

# Executive Agenda



**Reigate & Banstead**  
**BOROUGH COUNCIL**  
Banstead | Horley | Redhill | Reigate

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22 January 2020

## To the Members of the EXECUTIVE

<b>Councillors:</b>	M. A. Brunt	Leader of the Council
	T. Schofield	Deputy Leader and Portfolio Holder for Finance
	T. Archer	Portfolio Holder for Investment and Companies
	R. H. Ashford	Portfolio Holder for Community Partnerships
	R. Biggs	Portfolio Holder for Planning Policy
	N. J. Bramhall	Portfolio Holder for Neighbourhood Services
	A. C. J. Horwood	Portfolio Holder for Wellbeing and Intervention
	E. Humphreys	Portfolio Holder for Place and Economic Prosperity
	G. J. Knight	Portfolio Holder for Housing and Benefits
	V. H. Lewanski	Portfolio Holder for Corporate Direction and Governance

For a meeting of the **EXECUTIVE** to be held on **THURSDAY, 30 JANUARY 2020** at **7.30 pm** or on the rising of the Commercial Ventures Executive Sub-Committee, if later, in the New Council Chamber - Town Hall, Reigate.

John Jory  
Chief Executive

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Notice is given of the Executive's intention to hold part of its meeting on Thursday, 30 January 2020 in private for consideration of any reports containing "exempt" information

1. **MINUTES** (Pages 5 - 12)  
To confirm as a correct record the minutes of the Executive meeting held on 5 December 2019.
  
2. **APOLOGIES FOR ABSENCE**  
To receive any apologies for absence.
  
3. **DECLARATIONS OF INTEREST**  
To receive any declarations of interest.
  
4. **OBSERVATIONS OF THE OVERVIEW AND SCRUTINY COMMITTEE ON THE DRAFT BUDGET PROPOSALS FOR 2020/21** (Pages 13 - 30)  
**Executive Member: Deputy Leader and Portfolio Holder for Finance**  
To receive the observations of the Overview and Scrutiny Committee.
  
5. **BUDGET 2020/21 AND CAPITAL PROGRAMME 2020 TO 2025** (Pages 31 - 104)  
**Executive Member: Deputy Leader and Portfolio Holder for Finance**  
To recommend the Budget and Capital Programme to Council.
  
6. **COUNCIL TAX SETTING 2020/21** (Pages 105 - 114)  
**Executive Member: Deputy Leader and Portfolio Holder for Finance**  
To propose technical recommendations to Council, in order to comply with The Local Government Finance Act 1992.

7. **QUARTERLY PERFORMANCE REPORT (Q2 2019/20)** (Pages 115 - 136)

**Executive Member: Deputy Leader and Portfolio Holder for Finance, Portfolio Holder for Corporate Direction and Governance**

To consider the Performance Report for Quarter 2.

8. **CALENDAR OF MEETINGS 2020/21** (Pages 137 - 142)

**Executive Member: Leader of the Council**

**Leader of the Council**

To recommend the draft Calendar of Meetings for 2020/21, to Council.

9. **STATEMENTS**

To receive any statements from the Leader of the Council, Members of the Cabinet or the Chief Executive.

10. **ANY OTHER URGENT BUSINESS**

To consider any item(s) which, in the opinion of the Chairman, should be considered as a matter of urgency – Local Government Act 1972, Section 100B(4)(b).

(Note: Urgent business must be submitted in writing but may be supplemented by an oral report).

11. **EXEMPT BUSINESS**

RECOMMENDED that members of the Press and public be excluded from the meeting for the following item of business under Section 100A(4) of the Local Government Act 1972 on the grounds that:

- (i) it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act; and
- (ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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# Agenda Item 1

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## BOROUGH OF REIGATE AND BANSTEAD

### EXECUTIVE

Minutes of a meeting of the Executive held at the New Council Chamber - Town Hall, Reigate on 5 December 2019 at 7.30 pm.

Present: Councillors M. A. Brunt (Leader), T. Schofield (Deputy Leader), T. Archer, R. H. Ashford, R. Biggs, N. J. Bramhall, A. C. J. Horwood, E. Humphreys, G. J. Knight and V. H. Lewanski.

Also present: Councillors R. Absalom, J. C. S. Essex, K. Foreman, N. D. Harrison, S. A. Kulka and R. Ritter.

#### ALDERMAN JOHN MEECH

Prior to the commencement of business, the Leader invited the Mayor, Councillor K. Foreman, to conduct a minute's silence to commemorate the passing of Alderman John Meech.

#### 66. MINUTES

**RESOLVED** that the minutes of the Executive meeting held on 7 November 2019 be approved as a correct record and signed.

#### 67. APOLOGIES FOR ABSENCE

**Executive Members:** None.

**Non-Executive Members:** Councillor M. Blacker.

#### 68. DECLARATIONS OF INTEREST

There were none.

#### 69. STATEMENTS

There were none.

#### 70. REIGATE & BANSTEAD 2025

Councillor G. Knight, Executive Member for Housing and Benefits, introduced the new corporate plan, titled 'Reigate & Banstead 2025'. The Executive had previously endorsed the draft plan for consultation at its meeting in July 2019 (Minute ref. 29), and the final plan incorporated the outcome of that consultation, for approval.

The consideration of data and evidence, coupled with the engagement of Members and stakeholders, had informed the development of the plan, and the feedback from the consultation demonstrated support for its vision, commitments and objectives. The Overview & Scrutiny Committee had also been consulted and had supported the way in which the plan had been developed along with its overall scope.

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Councillor Knight explained that the feedback from the consultation had led to some clarifications, and the inclusion of additional wording, rather than any substantive change in direction. A new set of contextual indicators and success measures had been included, which would be reported annually.

In response to questions from Visiting Members, the Leader acknowledged the importance of the Council's role in addressing affordable housing and climate change and concurred with Councillor Knight that the plan set a clear and appropriate focus for the Council for the next 5 years.

**RECOMMENDED that 'Reigate & Banstead 2025', the Council's corporate plan for the period 2020-2025 be adopted by Full Council.**

**RESOLVED** that the consultation feedback on the proposals for 'Reigate & Banstead 2025' be noted.

**Reason for decision:** To ensure that the Council had an adopted corporate plan for the 2020-2025 period that sets out a clear vision and priorities to guide its service and financial plans.

**Alternative options:** Not to adopt 'Reigate & Banstead 2025' and to request that further work be undertaken in response to the consultation before a revised version be reported back to the Executive.

## 71. HOUSING DELIVERY STRATEGY (2020-2025)

Councillor G. Knight, Executive Member for Housing and Benefits, presented the Housing Delivery Strategy 2020-2025 for approval. The Strategy would be a significant contribution towards the delivery of 'Reigate & Banstead 2025', which included an objective to secure the delivery of homes that could be afforded by local people, and the provision of a wider choice of tenure, type and size of housing.

Developers recognised the geographical advantages of the Borough, and had delivered 4-5 bedroom homes to meet demand. However, the demand for affordable housing, whilst recognised, had not yet been met. Further challenges included: local planning constraints, land supply, delivery performance, the construction sector, and the need for significant financial resources to deliver the Strategy. Those challenges would be addressed by the Council continuing to work in partnership with others.

In response to observations made by Visiting Members, it was noted that:

- The Local Government Association would continue to lobby the Ministry of Housing, Communities & Local Government regarding the impact of Permitted Development Rights for change of use from office buildings to residential,
- An implementation plan would be developed to deliver the Strategy; and
- The Strategy would enable the Council to manage housing need through home ownership options, private rented housing, and affordable housing.

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The Leader explained that the Strategy demonstrated a welcome change in policy direction for the Council.

**RESOLVED** that:

- (i) The Housing Delivery Strategy 2020-2025 be approved for publication and implementation; and
- (ii) The Head of Housing be authorised, in consultation with the Portfolio Holder for Housing and Benefits, to make any additional minor amendments to the Housing Delivery Strategy to ensure factual accuracy and clarity prior to publication.

**Reason for decision:** The Strategy was a significant contribution towards the delivery of 'Reigate & Banstead 2025' and specifically the housing objective to secure the delivery of homes that could be afforded by local people and which provide a wider choice of tenure, type and size of housing.

**Alternative options:** To delay the publication of the Strategy and seek further amendments and / or changes to the objectives.

## 72. EQUALITY OBJECTIVES 2020-2024

The Leader of the Council, Councillor M. Brunt, introduced the report setting out the Equality Objectives for the Council for the period 2020-2024. The proposed Objectives aligned with the increased emphasis on fairness and inclusivity in the Council's new corporate plan 'Reigate & Banstead 2025'. The Objectives demonstrated how the Council would meet its duty to eliminate discrimination; and promote equality of opportunity and good community relations.

