



REPORT OF:	MANAGEMENT TEAM
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TO:	EXECUTIVE
DATE:	26 JANUARY 2017
EXECUTIVE MEMBER:	COUNCILLOR T SCHOFIELD

KEY DECISION REQUIRED:	YES
WARD(S) AFFECTED:	All

SUBJECT:	BUDGET 2017/18
<p>RECOMMENDATIONS:</p> <ul style="list-style-type: none"> (i) a budget of £14.894m including the savings and growth previously reported, a provision for a pay award and an increase in Band D Council Tax of £5 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. 	
<p>REASONS FOR RECOMMENDATIONS:</p> <p>The Council is required to set a budget by March 11 each year. This report is a necessary part of that process.</p>	
<p>EXECUTIVE SUMMARY:</p> <p>This report proposes a budget – and a £5 increase in Council Tax - for 2017/18. It identifies the sources of funding for the budget and includes an updated Capital Programme.</p>	

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 2017/18 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 2017/18. The Budget and Council Tax recommendations will be presented to the Council on 9 February 2017.

Savings & Growth

5. The Council continues to deliver service to a high standard, with all key service targets being met. The savings for 2017/18 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 £0.849m. It is now recommended that these savings be accepted.

Local Government Financial Settlement

7. The Government announced in December 2015 that our grant funding for 2016/17 would be £0.5m and for 2017/18 it would be zero. This was confirmed in December 2016. The level of Business Rates we are allowed to retain for use in 2017/18 has also been confirmed as £2.226m

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 2017/18.
10. For these reasons the budget is based on a recommended £5 (or 2.39%) increase in 2017/18. This would increase a Band D charge from £209.44 to £214.44 - an increase of less than 10 pence per week for Borough Council services.

Budget

11. The net budget for 2017/18 will be £14.894m.

12. This will be funded from:

	<u>£m</u>
General Government Grant	0.0
Retained NNDR	2.226
Council Tax	12.668
Total	14.894

Capital Programme

13. In November the Executive received and approved for consultation an updated Capital Programme for the period 2016/17 to 2021/22. Only minor reprofiling changes have been made since that time. The revised Capital Programme is set out in Annex 1.

Function & Human Resource Plans

14. Business Plans for each function have been prepared for 2017/18 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.
16. 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, the transfer of Community Centre staff, 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 2016	452.0
Proposed FTEs as at April 2017	450.7
Net Change (FTEs)	1.3

Pay Award

17. In recognition of the continuing commitment of staff, the 2017/18 budget includes provision for a pay award.
18. Following meetings with employee representatives in December 2016 and January 2017 the recommended increase is 2%.

OPTIONS

19. 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 2017/18 which in turn would require changes to the formal resolutions to full Council in February.

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

21. These are addressed throughout the report.

EQUALITIES IMPLICATIONS

22. 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).
23. Changes for staff have been discussed directly with individuals affected and with their representatives.

RISK MANAGEMENT CONSIDERATIONS

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

CONSULTATION

25. Budget proposals were circulated to the business community via the monthly Business e-bulletin (which has approximately 1,000 recipients).
26. Savings and growth proposals were considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee on 24 November 2016. The conclusions and recommendations of the Panel and the Committee were reported to the Executive on 7 January 2017.

POLICY FRAMEWORK

27. 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).
28. 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 2017/18*
Executive 10 November 2016

Projected Capital Programme 2016/17 to 2021/22
Annex 1

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
CAPITAL RESOURCES: SUMMARY						
Capital Reserves as at 1st April						
Capital Receipts Reserve	26,147.7	15,031.9	9,351.6	7,601.6	6,586.6	4,847.6
Planned Capital Receipts	7,578.0	0.0	0.0	0.0	0.0	0.0
CIL / S106 Funding	1,274.0	195.0	195.0	195.0	195.0	195.0
New Homes Bonus	647.0	0.0	0.0	0.0	0.0	0.0
Capital Grants & Contributions:						
Disabled Facilities Grant	878.0	472.0	472.0	472.0	472.0	472.0
Surrey County Council*	374.0	0.0	0.0	0.0	0.0	0.0
Raven Housing Trust	2,374.0	0.0	0.0	0.0	0.0	0.0
Other Grants	9.0	0.0	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	13,634.0	1,167.0	1,167.0	1,167.0	1,167.0	1,167.0
Less: Capital Expenditure	24,749.8	6,847.3	2,917.0	2,182.0	2,906.0	2,664.5
Capital Reserves as at 31st March	15,031.9	9,351.6	7,601.6	6,586.6	4,847.6	3,350.1

