finance Officer, in accordance with the *Local Government Act 2003*.
4. The next report on the agenda sets out the formal resolutions that the Council will need to adopt in order to set the Council Tax for 2016/17. The Budget and Council Tax recommendations will be presented to the Council on 11 February 2016.

### Savings & Growth

5. The Council continues to deliver service to a high standard, with all key service targets being met. The savings for 2016/17 have been proposed whilst maintaining all of our services.
6. In November the Executive received - and approved for consultation - proposals which identified net savings of £0.6m. It is now recommended that these savings be accepted. Further savings arising from an increase in the Garden Waste Scheme membership fee (of £5 not the previously reported £2) are also included in the budget. This revised increase will generate approximately £57,000.

### Local Government Financial Settlement

7. The Government announced in December 2015 that our grant funding for 2016/17 will be £0.5m and for 2017/18 it will be zero. This cessation of grant funding is faster than anticipated in the Medium Term Financial Plan and so the revenue budget headroom established in 2012 will be applied to the shortfall to ensure a balanced budget. Of the £1.05m set aside £700,000 will be required in 2016/17, with the remainder likely to be needed in 2017/18.

### Council Tax

8. In order to manage the reductions in government funding whilst maintaining quality services the Council has adopted a new commercial approach to funding. Nevertheless, the Medium Term Financial Plan forecasts that modest Council Tax increases will still be required.
9. In addition, the Government has proposed no freeze grant for 2016/17.

10. For these reasons the budget is based on a recommended 1.94% increase in 2016/17. This would increase a Band D charge from £205.45 to £209.44 - an increase of £3.99 per year (or less than 8 pence per week) for Borough Council services.

### **Budget**

11. The net budget for 2016/17 will be £14.890m.  
12. This will be funded from:

	<u>£m</u>
General Government Grant	0.500
Retained NNDR	2.180
Council Tax	12.210
<b>Total</b>	<b>14.890</b>

### **Capital Programme**

13. In November the Executive received and approved for consultation an updated Capital Programme for the period 2015/16 to 2020/21. The only significant changes since are the incorporation of the ICT improvement programme and Cromwell Road Redevelopment which were both approved in November. The revised Capital Programme is set out in Annex 1.

### **Function & Human Resource Plans**

14. Business Plans for each function have been prepared for 2016/17 and are available via the relevant Portfolio Holder. These are used for planning and performance management purposes and incorporate detailed action plans which address:
- key outcomes and milestones
  - contributions to Corporate Plan priorities and projects.
15. Detailed Human Resource Plans - by function - are confidential and are available on request from the HR Manager. These set out the staffing resources required to deliver the services provided by each function. Changes to staffing levels as a result of the budget setting process are shown in these Plans - which also reflect in-year changes such as taking on apprentices, temporary increases in capacity to facilitate income generation and maternity leave cover. The overall position (expressed as full-time equivalent staff [or FTEs]) is as follows:

FTEs as at April 2015	440.7
Proposed FTEs as at April 2016	452.0
<b>Net Change (FTEs)</b>	<b>11.3</b>

### **Pay Award**

16. In recognition of the continuing commitment of staff, the 2016/17 budget includes provision for a pay award.
17. Following meetings with employee representatives in December 2015 and January 2016 the recommended increase is 2%.

## **OPTIONS**

18. The Executive can accept, amend or reject any or all of the budget proposals. Changes could affect the level of Council Tax to be levied in 2016/17 which in turn would require changes to the formal resolutions to full Council in February.

## **LEGAL IMPLICATIONS**

19. There are no direct legal implications arising from this report.

## **FINANCIAL IMPLICATIONS**

20. These are addressed throughout the report.

## **EQUALITIES IMPLICATIONS**

21. This report provides a summary of the service and financial planning activities of the Council. Where individual changes, projects or policies are being developed, equalities impact assessments will be carried out by the responsible officer(s).
22. Changes for staff have been discussed directly with individuals affected and with their representatives.

## **RISK MANAGEMENT CONSIDERATIONS**

23. These are addressed throughout the report and in Annex 2.

## **CONSULTATION**

24. Budget proposals were circulated to the business community via the monthly Business e-bulletin (which has approximately 1,000 recipients).
25. Savings and growth proposals were considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee on 10 December 2015. The conclusions and recommendations of the Panel and the Committee were reported to the Executive on 7 January 2016.