In response to a question from a Visiting Member, the Head of Corporate Policy explained that the Objectives reflected an opportunity for the Council to take a more positive approach to understanding and meeting the needs of those with protected characteristics, and to encourage social inclusion.

The Leader explained that progress in delivering the Objectives would be reported annually to the Overview and Scrutiny Committee, and that the delivery of the Objectives would be evident in all reports to the Executive, Council and Committees. The Executive concurred that it was the responsibility of all Members to lead, promote, and demonstrate their own commitment to the Objectives.

**RESOLVED** that the Executive agree the proposed Equality Objectives for the period 2020-2024:

- a) Using data and local intelligence better: Continue to improve our equality data, use of local intelligence and data insight to inform future service planning and formal decision making,
- b) Supporting good community relations: Develop a greater focus on promoting social inclusivity across all the Council's services and fostering good community relations,

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- c) Accessible information and services: Ensure that Council services, information, consultation and engagement opportunities remain accessible to all residents, particularly those with protected characteristics, and
- d) Working for the Council: Continue to seek opportunities to build inclusivity into the Council's internal policies and procedures.

**Reason for decision:** The Equality Act 2010 required that the Council prepare and publishes one or more objectives that it should achieve to discharge its general equality duty to eliminate prohibited conduct, advance equality of opportunity and foster good relations between those who share protected characteristics and those who do not.

**Alternative options:** Not to agree the proposed new Equality Objectives.

## 73. RESPONSE TO MOTIONS: DECLARING A CLIMATE EMERGENCY AND WILDLIFE FRIENDLY PUBLIC SPACES

Councillor N. Bramhall, Executive Member for Neighbourhood Services, introduced the report which set out the approach of the Executive in response to the Motions on *Wildlife Friendly Public Spaces* and *Declaring a Climate Emergency*, received by Council on 29 September 2019.

An environmental sustainability consultancy had been engaged to prepare an Environmental Sustainability Strategy and Action Plan, which would recommend short, medium, and longer-term activities and interventions to deliver the Strategy.

An Officer Working Group had been created to consider the outcome of an options assessment, and to review the draft Action Plan and Strategy. A Member Working Group had been formed to provide Member engagement, and to review the draft options assessment, once it had been received from the consultants.

In response to questions from Visiting Members, Councillor Bramhall explained that the financial implications of the Action Plan would be identified as part of the development of the Strategy and prioritised accordingly. The Leader emphasised that the Executive wanted to be ambitious and would continue to demonstrate its environmental commitments through its actions.

**RESOLVED** that the update in response to the Motions around declaring a Climate Emergency and creating Wildlife Friendly Public Spaces, be noted.

## 74. SUPPLEMENTARY PLANNING DOCUMENTS

Councillor R. Biggs, Executive Member for Planning Policy, introduced four draft Supplementary Planning Documents (SPDs) which had been updated to align with the National Planning Policy Framework (NPPF) and the Development Management Plan. The report sought the approval of the Executive to commence a four-week consultation.

Councillor Biggs explained that local and national policy changes meant that the Council was no longer able to secure affordable housing contributions from smaller developments and that the NPPF had changed the type of housing that could be

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classified as affordable. Consequently, the Affordable Housing SPD, which had been published in 2014, required updating and would now complement the Housing Delivery Strategy, in providing certainty as to when and where affordable housing would be delivered.

In response to a question by a Visiting Member, the Senior Policy Officer explained that all SPDs were part of a programme of review, and that the four presented to Members had been prioritised.

The Leader surmised that the SPDs allowed the Council to defend its planning policies and noted that the outcome of the consultation, and any proposed amendments, would be reported back to the Executive.

**RESOLVED** that:

- (i) The Executive approve the updated draft Affordable Housing Supplementary Planning Document, Barn and Farm Conversions Supplementary Planning Document, Historic Parks and Gardens Supplementary Planning Document and Reigate Shop Front Design Supplementary Planning Document for public consultation; and
- (ii) The Head of Planning in consultation with the Executive Member for Planning Policy, be authorised to make any necessary minor amendments to the draft updated Supplementary Planning Documents prior to consultation.

**Reason for decision:** Regulation 12(b) of the Town and Country Planning (Local Planning) (England) Regulations 2012 require public consultation on draft supplementary planning documents for at least 4 weeks prior to adoption.

**Alternative options:** Not to approve the draft Affordable Housing SPD, Barn and Farm Conversions SPD, Historic Parks and Gardens SPD and Reigate Shop Front Design SPD for public consultation. Not to agree to necessary minor amendments being made prior to consultation.

## 75. MARKETFIELD WAY UPDATE, DECEMBER 2019

Councillor E. Humphreys, Executive Member for Place and Economic Prosperity, introduced the update on the Marketfield Way project. Marketfield Way was a significant opportunity for the Council to transform an existing underutilised brownfield site, and create a high-quality mixed-use development that would contribute to the Council's corporate priority to revitalise Redhill town centre. The development would include a multiscreen cinema, as well as restaurants, shops and new homes, which would improve the social, economic and environmental wellbeing of both Redhill and the wider Borough. Since the last update to Executive in 2018, the Council had:

- Made good progress with land assembly, a Compulsory Purchase Order had been implemented which would result in all land interests and rights being acquired, and vacant possession being obtained, by 24 December 2019,
- Selected Vinci Construction UK Ltd as the contractor, and were now at an advanced stage in agreeing a final building contract,

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- Entered into a pre-sale agreement for all 150 flats,
- Entered detailed negotiations with potential commercial tenants, including cinema operators and retailers; and
- Instructed enabling works, including the demolition of properties fronting the High Street and the closure of Marketfield Way car park.

It was noted that the anticipated costs were within the budget allocated in the Council's Capital Programme, subject to the revised financial parameters set out in the report in Part 2 of the agenda. The Part 2 report also outlined the management actions necessary for the Council to progress the project.

In response to questions from Visiting Members, it was confirmed that the pathway alongside the development would be kept open, cycle racks would be re-provided, but not immediately; and that the environmental impact of the development was compliant with the Planning Consent. The Head of Place Delivery undertook to prepare a written response to:

- Identify the proposed mitigation, if any, of the loss of the area opposite the Belfrey, which was currently used by taxis, and for the pick-up and drop-off of those with limited mobility; and
- Outline the environmental sustainability of the development.

## **RESOLVED** that:

- (i) The progress that had been made to deliver stage three of the project, in relation to land assembly, detailed design, build contract negotiations and the securing of pre-lets, be noted.
- (ii) The Director of Place Services, in consultation with the Leader, Deputy Leader and Executive Member for Place and Economic Prosperity, be authorised to:
  - conclude stage three of the project by agreeing the final terms and sealing and completing a building contract, subject to the revised financial parameters set out in the exempt report in Part 2 of the agenda.
  - progress stage four of the project, in accordance with the management actions and revised financial parameters set out in the exempt report in Part 2 of the agenda, including the implementation and construction of the scheme.

**Reason for decision:** To support the development of the project and the Corporate Plan objective to ensure that the borough remains a great place to live, work and do business.

**Alternative options:** i) To not enter into a building contract and proceed with an alternative scheme for the development of the site, which reduces the amount of retail and leisure floorspace and would increase the amount of residential within the scheme, in order to minimise the financial risk to the Council of the project. ii) To not enter into a building contract, to seek an independent funding source to purchase

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the site and to implement the scheme. iii) To not enter into a building contract and to do nothing.

## 76. COUNCIL TAX BASE 2020/21

Councillor T. Schofield, Deputy Leader and Executive Member for Finance, introduced the report and explained that the Council had a statutory requirement to adopt its Council Tax base by 31 January each year. The Council had followed a prescribed formula in preparing the Council Tax Base, which would consequently be provided to precepting authorities to enable them to determine their level of Council Tax.

**RECOMMENDED that the Council Tax Base for 2020/21 be recommended to Council for approval.**

**RESOLVED** that the Council Tax Base for 2020/21 for each of the Council's areas be adjusted as follows: Reigate & Banstead Council as a whole 61,128.8 Horley Town Council area 10,191.7 Salfords & Sidlow Parish Council area 1,416.5.

**Reason for decision:** To comply with the Local Authorities (Calculation of Tax Base) Regulations 1992.

**Alternative options:** When calculating and setting the Tax Base the Council had to follow specific regulations laid down under statutory instruments. There was therefore no opportunity for Members to make any changes to the methodology adopted or the recommended Council Tax Base.

## 77. ANY OTHER URGENT BUSINESS

There was none.

## 78. EXEMPT BUSINESS

The Executive considered the *Marketfield Way Update* in open session, (minute 75 refers).