* Surrey County Council amounts include contributions from their s.106 receipts

EXPENDITURE: SUMMARY						
Waste Management & Recycling Improvements	818.0	20.0	10.0	10.0	10.0	20.0
Environment	254.5	104.0	84.0	84.0	84.0	80.5
Capital Grants	1,109.0	660.0	660.0	660.0	660.0	841.0
Regeneration	6,508.8	3,823.3	207.0	0.0	0.0	25.0
Leisure & Culture	711.6	356.0	520.0	397.0	356.0	360.0
Strategic Property	13,552.9	963.0	563.0	0.0	0.0	0.0
Organisational Change	898.0	0.0	0.0	0.0	0.0	0.0
Rolling Programmes	897.0	921.0	873.0	1,031.0	1,796.0	1,338.0
Total Expenditure	24,749.8	6,847.3	2,917.0	2,182.0	2,906.0	2,664.5

Annex 1

EXPENDITURE: DETAILED PROGRAMME

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
WASTE MANAGEMENT & RECYCLING						
Earlswood Depot/Park Farm Depot	20.0	20.0	10.0	10.0	10.0	20.0
Waste Blueprint	411.0	0.0	0.0	0.0	0.0	0.0
Bartec Collective Upgrade Garden & Trade Waste	43.3	0.0	0.0	0.0	0.0	0.0
Earlswood Depot Refurbishment Project	343.7	0.0	0.0	0.0	0.0	0.0
	818.0	20.0	10.0	10.0	10.0	20.0

ENVIRONMENT						
Air Quality Monitoring Equipment	68.0	68.0	48.0	48.0	48.0	40.0
Contaminated Land - Investigation work	30.0	30.0	30.0	30.0	30.0	30.0
Land Flood Prevention Programme	156.5	6.0	6.0	6.0	6.0	10.5
	254.5	104.0	84.0	84.0	84.0	80.5

CAPITAL GRANTS						
Large Scale & Small Scale Works Grants	100.0	50.0	50.0	50.0	50.0	50.0
Home Improvement Agency Grant	90.0	0.0	0.0	0.0	0.0	91.0
Disabled Facilities Grant	878.0	560.0	560.0	560.0	560.0	650.0
Repossession Prevention Fund	21.0	30.0	30.0	30.0	30.0	30.0
Capital Grants	20.0	20.0	20.0	20.0	20.0	20.0
	1,109.0	660.0	660.0	660.0	660.0	841.0

