



<b>REPORT OF:</b>	MANAGEMENT TEAM
<b>AUTHOR:</b>	Joss Convey
<b>TELEPHONE:</b>	01737 276341
<b>E-MAIL:</b>	Jocelyn.Convey@reigate-banstead.gov.uk
<b>TO:</b>	EXECUTIVE
<b>DATE:</b>	25 JANUARY 2018
<b>EXECUTIVE MEMBER:</b>	COUNCILLOR T SCHOFIELD

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

<b>SUBJECT:</b>	<b>BUDGET 2018/19</b>
<b>RECOMMENDATIONS:</b> <ul style="list-style-type: none"><li>(i) a budget of £15.495m including the savings and growth previously reported, a provision for a pay award and an increase in Band D Council Tax of 2.99% (or £6.41) be approved</li><li>(ii) the updated Capital Programme (shown at Annex 1) be approved</li><li>(iii) the statement of the Chief Finance Officer (at Annex 2) be noted</li><li>(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.</li></ul>	
<b>REASONS FOR RECOMMENDATIONS:</b> <p>The Council is required to set a budget by 11 March each year. This report supports this obligation.</p>	
<b>EXECUTIVE SUMMARY:</b> <p>This report proposes a budget and a 2.99% or £6.41 increase in Council Tax for 2018/19. 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 2018/19 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 2018/19. The Budget and Council Tax recommendations will be presented to the Council on 8 February 2018.

### Savings & Growth

5. The Council continues to deliver service to a high standard, with all key service targets being met. The savings for 2018/19 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 £0.6247m. 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 onwards it would be zero. This was confirmed in December 2016. The level of Business Rates we are permitted to retain for use in 2018/19 has also been confirmed as £2.292m. This information is the release updated as at February 2017. The impact of Business Rates Pilot in Surrey in 2018/19 has yet to be confirmed, the budget will be updated to reflect this prior to March.

### 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 2018/19.
10. For these reasons the budget is based on a recommended 2.99% (or £6.41) increase in 2018/19. This would increase a Band D charge from £214.44 to £220.85 - an increase of 12 pence per week for Borough Council services.

### Budget

11. The net budget for 2018/19 will be £15.495m.
12. This will be funded from:

	<u>£m</u>
General Government Grant	0.0
Retained NNDR	2.292
Council Tax	13.203
<b>Total</b>	<b>15.495</b>

### Capital Programme

13. In November the Executive received and approved for consultation an updated Capital Programme for the period 2017/18 to 2022/23. 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 2018/19 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 Building Control 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 2017	457.0
Proposed FTEs as at April 2018	450.0
<b>Net Change (FTEs)</b>	<b>-7.0</b>

### Pay Award

17. In recognition of the continuing commitment of staff, the 2018/19 budget includes provision for a pay award.
18. Negotiations with employee representatives have concluded and a settlement of 2.05% has been reached.

## **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 2018/19 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 7 December 2017. The conclusions and recommendations of the Panel and the Committee will be reported to the Executive on 25 January 2018.

## **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 2018/19*  
Executive 9 November 2017

Projected Capital Programme 2017/18 to 2022/23

Annex 1

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
<b>CAPITAL RESOURCES: SUMMARY</b>						
Capital Reserves as at 1st April						
Capital Receipts Reserve	29,509.0	7,314.0	1,928.3	2,612.4	1,995.0	1,497.0
Capital Grants	10,423.0	10,782.8	8,426.5	6,827.4	5,666.8	4,761.3
Planned Capital Receipts	<b>1,637.5</b>	384.0	0.0	0.0	0.0	0.0
CIL / S106 Funding	<b>35.0</b>	290.0	362.0	303.0	170.0	866.0
New Homes Bonus	<b>3,092.0</b>	0.0	0.0	0.0	0.0	0.0
Capital Grants & Contributions:						
Disabled Facilities Grant	<b>1,062.9</b>	965.0	965.0	965.0	965.0	965.0
Surrey County Council*	<b>556.0</b>	0.0	0.0	0.0	0.0	0.0
Raven Housing Trust	<b>0.0</b>	0.0	0.0	0.0	0.0	0.0
Other Grants	<b>91.0</b>	0.0	0.0	0.0	0.0	0.0
Contributions from Revenue	<b>500.0</b>	500.0	500.0	500.0	500.0	500.0
Borrowing for Capital Investment		40,000.0	40,000.0			
Total Receipts During Year	<b>6,974.4</b>	42,139.0	41,827.0	1,768.0	1,635.0	2,331.0
Less: Capital Expenditure	<b>27,953.7</b>	49,881.0	42,742.0	3,546.0	3,038.5	2,988.5
<b>Capital Reserves as at 31st March</b>	<b>18,952.7</b>	<b>10,354.8</b>	<b>9,439.8</b>	<b>7,661.8</b>	<b>6,258.3</b>	<b>5,600.8</b>