## 79. MARKETFIELD WAY UPDATE, DECEMBER 2019 (EXEMPT)

**RESOLVED** that the exempt information in relation to Marketfield Way be noted.

The Meeting closed at 8.31 pm

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# Agenda Item 4



<b>SIGNED OFF BY</b>	Interim Head of Finance and Assets
<b>AUTHOR</b>	Catriona Marchant, Democratic Services Officer
<b>TELEPHONE</b>	Tel: 01737 276066
<b>EMAIL</b>	catriona.marchant@reigate-banstead.gov.uk
<b>TO</b>	Executive
<b>DATE</b>	Thursday, 30 January 2020
<b>EXECUTIVE MEMBER</b>	Deputy Leader and Portfolio Holder for Finance

<b>KEY DECISION REQUIRED</b>	N
<b>WARDS AFFECTED</b>	(All Wards);

<b>SUBJECT</b>	Observations of the Overview and Scrutiny Committee on the draft Budget proposals for 2020/21
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<p><b>RECOMMENDATIONS</b></p> <p>The Overview and Scrutiny Committee at its meeting on 17 December 2019 made the following recommendations to the Executive in response to the Service and Financial planning 2020/21 report to Executive on 7 November 2019:</p> <p>(i) That the report of the Overview and Scrutiny Committee on service and financial planning for 2020/21 be approved, as set out below, regarding the budget proposals as reported in the report to Executive on 7 November 2019:</p> <p>a) That the Overview and Scrutiny Committee thanks the Executive Member for Finance, Executive and Officers for preparing initial revenue and capital budget proposals for 2020/21;</p> <p>b) That the Overview and Scrutiny Committee considers the following to be achievable, realistic and based on sound financial practices and reasonable assumptions:</p> <p style="padding-left: 40px;">(i) Revenue Budget Savings and Additional Income proposals totalling £1.618m net</p> <p style="padding-left: 40px;">(ii) Revenue Budget Growth proposals totalling £3.742m</p> <p style="padding-left: 40px;">(iii) Capital Programme Growth proposals of £9.910m</p> <p>c) That the Overview and Scrutiny Committee considers the potential negative impact of the savings and growth proposals on service delivery to be minimal and in fact include some service improvements;</p>
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**(ii) That the Overview and Scrutiny Committee notes growth in the baseline budget for services of £2.12m, including funding for 23 new posts, plus 5 that were previously funded through the Corporate Plan Delivery Fund (CPDF), to achieve the Council's corporate priorities. Whilst recognising that the growth and each new post can be justified in its own right, and the Council has substantial reserves to fund such expenditure over the short term, the Overview and Scrutiny Committee is concerned that the overall increase in the Revenue budget is unsustainable in the long term, unless additional sustainable revenue income sources are brought on stream.**

**(iii) That capital budgets for investment in the Corporate Plan and the Housing Delivery Strategy are yet to be finalised, as well as the Central revenue budget proposals, and for this reason the Overview and Scrutiny Committee has yet to draw a conclusion on the overall budget proposals for 2020/21.**

At this stage, further budget proposals, relating to Central Budgets and Capital Programme growth proposals of £82.655 million were due to be discussed at Overview and Scrutiny Committee on 23 January 2020. In relation to these items, the Committee will consider these matters and will report further comments to the Executive which will be noted in an Addendum to the Executive meeting on 30 January 2020.

## **REASONS FOR RECOMMENDATIONS**

To take account of the views of the Overview and Scrutiny Committee on their consideration of Service and Financial planning for 2020/21.

## **EXECUTIVE SUMMARY**

The report (with an Addendum to follow 23 January 2020 meeting of Overview & Scrutiny Committee) completes the Committee's consideration of Service and Financial planning for 2020/21. The proposals have been scrutinised in line with the Council's budget framework.

**Executive has authority to approve the above recommendations.**

## **STATUTORY POWERS**

1. This report is brought to the Executive as part of its consultation on the proposed budget for 2020/21 as required by the Policy Framework and Budget Procedure Rules in the Constitution. The Executive is asked to consider the final service and financial proposals for 2020/21 at this meeting so that it can make its recommendation to Council on Thursday 13 February 2020.
2. The Local Government Act 1972 requires the Council to set an annual budget as part of proper financial management through the Service and Financial Planning report each year.
3. The Local Government Act 1992 requires councils to set a balanced budget and announce the Council Tax level by 11 March each year.
4. The Local Government Act 2000 makes it clear that the role of scrutiny in the financial process is to hold the Executive to account and to ensure that its decisions are in the best interests of the community.

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## BACKGROUND

5. The Executive on 18 March 2019 supported the Overview and Scrutiny Committee's request for the Budget Scrutiny Review Panel to be re-established for 2019/20 and included in its work programme. This was subsequently approved by Council on 11 April 2019.
6. The Budget Scrutiny Panel 2019 focused on consideration of the draft Budget proposals for 2020/21. The objective of the Panel was to satisfy its Members that the Budget was achievable, realistic and based on sound financial practices. It scrutinised the following: the assumptions which underpinned the budget, the impact of any savings on service delivery, the justification for growth proposals and how the revenue budget and capital plan related to the delivery of corporate priorities.
7. The Service and Financial planning 2020/21 report and supporting documents were circulated as part of the Advance Questions process for the Budget Scrutiny Review Panel Members on 11 November 2019. The responses provided by officers were circulated in advance to Panel Members before the Panel meeting.
8. The Panel met on 21 November 2019 and Councillors M. Brunt, Leader of the Council, and T.Schofield, Portfolio Holder for Finance, attended the Panel's meeting to support its consideration of the budget proposals.
9. The Panel's report, including their conclusions and recommendations was considered by the Overview and Scrutiny Committee on 17 December 2019. An extract from the draft minutes of that meeting is attached at **Annex 1**, and the full report of the Budget Scrutiny Review Panel is at **Annex 2**.
10. The Committee concluded that as the capital budgets for investment in the Corporate Plan and the Housing Delivery Strategy were yet to be finalised as well as the Central revenue budget proposals, the Central Budget elements of the Budget 2020/21 and any additional Capital Programme 2020 to 2025 Proposals would be considered at the 23 January 2020 meeting of the Overview and Scrutiny Committee.

## OPTIONS

11. The Executive can therefore:
  - Accept the report and note the comments of the Overview and Scrutiny Committee (**Recommended**); or
  - Request that the Overview and Scrutiny Committee undertake additional scrutiny of all or part of the service and financial plans for 2020/21.

## LEGAL IMPLICATIONS

12. There are no direct legal implications arising from the recommendations in this report subject to the Council adopting a balanced budget for 2020/21 by 11 March 2020 to meet the requirements of the Local Government Finance Act 1992.

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<b>FINANCIAL IMPLICATIONS</b>
13. Financial implications are addressed throughout the Service and Financial planning 2020/21 report.
<b>EQUALITIES IMPLICATIONS</b>
14. These are considered in the Service and Financial planning 2020/21 report.
<b>COMMUNICATION IMPLICATIONS</b>
15. These considerations are set out in the Service and Financial planning 2020/21 report.
<b>RISK MANAGEMENT CONSIDERATIONS</b>
16. These are considered in the Service and Financial planning 2020/21 report.
<b>CONSULTATION AND POLICY FRAMEWORK</b>
17. The Overview and Scrutiny Committee was consulted by the Executive in accordance with the Policy Framework and Budget Procedure Rules in the Constitution.
<b>BACKGROUND PAPERS</b>
1. <b>Annex 1:</b> An extract from the draft minutes of the Overview and Scrutiny Committee on 17 December 2019 on the Budget Scrutiny Panel Report: Service and Financial Planning 2020/21.
2. <b>Annex 2:</b> The full report of the Budget Scrutiny Review Panel 2019. <a href="https://reigate-banstead.moderngov.co.uk/documents/s7317/Budget%20Scrutiny%20Panel%20Report%20Service%20and%20Financial%20Planning%20202021.pdf">https://reigate-banstead.moderngov.co.uk/documents/s7317/Budget%20Scrutiny%20Panel%20Report%20Service%20and%20Financial%20Planning%20202021.pdf</a>

**Draft Minute from Overview and Scrutiny Committee, 17 December 2019, on Budget Scrutiny Panel Report: Service and Financial Planning 2020/21.**

Members considered the report from the Budget Scrutiny Review Panel which met on 21 November 2019 to discuss and consider the Service and Financial Planning budget proposals for 2020/21. The report would be considered by the Executive on 30 January 2020 in line with the Council budget and policy procedure rules.

The Panel report was introduced by the Chair of the Budget Scrutiny Review Panel, Councillor N. Harrison. The conclusions of the Panel were set out in the report and summarised in the Executive Summary. He thanked the Executive Member for Finance, Executive and Officers for preparing the initial revenue and capital budget proposals for 2020/21.