Annex 1

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
REGENERATION						
Memorial Park Improvements	9.7	0.0	0.0	0.0	0.0	0.0
Merstham Regeneration	3,373.0	0.0	0.0	0.0	0.0	0.0
Redhill Public Realm Improvements	32.0	0.0	0.0	0.0	0.0	25.0
Merstham Environmental Projects	16.70	0.0	0.0	0.0	0.0	0.0
Marketfield Way Redevelopment	1,986.0	0.0	0.0	0.0	0.0	0.0
Cromwell Road Revdevelopment	300.0	3,100.0	62.0	0.0	0.0	0.0
Redhill Balanced Network	181.0	0.0	0.0	0.0	0.0	0.0
Horley Public Realm Improvements - Phase 2	4.7	0.0	0.0	0.0	0.0	0.0
Marketfield Way : Acquisition of leasehold interest	295.0	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	280.0	320.0	0.0	0.0	0.0	0.0
Preston - Landscaping	20.3	18.3	0.0	0.0	0.0	0.0
Bus Shelter Replacement Scheme - Engineering	0.4	0.0	0.0	0.0	0.0	0.0
Burgh Heath Path Improvement	10.0	0.0	0.0	0.0	0.0	0.0
	6,508.8	3,823.3	207.0	0.0	0.0	25.0
LEISURE & CULTURE						
Existing Pavilions Programme	30.0	30.0	30.0	30.0	30.0	30.0
Leisure Centres	30.0	30.0	30.0	30.0	30.0	30.0
Leisure Centre - New Build Banstead	268.3	0.0	0.0	0.0	0.0	0.0
Harlequin Property Maintenance 2016-17	0.0	25.0	150.0	40.0	0.0	0.0
Harlequin Maintenance	27.0	7.0	7.0	25.0	25.0	25.0
Play Area's Improvement Programme	280.9	214.0	218.0	222.0	226.0	230.0
Park & Countryside - Infrastructure & Fencing	58.4	45.0	45.0	45.0	45.0	45.0
Brick Planter outside Tadworth Station	7.0	0.0	0.0	0.0	0.0	0.0
Priory Park Maintenance	10.0	5.0	40.0	5.0	0.0	0.0
	711.6	356.0	520.0	397.0	356.0	360.0
STRATEGIC PROPERTY						
Warwick Quadrant - Hotel Development	4,122.0	400.0	0.0	0.0	0.0	0.0
Court Lodge Development	3,440.0	563.0	563.0	0.0	0.0	0.0
Lavender Sandpit Residential Development & Nature Reserve	40.0	0.0	0.0	0.0	0.0	0.0
Development of Land South of Horley	545.0	0.0	0.0	0.0	0.0	0.0
18-34 Redhill High Street Lease Acquisition	4,060.0	0.0	0.0	0.0	0.0	0.0
Massetts Road	922.0	0.0	0.0	0.0	0.0	0.0
Unit 1 Pitwood Park Tadworth	59.0	0.0	0.0	0.0	0.0	0.0
Lee Street Bungalows	364.9	0.0	0.0	0.0	0.0	0.0
	13,552.9	963.0	563.0	0.0	0.0	0.0

Annex 1

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
ORGANISATIONAL CHANGE						
Replacement Photocopiers/Printers	70.0	0.0	0.0	0.0	0.0	0.0
Redcross Car Park Development	175.0	0.0	0.0	0.0	0.0	0.0
New Council Chamber ICT Upgrade	1.0	0.0	0.0	0.0	0.0	0.0
ICT Improvement Programme	652.0	0.0	0.0	0.0	0.0	0.0
	898.0	0.0	0.0	0.0	0.0	0.0
ROLLING PROGRAMMES						
Vehicles & Plant Programme	529.0	529.0	542.0	582.0	1,542.0	846.0
ICT Replacement Programme	57.0	100.0	100.0	275.0	100.0	300.0
Council Offices Programme	100.0	100.0	30.0	30.0	30.0	30.0
Day Centres Programme	50.0	50.0	50.0	20.0	0.0	0.0
Commercial Investment Properties	50.0	50.0	50.0	50.0	50.0	76.0
Car Parks Capital Works Programme	53.0	30.0	30.0	30.0	30.0	30.0
Public Conveniences	4.0	10.0	1.0	5.0	5.0	4.0
Cemeteries & Chapel	10.0	10.0	10.0	0.0	0.0	10.0
Allotments	4.0	2.0	20.0	4.0	4.0	2.0
CCTV Rolling Programme	30.0	30.0	30.0	30.0	30.0	30.0
Infrastructure (Walls etc.)	10.0	10.0	10.0	5.0	5.0	10.0
	897.0	921.0	873.0	1,031.0	1,796.0	1,338.0

Statement of the Chief Finance Officer on the 2017/18 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 that 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, 10 November 2016) 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 2017/18 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.

Preparations for our exit from the EU will continue for some time and may affect investor confidence, whilst the lower value of the Pound is increasing inflationary pressures.

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:* Ongoing reviews on the future of business rates funding are of concern but are at too early a stage to quantify. The reductions in New Homes Bonus payments over the coming years will have an impact on reserves but no direct budget impact.

The Homelessness Prevention Bill, if it becomes law, will require Councils to provide more support than at present to homeless people and people at risk of becoming homeless. The Government has committed to providing additional funding but no figures have been provided.

The impact of reductions to the funding of County Councils is also beginning to have an impact on Boroughs and Districts. Significant income streams are received from upper-tier Councils and many are being reduced.

3. *Devolution:* the devolution agenda has slowed but not gone away. If local proposals ("3SC") do 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 has 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 Business Rates regime, 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 have had 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 2017/18 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