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

<b>CAPITAL EXPENDITURE PROGRAMME</b>	2017/18 Projected £000	2018/19 Budget £000	2019/20 Budget £000	2020/21 Budget £000	2021/22 Budget £000	2022/23 Budget £000
Waste Management & Recycling Improvements	78.9	10.0	10.0	10.0	20.0	20.0
Environment	161.6	114.0	114.0	174.0	110.5	110.5
Capital Grants	791.1	1,185.0	1,185.0	1,185.0	1,185.0	1,185.0
Regeneration	6,977.5	6,846.0	0.0	0.0	0.0	0.0
Leisure & Culture	435.0	520.0	397.0	356.0	360.0	360.0
Strategic Property - Reserves	18,642.6	50.0	0.0	0.0	0.0	0.0
Strategic Property - Funded by Borrowing	0.0	30,000.0	10,000.0	0.0	0.0	0.0
Organisational Change - Reserves	0.0	70.0	0.0	0.0	0.0	0.0
Organisational Change - Funded by Borrowing	0.0	10,000.0	30,000.0	0.0	0.0	0.0
Rolling Programmes	867.0	1,086.0	1,036.0	1,821.0	1,363.0	1,313.0
<b>Total Expenditure</b>	<b>27,953.7</b>	<b>49,881.0</b>	<b>42,742.0</b>	<b>3,546.0</b>	<b>3,038.5</b>	<b>2,988.5</b>

**EXPENDITURE: DETAILED PROGRAMME**

**EXPENDITURE: DETAILED PROGRAMME**

**Annex 1**

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
<b>WASTE MANAGEMENT &amp; RECYCLING</b>						
Earlswood Depot/Park Farm Depot	20.0	10.0	10.0	10.0	20.0	20.0
Bartec Collective Upgrade Garden & Trade Waste	58.9	0.0	0.0	0.0	0.0	0.0
	78.9	10.0	10.0	10.0	20.0	20.0

<b>ENVIRONMENT</b>						
Air Quality Monitoring Equipment	95.6	48.0	48.0	108.0	40.0	40.0
Contaminated Land - Investigation work	60.0	60.0	60.0	60.0	60.0	60.0
Land Flood Prevention Programme	6.0	6.0	6.0	6.0	10.5	10.5
	161.6	114.0	114.0	174.0	110.5	110.5

<b>CAPITAL GRANTS</b>						
Large Scale & Small Scale Works Grants	31.3	50.0	50.0	50.0	50.0	50.0
Home Improvement Agency Grant	90.0	120.0	120.0	120.0	120.0	120.0
Disabled Facilities Grant	604.5	965.0	965.0	965.0	965.0	965.0
Repossession Prevention Fund	45.3	30.0	30.0	30.0	30.0	30.0
Capital Grants	20.0	20.0	20.0	20.0	20.0	20.0
	791.1	1,185.0	1,185.0	1,185.0	1,185.0	1,185.0

Annex 1

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
<b>REGENERATION</b>						
Merstham Regeneration	1,139.5	46.0	0.0	0.0	0.0	0.0
Redhill Public Realm Improvements	52.3	0.0	0.0	0.0	0.0	0.0
Marketfield Way Redevelopment	1,990.0	0.0	0.0	0.0	0.0	0.0
Cromwell Road Redevelopment	3,100.0	6,300.0	0.0	0.0	0.0	0.0
Horley Public Realm Improvements - Phase 3	30.0	500.0	0.0	0.0	0.0	0.0
Preston - Parking Improvements	572.3	0.0	0.0	0.0	0.0	0.0
Preston - Landscaping	33.7	0.0	0.0	0.0	0.0	0.0
Burgh Heath Path Improvement	59.7	0.0	0.0	0.0	0.0	0.0
	6,977.5	6,846.0	0.0	0.0	0.0	0.0