The Panel concluded that the Council managed its finances well and had maintained services and delivered priority projects despite the removal of the Government Revenue Support Grant in 2017/18. The revenue underspend of £1.6m for 2018/19 compared to the approved budget this year and the current forecast for 2019/20, being an underspend of almost £800k, underlined this point. The Panel report said that the proposed Budget for 2020/21 was a cautious one as it did not overstate revenue and set out fully costed expenditure items. It was a detailed and well-developed budget. However, there was more detail to come including any additional Capital Programme budget growth proposals for 2020/21 to 2024/25, the review of Central Budgets and Revenue Reserves and the final Council Tax increase proposals. The final budget proposals to support delivery of the Corporate Plan, Housing Delivery Strategy and Environmental Sustainability Strategies were also still to be finalised. Therefore, the Panel recommended that the Committee should allocate time at its 23 January 2020 meeting for a more substantive review of these elements before it drew its conclusions on the overall Budget proposals.

The Panel report noted the increase in the services revenue budget of £2.12m which included funding to pay for 23 new posts. It was concerned that this overall increase could be unsustainable in the long term, unless additional sustainable revenue income sources are brought on stream. The Council was developing its commercial approach, but this work was progressing slowly, and the increase in new commercial investment income for 2020-21 is not significant. In the light of this the Panel advised caution.

The Panel Chair noted that Recommendation (i) (c) considered the potential negative impact of the savings and growth proposals on service delivery to be minimal and there were certain areas where there were service improvements. Panel Members told the Committee that the recent general election and other areas of uncertainty such as the levels of government spending, pension costs and impacts of cuts to Surrey Council Council's budgets were also other significant elements of the budget that meant it should be looked at again at the January meeting.

Panel Members highlighted that another area where proposals and spending plans were not yet clear was on environmental sustainability and how the Council was responding to climate change. It was noted that more information was set out in

paragraph 27 of the Budget Scrutiny Panel report on capital programme work. An Environmental Sustainability Strategy was currently being prepared which would set out how the Borough will respond to climate change and carbon emissions.

Members had the following observations and comments in the debate that followed:

- **New posts** – Members discussed the growth in the baseline budget for services of £2.12m, including funding for 23 new posts, plus 5 that were previously funded through the Corporate Plan Delivery Fund to achieve the Council’s corporate priorities, and asked whether this cost could be maintained in the long term. It was noted that the Council has Reserves at the current time that could fund such expenditure over the short term. However, as the report stated unless more additional commercial and revenue income sources are brought on stream then this would become unsustainable over time.
- **Retained business rates** – Members noted there was a significant increase in the service budget costs of £2.12m and asked if there could be an increased funding gap in future years if the council also lost income from retained business rates which central government had proposed. The Head of Finance and Assets said there was no further information at this stage as local authorities were waiting for the new government to start to issue their policy announcements from the results of its Fair Funding Review which was not expected imminently.
- **Balances on Trust Funds** – Members discussed the Reigate Baths Trust Fund which was part of the total Balance on Trust Funds in the previously reported Statement of Accounts for 2018/19 totalling £1.703m. They asked what this money could be used for as the Reigate Baths closed some years previously. The Head of Finance and Assets referred to her written answer to Members following the 17 October 2019 meeting; this confirmed that the Reigate Baths Trust Fund has a balance of £773,000 at 31 March 2019, which is restricted in its use. Annual interest receipts from investing the Trust Fund are used to contribute to the running costs of the council’s leisure services. Any proposal to change the purpose of a Trust Fund or spend capital from the balance of the Fund would require approval of the Charity Commissioners.

Members asked officers to confirm the actions necessary to gain approval to spend the capital sum of the Reigate Baths Trust Fund. The other significant Trust Fund balance was the Commons Trust balance of £779,000. If the rules relating to operation of these two Funds were able to be changed then the Council would have approximately £1.5m to spend on leisure services for the benefit of residents. Members asked officers to also confirm whether those funds (if released) could be invested across the Borough, not just in Reigate. Officers to report back with the outcome and options. Members made the following recommendations from their consideration of the Budget Scrutiny Panel report.

**RESOLVED:**

(i) That in response to the Service and Financial planning 2020/21 report to Executive on 7 November 2019, the following observations be submitted for the consideration of the Executive:

a) That the Overview and Scrutiny Committee thanks the Executive Member for Finance, Executive and Officers for preparing initial revenue and capital budget proposals for 2020/21;

b) That the Overview and Scrutiny Committee considers the following to be achievable, realistic and based on sound financial practices and reasonable assumptions:

(i) Revenue Budget Savings and Additional Income proposals totalling £1.618m net

(ii) Revenue Budget Growth proposals totalling £3.742m

(iii) Capital Programme Growth proposals of £9.910m

c) That the Overview and Scrutiny Committee considers the potential negative impact of the savings and growth proposals on service delivery to be minimal and in fact include some service improvements;(ii) That the Overview and Scrutiny Committee notes growth in the baseline budget for services of £2.12m, including funding for 23 new posts, plus 5 that were previously funded through the Corporate Plan Delivery Fund (CPDF), to achieve the Council's corporate priorities. Whilst recognising that the growth and each new post can be justified in its own right, and the Council has substantial reserves to fund such expenditure over the short term, the Overview and Scrutiny Committee is concerned that the overall increase in the Revenue budget is unsustainable in the long term, unless additional sustainable revenue income sources are brought on stream.

(iii) That capital budgets for investment in the Corporate Plan and the Housing Delivery Strategy are yet to be finalised, as well as the Central revenue budget proposals, and for this reason the Overview and Scrutiny Committee has yet to draw a conclusion on the overall budget proposals for 2020/21.

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<b>TO</b>	Overview and Scrutiny Committee
<b>DATE</b>	Tuesday, 17 December 2019
<b>MEMBER</b>	Chairman of the Overview and Scrutiny Committee

<b>KEY DECISION REQUIRED</b>	N
<b>WARDS AFFECTED</b>	(All Wards)

<b>SUBJECT</b>	Budget Scrutiny Panel: Service and Financial planning 2020/21
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<b>RECOMMENDATIONS</b>
<p>(i) That in response to the Service and Financial planning 2020/21 report to Executive on 7 November 2019, the following observations be submitted for the consideration of the Executive:</p> <p>a) That the Overview and Scrutiny Committee thanks the Executive Member for Finance, Executive and Officers for preparing initial revenue and capital budget proposals for 2020/21;</p> <p>b) That the Overview and Scrutiny Committee considers the following to be achievable, realistic and based on sound financial practices and reasonable assumptions:</p> <p>(i) Revenue Budget Savings and Additional Income proposals totalling £1.618m net</p> <p>(ii) Revenue Budget Growth proposals totalling £3.742m</p> <p>(iii) Capital Programme Growth proposals of £9.910m</p> <p>c) That the Overview and Scrutiny Committee considers the potential negative impact of the savings and growth proposals on service delivery to be minimal and in fact include some service improvements;</p>

**(ii) That the Overview and Scrutiny Committee notes growth in the baseline budget for services of £2.12m, including funding for 23 new posts, plus 5 that were previously funded through the Corporate Plan Delivery Fund (CPDF), to achieve the Council's corporate priorities. Whilst recognising that the growth and each new post can be justified in its own right, and the Council has substantial reserves to fund such expenditure over the short term, the Overview and Scrutiny Committee is concerned that the overall increase in the Revenue budget is unsustainable in the long term, unless additional sustainable revenue income sources are brought on stream.**

**(iii) That capital budgets for investment in the Corporate Plan and the Housing Delivery Strategy are yet to be finalised, as well as the Central revenue budget proposals, and for this reason the Overview and Scrutiny Committee has yet to draw a conclusion on the overall budget proposals for 2020/21.**

## **REASONS FOR RECOMMENDATIONS**

The Committee is requested to consider the report and recommendations of the Budget Scrutiny Review Panel and make any observations on the Service and Financial Planning proposals for 2020/21, for consideration by the Executive in line with the Council's budget and policy procedure rules,

## **EXECUTIVE SUMMARY**

Based on the information and explanations provided, and its assessment of the risk factors, the Panel concluded that each element of the 2020/21 Budget proposals were achievable, realistic and based on sound financial practices and reasonable assumptions.

The Panel noted that the Council continued to manage its finances well and had maintained services and delivered priority projects despite the removal of the Government Revenue Support Grant in 2017/18. The revenue budget outturn position for services in 2018/19 was a £1.6m underspend compared to the approved budget, and the current forecast for 2019/20 is an underspend of almost £800k.