## **POLICY FRAMEWORK**

26. Approval of the annual Revenue Budget, determination of the Council Tax and approval of the Capital Programme are functions of the full Council under the Council's constitution (Article 4.12).
27. The budget reflects the priorities in the Council's 5 Year Plan 2015 to 2020 and puts in place resources to deliver these priorities.

**Background Papers:** [Service & Financial Planning 2016/17](#)  
[Executive 12 November 2015](#)

**Annex 1**

**Projected Capital Programme 2016/17 to 2020/21**

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>CAPITAL RESOURCES: SUMMARY</b>						
Capital Reserves as at 1st April	20,924.7	14,359.6	11,916.6	5,553.1	9,145.1	7,965.1
Planned Capital Receipts	7,978.5	7,578.0	637.5	5,300.0	0.0	0.0
CIL / s106 Funding	2,418.0	195.0	46.0	0.0	0.0	0.0
New Homes Bonus	104.0	0.0	0.0	0.0	0.0	0.0
Other Capital Grants & Contributions:						
Disabled Facilities Grant	472.0	472.0	472.0	472.0	472.0	472.0
Surrey County Council*	2,498.0	374.0	0.0	0.0	0.0	0.0
Raven Housing Trust	1,217.0	27.0	0.0	0.0	0.0	0.0
Sports Lottery	15.0	0.0	0.0	0.0	0.0	0.0
Other Grants	210.0	9.0	0.0	0.0	0.0	0.0
Contributions from Revenue	500.0	500.0	500.0	500.0	500.0	500.0
Total Receipts During Year	15,412.5	9,155.0	1,655.5	6,272.0	972.0	972.0
Less: Capital Expenditure	21,977.6	11,598.0	8,019.0	2,680.0	2,152.0	2,851.0
<b>Capital Reserves as at 31st March</b>	<b>14,359.6</b>	<b>11,916.6</b>	<b>5,553.1</b>	<b>9,145.1</b>	<b>7,965.1</b>	<b>6,086.1</b>

\* Surrey County Council amounts include contributions from their s106 receipts

<b>EXPENDITURE: SUMMARY</b>						
Waste Management & Recycling Improvements	570.0	20.0	20.0	10.0	10.0	10.0
Environment	80.5	104.0	104.0	84.0	84.0	84.0
Capital Grants	660.9	630.0	630.0	630.0	630.0	630.0
Regeneration	10,752.6	4,008.6	5,425.0	0.0	0.0	0.0
Leisure & Culture	5,257.8	522.0	356.0	520.0	397.0	331.0
Strategic Property	2,762.0	5,038.0	563.0	563.0	0.0	0.0
Organisational Change	740.8	283.4	0.0	0.0	0.0	0.0
Rolling Programmes	1,153.0	992.0	921.0	873.0	1,031.0	1,796.0
<b>Total Expenditure</b>	<b>21,977.6</b>	<b>11,598.0</b>	<b>8,019.0</b>	<b>2,680.0</b>	<b>2,152.0</b>	<b>2,851.0</b>

**Annex 1**

**EXPENDITURE: DETAILED PROGRAMME**

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>WASTE MANAGEMENT &amp; RECYCLING</b>						
Earlswood Depot/Park Farm Depot	20.0	20.0	20.0	10.0	10.0	10.0
Waste Blueprint / Kerbside Collection Project	550.0	0.0	0.0	0.0	0.0	0.0
	570.0	20.0	20.0	10.0	10.0	10.0
<b>ENVIRONMENT</b>						
Air Quality Monitoring Equipment	40.0	68.0	68.0	48.0	48.0	48.0
Contaminated Land - Investigation work	30.0	30.0	30.0	30.0	30.0	30.0
Land Flood Prevention Programme	10.5	6.0	6.0	6.0	6.0	6.0
	80.5	104.0	104.0	84.0	84.0	84.0
<b>CAPITAL GRANTS</b>						
Large Scale & Small Scale Works Grants	50.0	50.0	50.0	50.0	50.0	50.0
Home Improvement Agency Grant	30.9	0.0	0.0	0.0	0.0	0.0
Disabled Facilities Grant	560.0	560.0	560.0	560.0	560.0	560.0
Capital Grants	20.0	20.0	20.0	20.0	20.0	20.0
	660.9	630.0	630.0	630.0	630.0	630.0