<b>LEISURE &amp; CULTURE</b>						
Existing Pavilions Programme	15.0	45.0	30.0	30.0	30.0	30.0
Leisure Centres	20.0	40.0	30.0	30.0	30.0	30.0
Harlequin Property Maintenance 2017-18	34.0	168.0	40.0	0.0	0.0	0.0
Harlequin Maintenance	7.0	7.0	25.0	25.0	25.0	25.0
Play Area's Improvement Programme	294.0	218.0	222.0	226.0	230.0	230.0
Park & Countryside - Infrastructure & Fencing	45.0	45.0	45.0	45.0	45.0	45.0
Tanyard Barn Community Centre	15.0	0.0	0.0	0.0	0.0	0.0
Priory Park Maintenance	5.0	40.0	5.0	0.0	0.0	0.0
	435.0	520.0	397.0	356.0	360.0	360.0

<b>STRATEGIC PROPERTY</b>						
Warwick Quadrant - Hotel Development	4,989.4	0.0	0.0	0.0	0.0	0.0
Court Lodge Development	157.4	0.0	0.0	0.0	0.0	0.0
Lavender Sandpit Residential Development & Nature Res	20.7	0.0	0.0	0.0	0.0	0.0
64 Massetts Road	650.0	0.0	0.0	0.0	0.0	0.0
Forum House	6,161.0	0.0	0.0	0.0	0.0	0.0
Beech House	6,304.0	0.0	0.0	0.0	0.0	0.0
Park Farm	25.0	50.0				
Lee Street Bungalows	335.1	0.0	0.0	0.0	0.0	0.0
	18,642.6	50.0	0.0	0.0	0.0	0.0

**Annex 1**

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
<b>ORGANISATIONAL CHANGE</b>						
Replacement Photocopiers/Printers	0.0	70.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0
<b>ROLLING PROGRAMMES</b>						
Vehicles & Plant Programme	565.0	610.0	582.0	1,542.0	846.0	846.0
ICT Replacement Programme	100.0	100.0	275.0	100.0	300.0	275.0
Council Offices Programme	50.0	80.0	30.0	30.0	30.0	30.0
Day Centres Programme	20.0	25.0	25.0	25.0	25.0	0.0
Commercial Investment Properties	25.0	75.0	50.0	50.0	76.0	76.0
Car Parks Capital Works Programme	30.0	30.0	30.0	30.0	30.0	30.0
Public Conveniences	0.0	11.0	5.0	5.0	4.0	4.0
Cemeteries & Chapel	0.0	20.0	0.0	0.0	10.0	10.0
Allotments	2.0	20.0	4.0	4.0	2.0	2.0
CCTV Rolling Programme	30.0	30.0	30.0	30.0	30.0	30.0
Disaster Recovery Systems Upgrade	40.0	70.0	0.0	0.0	0.0	0.0
Infrastructure (Walls etc.)	5.0	15.0	5.0	5.0	10.0	10.0
	867.0	1,086.0	1,036.0	1,821.0	1,363.0	1,313.0



## **Statement of the Chief Finance Officer on the 2018/19 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, with a focus on work streams based around housing, homelessness reduction, community development and health.

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 plan for and deliver changes that allow the development of sustainable budgets.

The Council will further embed a range of commercial activities and investments to support long term financial stability in the next year in line with a developing investment strategy.

As highlighted in the Service and Financial Planning report (Executive, 9 November 2017) 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 2018/19 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:* A successful Business Rates Retention pilot for Surrey in 2018/19 will contribute positively to the budget but the future of business rates funding is uncertain and an area of concern. 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 requires Councils to provide more support to homeless people and people at risk of becoming homeless. The Government has committed two years of ring fenced funding towards this new duty but there remains a question mark over the longer term funding.

Funding reductions to County Councils are having an impact on Boroughs and Districts. Significant income streams received from upper-tier Councils are being reduced, having an ongoing impact on local residents.

3. *Devolution:* the devolution agenda has become increasingly uncertain following the Brexit referendum and the snap General Election in mid-2017. It is therefore not anticipated that devolution will have any notable impact on the council's budget in 2018/19.
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. An update to the Five Year Plan in 2018/19 will provide a refresh to the priorities of the Council and impact financial plans.

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.

In parallel with the update in the Five Year Plan, the Council intends to review the Investment Strategy in 2018/19 in support of our ambition of financial stability.

Overall, I am satisfied that the Council has made realistic budgetary provision for its commitments for the 2018/19 financial year, within the legislative framework that governs our operations and within other constraints such as the Council's policy framework.

**Joss Convey  
Head of Finance**