The Panel concluded the proposed Budget for 2020/21 was a cautious one, with expenditure items fully costed and revenue not overstated, but the overall impact was a significant increase in service budget costs, totalling £2.1m, and the gap would grow further in future years with an anticipated £0.7m reduction in retained business rates.

The Panel recognised that savings might be found in Central Revenue Budgets, but the revenue consequences of borrowing to fund additional Capital Programme investment had yet to be incorporated in the revenue budget. The current Revenue Reserves were over £35m of which £12m was in the General Fund Balance which provided a secure financial base compared to many other local authorities. It was likely that reserves would be used to balance the budget in 2020/21.

In reviewing the growth in the services revenue budget of £2.1m, the Panel noted that half was funding for new posts. The net increase in staffing was 23, plus 5 posts previously funded in 2019/20 through the Corporate Plan Delivery Fund (CPDF). This net increase was after reflecting transfers relating to the previously outsourced Community Centres and transfers out following the loss of the Tandridge parking contract, and also adjusting for Harlequin staff previously employed on a casual contract.

The additional staffing effectively added back, in total terms, the staff reductions which had been made since 2009/10. The Panel was told that the increases reflected the need to invest in staff with expertise and to meet changes in functions, whereas the previous reductions reflected the delivery of service efficiencies. The Panel was told that Portfolio Holders had made sure that all these new posts were justified in their service areas. The Panel concluded that nevertheless it was a substantial budget increase which would be carried forward into future years, and advised caution.

The Council was developing its commercial approach to support future commercial and investment activity, but this work had progressed more slowly than expected. No substantial additional income was budgeted from the existing property portfolio, and current development projects would not bring in income for 2020/21.

The Panel noted that the Housing Delivery Strategy and Environmental Sustainability Strategies were in development and the capital investment proposals for their implementation had not yet been fully costed. Other key budget items remained to be finalised, including any additional Capital Programme budget growth proposals for 2020/21 to 2024/25, the review of Central Budgets and Revenue Reserves and the final Council Tax increase proposals.

These were significant elements of the budget and should be subject to scrutiny at the meeting of the Overview and Scrutiny on 23 January 2020. Other areas of uncertainty remained on levels of government spending, pension costs and any impacts of cuts to Surrey County Council's budgets, and these too could be reviewed further if new information was forthcoming in time for the January meeting.

## **STATUTORY POWERS**

1. The Local Government Act 1972 requires the Council to set an annual budget as part of proper financial management through the Service and Financial Planning report each year.
2. The Local Government Act 1992 requires councils to set a balanced budget and announce the Council Tax level by 11 March each year.
3. The Local Government Act 2000 makes it clear that the role of scrutiny in the financial process is to hold the Executive to account and to ensure that its decisions are in the best interests of the community.

## **BACKGROUND**

4. The Executive on 18 March 2019 supported the Committee's request for the Budget Scrutiny Review Panel to be re-established for 2019/20 and included in its work programme. This was subsequently approved by Council on 11 April 2019.
5. The Budget Scrutiny Review Panel 2019 focused on consideration of the draft Budget proposals for 2020/21.
6. The Service and Financial Planning 2020/21 Report and supporting documents were circulated as part of the Advance Questions process for the Budget Scrutiny Review Panel Members on 11 November 2019. The responses provided by officers were

circulated in advance to Panel Members before the Panel meeting on 21 November 2019.

7. The Panel was requested to offer its comments and recommendations to the Overview and Scrutiny Committee on 17 December 2019 on its review of the consultation document. The Executive was due to approve the proposed Budget for 2020/21 on 30 January 2020 after considering the recommendations from the Overview and Scrutiny Committee.
8. The objective of the Panel was to satisfy its Members that the Budget plan was achievable, realistic and based on sound financial practices. It scrutinised the following: the assumptions which underpinned the budget, the impact of any savings on service delivery, the justification for growth proposals and how the revenue budget and capital plan related to the delivery of corporate priorities.

## **CONCLUSIONS**

### **Approach**

9. It was noted that the proposals were a cautious approach to service and financial planning (expenditure items fully costed; revenue not overstated) which was the right approach in a challenging financial climate. Local authorities would face unprecedented events and change next year – the impact of Brexit was unknown and the funding for local government was uncertain. Public spending could rise but it was difficult to predict what this might look like in 2020.
10. The final budget proposals for 2020/21 would be considered at Overview and Scrutiny Committee on 23 January 2020, ahead of the Executive meeting on 30 January 2020, when future government funding plans for local government became clearer, and other remaining budget items are finalised.

### **Commercialisation Agenda**

11. The Commercial Ventures Executive Sub-Committee was developing a Commercial Strategy, but progress had proved slow with no additional revenue budget income from new commercial activities included in the 2020/21 budget proposals.
12. Specialist legal and tax advice had been acquired when needed to support specific commercial and development projects. However, it was noted that there had been no recruitment to date of dedicated staff to support the commercial approach, although a new project manager had started work on the Council's housing projects.
13. Three new properties that were added to the asset base last year were forecast to bring in an income in 2019/20 and this was expected to increase only slightly for 2020/21. The three properties were 61E Albert Road North, Reigate, Regent House, Redhill and Units 1-5 Redhill Distribution Centre in Salfords. The Council had sought to acquire other assets, but apart from one major acquisition (which would not bring in additional revenue for 2020/21), other opportunities were turned down after scrutinising the business cases.
14. Major developments underway included the Marketfield Way, Pitwood Park and Cromwell Road projects. Capital receipts from the pre-sale of the residential units in

Marketfield Way would be paid at key milestones according to the terms of the agreement and at a market rental rate. Rental income from letting out the Marketfield Way commercial units would not be realised until 2023. Tenders for the Cromwell Road project were currently being assessed.

15. The Panel noted the significant increase in Public Works Loan Board (PWL) borrowing charges, announced in October 2019, and their potential impact on the return on property investments. To generate the required £2.1m additional net income to the revenue budget (for example) would require borrowing and re-investment in income-generating assets of circa £106.1m (based on current PWLB rates). This illustrative figure showed the amount of investment that would potentially be needed to close the funding gap if relying on commercial investments alone.
16. It was noted that the Revenue and Benefits team was carrying out some small-scale commercial activity and trading to customers which generated around £450k (gross) income per year. A firm of consultants (Mutual Ventures) had been engaged to help forecast future revenues and costs, and options for the future operating model.

### **Grant Funding**

17. It was confirmed that the only specific change in the budget proposals as a result of Surrey County Council's reduction in funding was for Place delivery. The Council was not aware at this stage of other budget decisions that would have an impact on the Borough Council. Officers would look at functions where Surrey County Council was proposing to reduce services, such as ending its universal youth services, to review how it affected residents and whether there was scope for the Borough Council to provide some local services for young people.
18. Funding for the Money Support Services comes from the Homelessness Reduction Act grant up to March 2021. It was uncertain if this funding would continue after 2020.

### **Business Rates and Other Income**

19. The latest government announcement on Business Rates Reform indicates that changes will be implemented in 2021/22. On Business Rate Appeals, the Council had made provision for appeals based on past patterns. £2.347m was the NNDR (National Non-Domestic Rates/business rates) figure that the government calculates the Council should retain in its Core Spending; the actual sum received is forecast to be higher which reflected the success of the team in collecting the revenue.
20. The Panel noted that the Council has 80 properties currently which attracted the empty homes council tax premium. If these properties all remained empty next year the Council would receive £177k. There were also 52 properties that potentially could be liable for the premium from April 2020.

### **Revenue Budget**

21. The Council was on track to roll out full recycling services to 2,300 flats in 2019/20 and would then become part of the 'business as usual' service. It was continuing to

work with private landlords, managing agents and social landlords to encourage them to improve bin storage areas. It was confirmed that there was no additional funding for this allocated in the roll-out of the recycling collection to flats. Overall the service would be cost neutral as any additional recycling income was offset by the costs of a new crew to meet demand from new homes and the roll-out of flats recycling.

22. Additional income of £233k in 2019/20 came from garden waste subscriptions. The 2020/21 budget plan reflected that current level of income. It was not proposed to increase garden waste subscription fees in 2020/21. Members asked if subscriptions were growing year on year and whether income could be higher than forecast. Officers confirmed that there was a level of risk as the government's draft waste strategy had proposed stopping local authorities from charging for removing garden waste.
23. The Council had access to over 120 temporary accommodation units. In the first 12 months that the Council's 11-unit emergency accommodation has been operating, it has maintained a 95 per cent occupancy level. It has been averaging 21 households per night in nightly paid B&B accommodation and it was anticipated that this level will continue but not increase during 2020/21. It was working with Raven Housing Trust on increasing suitable accommodation in the north of the Borough.
24. It was noted that there had been a net revenue underspend of £1.6m for 2018/19 which related to vacancies, unused contingency, new property income and waste and recycling income in excess of budget which had been transferred to General Fund reserves. For 2018/19 the current forecast was an underspend of £774k.
25. It was noted that the 2019/20 budget included a Headroom Contingency budget of £885.8k. The contingency budget for 2020/21 was under review and will be confirmed in the final report in January.