Annex 1

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>REGENERATION</b>						
Memorial Park Improvements	112.0	0.0	0.0	0.0	0.0	0.0
Merstham Regeneration	4,851.1	878.0	0.0	0.0	0.0	0.0
Redhill Public Realm Improvements	25.0	53.0	0.0	0.0	0.0	0.0
Marketfield Way Redevelopment	200.0	1,200.0	0.0	0.0	0.0	0.0
Marketfield Way : Acquisition of leasehold interest	4,000.0	295.0	0.0	0.0	0.0	0.0
Redhill Balanced Network	1,036.0	0.0	0.0	0.0	0.0	0.0
Cromwell Road Redevelopment	20.0	300.0	5,280.0	0.0	0.0	0.0
Horley Public Realm Improvements - Phase 2	5.5	0.0	0.0	0.0	0.0	0.0
Horley Public Realm Improvements - Phase 3	0.0	385.0	145.0	0.0	0.0	0.0
Preston - Parking Improvements	400.0	812.3	0.0	0.0	0.0	0.0
Preston - Landscaping	40.0	28.3	0.0	0.0	0.0	0.0
Burgh Heath Path Improvement	63.0	57.0	0.0	0.0	0.0	0.0
	10,752.6	4,008.6	5,425.0	0.0	0.0	0.0
<b>LEISURE &amp; CULTURE</b>						
Pavilions Programme	30.0	30.0	30.0	30.0	30.0	30.0
Leisure Centres	59.0	30.0	30.0	30.0	30.0	30.0
Leisure Centre - New Build Banstead	4,933.8	195.0	0.0	0.0	0.0	0.0
Harlequin Property Maintenance 2014-15	49.0	0.0	25.0	150.0	40.0	0.0
Harlequin Maintenance	19.0	7.0	7.0	7.0	25.0	0.0
Play Area's Improvement Programme	110.0	210.0	214.0	218.0	222.0	226.0
Tadworth Station Brick Planter	7.0	0.0	0.0	0.0	0.0	0.0
Park & Countryside - Infrastructure & Fencing	45.0	45.0	45.0	45.0	45.0	45.0
Priory Park Maintenance	5.0	5.0	5.0	40.0	5.0	0.0
	5,257.8	522.0	356.0	520.0	397.0	331.0
<b>STRATEGIC PROPERTY</b>						
Warwick Quadrant - Hotel Development	770.0	3,610.0	0.0	0.0	0.0	0.0
Thames Water Residential Development	120.0	0.0	0.0	0.0	0.0	0.0
Court Lodge Development	700.0	563.0	563.0	563.0	0.0	0.0
Lee Street Bungalows	100.0	280.0	0.0	0.0	0.0	0.0
Lavender Sandpit Residential Development & Nature Reserve	0.0	40.0	0.0	0.0	0.0	0.0
Development of Land South of Horley	0.0	545.0	0.0	0.0	0.0	0.0
Wilton Court	155.0	0.0	0.0	0.0	0.0	0.0
Hildenley Close	206.0	0.0	0.0	0.0	0.0	0.0
Tulip House	213.0	0.0	0.0	0.0	0.0	0.0
Thornton Place	230.0	0.0	0.0	0.0	0.0	0.0
Wandle House	180.0	0.0	0.0	0.0	0.0	0.0
New Pond Farm Flat	8.0	0.0	0.0	0.0	0.0	0.0
Merland Rise Housing Disposal Costs	80.0	0.0	0.0	0.0	0.0	0.0
	2,762.0	5,038.0	563.0	563.0	0.0	0.0

**Annex 1**

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>ORGANISATIONAL CHANGE</b>						
Citrix Implementation	19.0	0.0	0.0	0.0	0.0	0.0
Information/Document Management	24.3	0.0	0.0	0.0	0.0	0.0
Replacement Photocopiers/Printers	0.0	70.0	0.0	0.0	0.0	0.0
New Council Chamber ICT Upgrade	5.0	0.0	0.0	0.0	0.0	0.0
ICT Improvement Programme	687.5	213.4	0.0	0.0	0.0	0.0
Carpet New Council Chamber due to cabling for ICT upgrade & health & safety works	5.0	0.0	0.0	0.0	0.0	0.0
	740.8	283.4	0.0	0.0	0.0	0.0
<b>ROLLING PROGRAMMES</b>						
Vehicles & Plant Programme	846.0	654.0	529.0	542.0	582.0	1,542.0
ICT Replacement Programme	50.0	50.0	100.0	100.0	275.0	100.0
Council Offices Programme	20.0	100.0	100.0	30.0	30.0	30.0
Day Centres Programme	50.0	50.0	50.0	50.0	20.0	0.0
Commercial Investment Properties	76.0	50.0	50.0	50.0	50.0	50.0
Car Parks Capital Works Programme	30.0	30.0	30.0	30.0	30.0	30.0
Public Conveniences	4.0	4.0	10.0	1.0	5.0	5.0
Cemeteries & Chapel	10.0	10.0	10.0	10.0	0.0	0.0
Allotments	2.0	4.0	2.0	20.0	4.0	4.0
CCTV Rolling Programme	55.0	30.0	30.0	30.0	30.0	30.0
Infrastructure (Walls etc)	10.0	10.0	10.0	10.0	5.0	5.0
	1,153.0	992.0	921.0	873.0	1,031.0	1,796.0