### **Reserves**

26. Balances on revenue Reserves had increased over recent years. In March 2019 the total was £37.589m which were set out in Annex C. A review was being carried out on each of the Reserve funds and their use. Forecasts for the position at March 2020 were being prepared and the outcome would be included in the January budget report with a view on the level of General Fund and other reserves the Council needed to hold.

### **Capital**

27. It was noted that capital programme work on the Corporate Plan, Housing Delivery Strategy and Environmental Sustainability Strategies was still in progress and would be included in January's budget report. It was noted that in the Transport and Infrastructure section, the most recent Surrey Infrastructure Study estimated that Reigate and Banstead needed £96m to plug the infrastructure gap. It was confirmed that this did not include shifting the Council to having zero carbon emissions. An Environmental Sustainability Strategy was currently being prepared which will set out how the Borough will respond to climate change and carbon emissions.

28. Potential increases in borrowing costs would be taken into account when assessing projects on a case by case basis. Projections draw on the Council's Treasury Adviser's advice and are linked to the Treasury Management strategy. The PWLB costs of borrowing were set out in the Advance Questions pack (BSP14).

### **Growth in Revenue Expenditure and New Posts**

29. The overall growth in revenue expenditure proposed is £2.12m. New posts and salary growth were set out in Annex B in the Responses to Advance Questions. It was noted that the costs total £1.048m for an additional 41.5 full-time equivalent (FTE) posts. 12.5 related to transfers, being 15 members of staff returning from previously outsourced Community Centres less 2.5 staff following the loss of the Tandridge parking contract. 6 related to employing casual staff at the Harlequin on a permanent basis. The net underlying increase was therefore 23 staff, plus 5 posts funded in 2019/20 from the CPDF. Officers and Portfolio Holders explained these additional posts reflected the need to invest in staff with expertise to make the Council fit for purpose in the future as previous budgets had cut out key resources which had an impact on service delivery. Portfolio Holders had made sure that all these posts were justified in their service areas. The Panel concluded that nevertheless it was a substantial increase to the budget and advised caution.
30. The Panel noted an increase in budget for running the Harlequin theatre venue. It was explained that this was now a realistic budget which would allow for growth and development including a new marketing manager and casual staff transferred into the base budget as explained above. This would ensure the Council could deliver on future operational plans and put the Harlequin in the best position to be more sustainable in the future.
31. Additional costs associated with bringing the three Community Centres in-house from April 2020 were estimated to be £144k based on current assumptions. The provider's contract was due to end on 31 March 2020 with staff transferred back. There might be income from commercial lets to help towards the running costs, but figures were not known currently.
32. A cost of £122.6k for new posts in Licensing was noted. This was due to the increase in the number of Houses in Multiple Occupation (HMO) licences due to changes in legislation related to HMOs. Other new requirements related to animal related licensing and Environmental Health licensing administration.
33. The Tandridge On-Street Parking contract had ceased with a loss of £36k. This was offset by a reduction of 2.5 staff, as discussed above.
34. Budget growth of £120k was proposed for business engagement which included £80k costs for the Towns and Villages priorities set out in the Corporate Plan and £40k for an Economic Prosperity Officer. The Panel was asked if some of the business engagement cost could be drawn from the £40k High Street Innovation Reserve.
35. The Panel noted a significant increase in the HR budget of £202k. It was confirmed that this had been previously approved. These additional posts would support managers through organisational change, employee relations and in resourcing and recruitment. This reflected the challenging recruitment environment and need for greater business support.

36. Additional ICT budgets include £301k to fund increases in the cost of software licensing costs, migration to cloud hosting and capital investment. It was noted that some of these costs related to ICT to support specific service requirements.
37. An asset management plan was in development, including the recruitment of a Property Services Manager. The objective was to achieve a portfolio of property assets that were appropriate, fit for purpose and affordable with an understanding as to when future investment in existing properties would be needed. This included looking at the energy performance ratings of the Council's properties (set out in Annex D of the Responses to Advance Questions). The £3m refurbishment of Beech House in Reigate included improving energy efficiency as part of the upgrade to meet tenants' requirements and support the level of rents charged.

### **Concluding Comments**

38. New Members asked whether, if a new Government's funding decisions were announced soon after the general election, they would have an impact on proposals to increase Council Tax. It was noted that any additional funding was unlikely to filter through until the following financial year. Funding was more likely to be directed to unitary authorities with social care budgets.
39. Based on the information and explanations provided, and its assessment of the risk factors, the Panel concluded that in relation to 2020/21 each element of the budget proposals was achievable, realistic and based on sound financial practices and reasonable assumptions. However, it was likely that significant Reserves would be used to balance the budget for 2020/21. The Panel was mindful of the serious budget challenges that remained in the years to come.
40. The Panel thanked the Executive Member for Finance, the Chief Executive and Officers, particularly the Finance team, for their work to prepare the Service and Financial Planning report, and thanked Officers for their work in preparing the responses to the Advance Questions. These responses together with the clarifications and further explanations provided through the supplementary questions thoroughly tested the budget assumptions and risks and gave the Panel a sound basis to reach its conclusions.
41. The Executive would consider the report and observations from Overview and Scrutiny Committee and approve the proposed Budget for 2020/21 at its meeting on 30 January 2020. Full Council was due to consider Budget and Council Tax recommendations from the Executive on 13 February 2020.

### **OPTIONS**

42. Option 1 - To submit the recommendations and conclusions of the Panel to the Executive, to inform its consideration of the 2020/21 Budget proposals, and to note the identified change to the baseline budget. This is the recommended option as it will reflect the in-depth analysis of the Budget Scrutiny Review Panel and support effective decision making by the Executive.
43. Option 2 – To not submit the recommendations and conclusions to the Executive, or to not note the identified change to the baseline budget. This is not the recommended option as it will not reflect the in-depth analysis of the Budget Scrutiny Review Panel and will not support effective decision making by the Executive.

44. In addition to the primary options outlined, the Committee may also wish to submit additional observations to the Executive.

#### **LEGAL IMPLICATIONS**

45. There are no direct legal implications arising from the recommendations in this report subject to the Council adopting a balanced budget for 2020/21 by 11 March 2020 to meet the requirements of the Local Government Finance Act 1992.

#### **FINANCIAL IMPLICATIONS**

46. Financial implications are addressed throughout the Service and Financial Planning 2020/21 report.

#### **EQUALITIES IMPLICATIONS**

47. These are considered in the Service and Financial Planning 2020/21 report.

#### **COMMUNICATION IMPLICATIONS**

48. These considerations are set out in the Service and Financial Planning 2020/21 report.

#### **RISK MANAGEMENT CONSIDERATIONS**

49. These are considered in the Service and Financial Planning 2020/21 report.

#### **POLICY FRAMEWORK**

50. Service and Financial Planning – The Budget proposals form part of the Council’s budget and policy framework. The annual budget is developed to ensure that the Council can deliver the Corporate Five Year Plan and services to residents and businesses.

#### **ANNEX 1**

51. Annex 1 – [Responses to Advance Questions](#) put by Budget Scrutiny Review Panel Members.

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# Agenda Item 5



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<b>TO</b>	Executive
<b>DATE</b>	Thursday, 30 January 2020
<b>EXECUTIVE MEMBER</b>	Portfolio Holder for Finance

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

<b>SUBJECT:</b>	<b>BUDGET 2020/21 and CAPITAL PROGRAMME 2020/21 to 2024/25</b>
<b>RECOMMENDATIONS:</b>	
That Executive recommend to Council:	
<p>(i) A Revenue budget requirement of £24.460 million for 2020/21 as set out in this report and supported by the Updated Medium-Term Financial Plan at Annex 1, which includes:</p> <ul style="list-style-type: none"> <li>• Revenue Budget Growth Proposals of £0.074 million (at Annex 1.1) in addition to the £2.12 million (net) that was previously reported in the November 2019 Budget report; and</li> <li>• An advance payment of £6.204 million for the secondary element of the employer's Local Government Pension Scheme contribution for 2020/21 to 2023/24;</li> </ul>	
(ii) An increase in Reigate & Banstead's Band D Council Tax of £5.00 (2.20%);	
<p>(iii) The planned use of £5.671 million (net) from the General Fund Balance; comprising:</p> <ul style="list-style-type: none"> <li>• Drawing £1.256 million from the General Fund Balance to support the 2020/21 Revenue Budget; and</li> <li>• Drawing £6.204 million from Reserves to fund the cost of the advance payment of the employer's secondary pension contribution for the three-year period to 2022/23</li> </ul>	

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- **Transferring the £1.789 million allocation of New Homes Bonus funding for 2020/21 into Reserves.**

**(iv) The recommended re-allocation of funds between Earmarked Reserves in 2020/21 as detailed in this report and at Annex 2;**

**(v) The latest Medium-Term Financial Plan at Annex 2**

**(vi) A Capital Programme of £176.328 million for 2020/21 to 2024/25 as set out in this report and at Annex 3, including additional Capital Programme Growth Proposals of £82.655 million, supported by the Capital Strategy for 2020/21 at Annex 3;**

**(vii) The Chief Finance Officer's report on the robustness of the Budget estimates and adequacy of Reserves.**

**That Executive authorise:**

**(viii) The Chief Finance Officer to make any necessary final technical adjustments to the budget and Council Tax arising from final budget refinements or changes to Government funding.**

## **REASONS FOR RECOMMENDATIONS:**

To ensure that the Council continues to plan and manage its resources well, deliver high standards of service and meet the aims and objectives of its Five-Year Plan for 2020-2025 and supporting Strategies.

## **EXECUTIVE SUMMARY:**

This report sets out the recommended Revenue Budget and a £5.00 (2.20% per annum) increase in Council Tax for 2020/21. It also presents the recommended Capital Programme for 2020/21 to 2024/25.

**Recommendations (i) to (vii) are subject to approval by the Council. The Executive has authority to approve recommendation (viii).**

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## STATUTORY POWERS

1. The Local Government Act 1972 requires the Council to set the associated annual budget as part of proper financial management. This report is part of that process.
2. The Local Government Act 1992 requires councils to set a balanced budget and announce the Council Tax level by 11 March each year. Section 65 of the Act 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.
3. The Chief Finance Officer has a key role to play in fulfilling the requirements of the statutory duty under the Local Government Act 2003 to keep the authority's finances under review during the year and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.

## FINANCIAL CONTEXT

4. The purpose of this report is to:
  - Set out the recommended Revenue Budget and Council Tax for 2020/21 following scrutiny of the draft budget proposals and the provisional Local Government Funding Settlement announcement of 20 December 2019
  - Set out the proposed Capital Programme for 2020/21 to 2023/24
  - Receive a commentary on the budget and adequacy of reserves from the Chief Finance Officer, in accordance with the Local Government Act 2003.

### Government Funding

5. The provisional Local Government Funding Settlement announcement was in line with expectations and confirmed that the 2020/21 local government finance settlement is for one year only. It is based on the Spending Round 2019 funding levels, with individual authority allocations based upon Spending Review 2015 and subsequent funding announcements. The provisional settlement confirms previous announcements in the Technical Consultation in October; the key points are summarised below:
  - Council Tax – as previously announced at Spending Round 2019, the council tax referendum limit will be 2% for local authorities (with social care authorities allowed an additional 2% social care precept). The provisional settlement confirmed districts will be allowed to apply the higher of the referendum limit or £5.00.
  - Business Rates (NNDR) Retention – the three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff / Top Up amounts) have all increased by 1.63%, in line with the September 2019 CPI inflation figure.
  - Revenue Support Grant - as outlined in the technical consultation, RSG (for those authorities that still receive RSG) has increased in line with the Business Rates Retention system (+1.63%). This Council no longer receives RSG.
  - Top Up/Tariff Adjustments ('Negative RSG' grant) – as in previous years, the government has decided to eliminate the negative RSG amounts. This means that the Council benefits from a further delay in this reduction in resources.
  - New Homes Bonus - the 2020/21 allocations will be paid with the legacy payments due from previous years (2017/18 to 2019/20). As previously announced, there will be no legacy payments for the 2020/21 in-year allocations. The deadweight of 0.4% has been maintained, with an additional

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£7m added from departmental resources (total funding of £907m). The Council's New Homes Bonus grant allocations from previous years are held in an earmarked reserve (details below).

## Medium Term Financial Planning

6. The Council has been planning for the loss of Government funding, with the objective to become financially self-sufficient going forward. In order to achieve self-sufficiency the Council needs to continue to find budget efficiencies whilst also generating new sustainable sources of additional income.
7. An updated Medium Term Financial Plan (MTFP) was approved in July 2019 and sets out the financial direction of the Council over the medium term to ensure that the Council plans and manages its resources effectively. It also sets out the priorities that have been taken into account when preparing the budget for 2020/21:
  - To ensure resources are aligned with the emerging Corporate Plan **priorities**
  - To maintain a **balanced budget** such that expenditure matches income from council tax, fees and charges, and government and other grants and to maintain that position
  - To set a rate for **council tax** which maximises income necessary to deliver our strategic objectives while ensuring that Government referendum limits are not exceeded. The percentage increase will be reviewed annually and be approved by Full Council
  - To maximise other income by setting **fees and charges**, where we have the discretion and need to do so, at a level to ensure at least full cost recovery, promptly raising all monies due and minimising the levels of arrears and debt write offs
  - To ensure a long term sustainable view is taken of our **investments** and that appropriate risk analyses are used when considering new investments
  - To consider and take advantage of **commercial opportunities** as they arise to deliver new income streams
  - To maintain an adequate and prudent level of **reserves** and regularly review their planned use and allocation to support delivery of our priorities.
8. MTFP forecasts indicate a budget gap of £2.2 million for service budgets in 2020/21 before taking into account savings opportunities in Central Budgets and additional income from council tax. The forecast budget gap increases to £4.3 million for 2021/22 onwards, the primary cause of the increase being anticipated Government funding reductions. Further work is now in progress to update MTFP forecasts to support service & financial planning for 2020/21 onwards. The outcome will be reported to Executive in summer 2020.
9. Many of the measures, as detailed in this report, that are being used to balance the budget for 2020/21 are one-off cost reductions, including calling on reserves to address the residual budget gap.
10. Going forward, sustainable solutions that reduce costs or increase income on a permanent basis will have to be identified for 2021/22 onwards. These are likely to include:
  - Pursuing commercial investments to generate new income streams – after taking into account the costs of associated borrowing

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- Considering options for asset sales to realise capital receipts and reduce or avoid new borrowing costs
- Carrying out fees and charges benchmarking across all services
- Planning for 2021/22 staff pay negotiations; and
- Reviewing in-year budget monitoring forecasts to identify new opportunities for savings and efficiencies.

## Commercial Strategy

11. While service efficiencies and council tax increases are important, their contribution to addressing the financial challenges faced by the Council is limited. It is therefore important that the Council also becomes an increasingly commercial organisation. This means generating new net income streams to support service delivery. This requires investment – and will have an element of commercial risk – but it will also enable the Council to develop and grow into a self-sustaining organisation. This will be supported by the developing Commercial Strategy and associated plans.
12. The Commercial Ventures Executive Sub-Committee, supported by other Members, has been working to develop the Council’s commercial agenda. Going forward this will include consideration of the scale and appropriate type of investments, the geographic area of any investment activities, and opportunities for partnership working. It is intended that the future Commercial Strategy to be reported for consideration by the Sub-Committee during Spring 2020.
13. The latest Capital Investment Strategy is attached at Annex 3 and sets out how the Council plans to invest to generate income through its capital and commercial investments, within the bounds of the regulatory frameworks that govern council borrowing and investments. Further work is planned progress to update Capital Strategy forecasts to support service & financial planning for 2020/21 onwards. The outcome will be reported to Executive in summer 2020.

## 2020/21 Revenue Budget Summary

14. The table below summarises the final Revenue Budget for 2020/21

<b>Table 1: BUDGET SUMMARY 2020/21</b>	Budget 2020/21 £m
1. Net Cost of Services	14.276
2. Central Budgets	3.980m
3. Advance Payment of Employer’s Pension Contribution	6.204m
<b>NET EXPENDITURE 2020/21 including ADVANCE PENSION CONTRIBUTION</b>	<b>24.460</b>
4. Council Tax	14.100
5. National Non-Domestic Rates	2.900
6. New Homes Bonus – 2020/21 allocation from Central Government	1.789
7. Net Contribution (to)/from Reserves:	5.671

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Table 1: BUDGET SUMMARY 2020/21	Budget 2020/21 £m
<ul style="list-style-type: none"> <li>• New Homes Bonus – 2020/21 allocation paid into Reserves – (£1.789m)</li> <li>• Use of funds from the General Fund Balance and Pension Reserve to fund the advance Employer’s Pension Contribution of £6.204m</li> <li>• Use of funds from the General Fund Balance to support the 2020/21 Revenue Budget £1.256m<sup>1</sup></li> </ul>	
<b>NET SOURCES OF INCOME 2020/21</b>	<b>24.460</b>

NOTE

1. The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2020/21. Over recent years the budget outturn has been an underspend position with no requirement to call on Reserves.