## **Statement of the Chief Finance Officer on the 2016/17 Budget**

### **Introduction**

The *Local Government Act 2003* places a duty on the Chief Finance Officer to advise the Council on the robustness of the proposed budget and the adequacy of balances and reserves supporting its budget.

This appendix, which has been prepared by the Head of Finance, fulfils this requirement.

The Council is required to “have regard” to this advice when making its Budget decisions.

### **Context**

Next year will see the Council continue to deliver a wide range of statutory and non-statutory services, maintain focus on regeneration in town centres and develop and deliver new work streams based around economic prosperity, ageing well, young people and health.

The Council will also continue its programme of organisational change which will contribute to further efficiencies in services and to ongoing financial sustainability.

Against this background, progress toward the budget savings requirements highlighted in the Medium Term Financial Plan has been significant, with excellent achievements across services. It is however essential that the Council continues to focus on delivering changes that allow the development of sustainable budgets.

As highlighted in the Service and Financial Planning report (Executive, 12 November 2015) both general and specific reserves remain healthy and there is no requirement within this budget proposal to draw from the General Fund.

I consider the budget proposals for 2016/17 to be robust. I am also satisfied that our current levels of reserves and provisions offer reasonable cover to meet commitments and provide a “safety net” for unplanned events.

There remain however a number of significant uncertainties and risks which are identified in the following paragraphs.

### **Uncertainties & Risks**

1. *The Economy*: there are welcome signs of economic recovery but there is still uncertainty and a lack of confidence about the rate and strength of improvement.

Any future economic slowdown nationally or globally - could result in lower income (through - for example - reduced discretionary spending or lower than anticipated recycle prices) and increases in our costs (on benefits and/or statutory duties such as homelessness).

Any reduction in the number of employers in the Borough could also have an impact on our retained Business Rates income.

2. *Future Government Funding:* the faster than anticipated cessation of Revenue Support Grant would have caused significant budget problems but for the budget headroom established in - and maintained since – the 2012/13 budget. Ongoing reviews and consultations on the future of business rates and New Homes Bonus funding are of concern but are at too early a stage to quantify.
3. *Devolution:* the devolution agenda is moving at a brisk pace and if local proposals (“3SC”) progress then the impact on all of the Councils involved is likely to be significant.
4. *Future Year Savings:* following the significant budget reductions in recent years, it may become increasingly difficult to generate additional ongoing savings. If we are to deliver financial sustainability then we will need to continue our efforts to become a more commercial organisation and fully explore income generating opportunities involving – for example - property investment, partnership working and providing services for other organisations.
5. *Our Five Year Plan 2015-2020:* our Plan sets out our vision and objectives over the medium term and will enable the Council to target its resources in the most efficient and effective way.

The main challenge, as ever, will be balancing our ambitions as a high performing Council with our ability to resource those ambitions. A combination of careful stewardship and an innovative approach to service delivery will be required to ensure that we achieve our goals.

6. *Reserves and Liabilities:* our recent ability to generate fixed term or one-off resources has provided some flexibility in the General Fund Reserve. Given the uncertainty over future economic conditions, and the cessation of revenue grant support from Government within 14 months, it is prudent to maintain our capacity to protect services from unforeseen financial pressures. Once used, however, it may prove difficult to replenish our reserves.

Despite improvements in recent years the Pension Fund remains an issue over the longer term as the economic downturn has impacted on the value of investments. However, the changes to employee contribution rates and benefit accrual rates which took place in 2014 will have a positive impact.

The small - but ongoing - exposure relating to the Holmethorpe Development must continue to be managed. Our commitment – to compensate Network Rail (in specific circumstances only) for damage to the new bridge - will expire upon the adoption of the road by the County Council.

Overall, I am satisfied that the Council has made realistic budgetary provision for its commitments for the 2016/17 financial year, within the legislative framework that

governs our operations and within other constraints such as the Council's policy framework.

**Bill Pallett**  
**Head of Finance**