The Revenue Budget comprises five ‘building blocks’ as follows:

- **Net Cost of Services:** These are the direct costs incurred in delivering services through the three Directorates, net of specific income generated by them.
- **Central Budgets:** These are costs incurred and income received that are not service-specific, eg. Pension Fund deficit contributions and treasury management costs and income.  
Also included in this block is the Headroom Contingency budget.  
For 2020/21 this includes the one-off advance payment of the employer’s three-year secondary pension contribution of £6.204 million.
- **Sources of Funding:** These income budgets are general, non-service specific income sources. They include other grant funding from Central Government and our share of Non-Domestic Rate income.  
For 2020/21 it includes the continued impact (benefit) of the one-off elimination of ‘Negative Revenue Support Grant’ that was announced by the Government in September 2019.
- **Council Tax:** After the budget requirement has been established for the other blocks then the amount required by this Council from council tax can be calculated; known as the ‘Demand on the Collection Fund’
- **Contributions (to)/from Reserves:** This relates to use of Earmarked Revenue Reserves, which have been allocated to fund specific purposes. For example, the use of Reserves to fund the one-off advance pension contribution. The impact of the use of Reserves is a reduction in the total income demand on council taxpayers. It also refers to the use of funds from the General Fund Balance to support the annual revenue budget (£1.256 million in 2020/21).

## 2020/21 Service Budget Proposals

15. Service budget proposals are summarised below:

Table 2: SERVICE BUDGET PROPOSALS	Approved Budget 2019/20 £m	Proposed Budget 2020/21 £m	Net Service Budget Increase / Decrease £m
<b>ORGANISATION</b>			
Organisational Development	0.625	0.852	0.226

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<b>Table 2: SERVICE BUDGET PROPOSALS</b>	Approved Budget 2019/20	Proposed Budget 2020/21	Net Service Budget Increase / Decrease
	£m	£m	£m
Finance	1.098	1.123	0.025
Projects & Performance	1.739	1.859	0.120
Legal & Governance (including Assets)	(0.061)	0.232	0.293
IT	1.477	1.784	0.307
<b>PLACE</b>			
Planning	0.730	0.755	0.025
Economic Prosperity	0.278	0.398	0.120
Place Delivery	0.230	0.275	0.045
Neighbourhood Operations	2.858	3.110	0.252
<b>PEOPLE</b>			
Community Partnerships	1.260	1.583	0.323
Communications & Customer Contact	0.740	0.851	0.111
Wellbeing & Intervention	0.189	0.443	0.254
Housing, Revenues, Benefits & Fraud	0.915	1.012	0.096
<b>TOTAL</b>	<b>12.078</b>	<b>14.276</b>	<b>2.198</b>

16. Service savings, additional income and growth proposals were detailed in the Service & Financial Planning 2020/21 report to Executive on 7 November 2019 and additional growth proposals totalling £0.074 million are detailed at Annex 1. They result in the following net budget movements:

<b>Table 3 : SERVICE BUDGET PROPOSALS FOR 2020/21</b>	£m	£m
<b>Budget Movements:</b>		
Net Increase in Staff Costs	1.391	
Net Increase in Other Running Costs	1.494	
Net Change in Income	(0.686)	
<b>NET SERVICE BUDGET GROWTH</b>		<b>2.198</b>

### Income from Fees & Charges

17. The Fees & Charges Policy was approved by Executive on 7 November 2019 and is now being implemented with the intention that the full benefits can be realised in 2021/22 onwards when all fees and charges will have been reviewed in line with the Policy.

### Income from Commercial Activities

18. The Medium Term Financial Plan includes the objective of:

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- To consider and take advantage of **commercial opportunities** as they arise to deliver new income streams.

19. Delivery of this objective requires the allocation of additional funds in the Capital Programme to purchase assets and make investments that will generate new income streams as well as supporting delivery of corporate objectives. These investments will be financed through prudential borrowing therefore provision has to be made in the revenue budget for the costs of repaying that debt. It will also be necessary to ensure that borrowing for this purpose complies with MHCLG and CIPFA guidance, specifically 'borrowing in advance of need'.

### Example Investment Returns

20. Following the significant increase in PWLB borrowing costs, that was announced in October 2019, in order to generate £2.1 million additional net income to the revenue budget (for example) would require borrowing and re-investment in income-generating assets of circa £93.5 million [based on prevailing PWLB rates at the time of preparing this report].

### Commercial Investment 2020/21

21. The proposed level of new investment in commercial activities for 2020/21 onwards is £50.000 million. This will allow the authority to move towards implementation of its emerging Commercial Strategy while building the required capacity and skills. As explained above, over the medium term the scale of investment required will have to increase if the full budget challenge is to be addressed through commercial activities. Investment opportunities and decisions on whether to pursue them will continue to be overseen by the Commercial Ventures Executive Sub-Committee. All investments that require external loan funding will take into account guidance on 'borrowing in advance of need'.

### Central Budget Proposals 2020/21

22. Central budgets are summarised in the table below. They comprise those budget items that are corporate in nature and are not associated with delivery of specific services.

<b>Table 4: CENTRAL BUDGETS</b>	Approved Budget 20/19/20 £m	Proposed Budget 2020/21 £m	Net Budget Increase / (Decrease) £m
Budget Contingencies	1.431	1.941	0.511
New Posts Budget	0.250	0.159 <sup>1</sup>	-0.091
Insurance	0.452	0.482	0.030
External Audit Fees	0.050	0.050	0.000 <sup>2</sup>
Treasury Management	-0.404	0.340	0.744
Minimum Revenue Provision	0.000	0.528	0.528
Employer Secondary Pension Contribution	2.338	0.375	-1.963
Apprenticeship Levy	0.064	0.069	0.005
Trust Funds	0.036	0.036	0.000
<b>Central Budgets</b>	<b>4.217</b>	<b>3.980</b>	<b>-0.237</b>
Advance Payment of Employers Pension Contribution	0.000	6.204	6.204

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Total	4.217	10.184	5.967
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NOTE

1. Residual budget to be transferred from Central to Service budgets to reflect allocation of the budget during 2019/20.
2. 2020/21 audit fees were subject to confirmation at the time of preparing this report

23. The proposed changes in Central Budgets in 2020/21 are detailed below:

Table 5 : CENTRAL BUDGETS	Outcome of Review
Budget Contingencies	<p>The Headroom Contingency budget was originally established during budget setting in 2012/13. This budget ensures that there is capacity to address significant unplanned expenses that might arise in-year and that cannot be accommodated with existing budget allocations. The recommended budget for 2020/21 is £1.000 million – an increase of £0.164 million compared to 2018/19.</p> <p>Recommended deletion of the £0.500 million revenue budget for contributions to the Capital Programme to reflect the low level of expenditure over recent years and the detailed review of the Capital Programme that has been carried out this year meaning that there is less likely to be a requirement to call on supplementary in-year sources of funding.</p> <p>Recommended deletion of £0.100 million central budgets for severance and redundancy costs as these are no longer required; there are no significant structure changes planned.</p> <p>Capacity of £0.733 million has been included in the budget for forecast contractual pay increases and the negotiated annual cost of living increase of 2.3%. This budget is held centrally and, now that the pay award has been agreed, will be allocated to services ready for the start of the new financial year.</p> <p>Miscellaneous Income budgets of (£0.263) million are recommended for deletion; no specific income source was identified when this budget was set, and none has been identified subsequently.</p>
New Posts Budget	<p>This budget was established during 2019/20 budget setting to create additional flexibility to accommodate mid-year staffing changes. After reviewing options, it is recommended that the budget is deleted and replaced with an equivalent increase in the New Posts Reserve that was created at the end of 2018/19 to accommodate in-year staffing changes. This will ensure continued flexibility going forward without placing avoidable pressures on revenue budget funds.</p>
Insurance	<p>Budget increased for agreed premium and service fee increases.</p>
External Audit Fees	<p>Budget to be increased in line with Public Sector Audit Appointments (PSAA) notified audit contract fees.</p>
Treasury Management	<p>Budget has been reviewed to ensure that it reflects:</p> <ul style="list-style-type: none"> <li>• Forecast interest on balances</li> <li>• Forecast borrowing costs (interest and Minimum Revenue</li> <li>• Provision for loan repayment) in line with the proposed Capital Programme and Treasury Management Strategy</li> </ul>

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<b>Table 5 : CENTRAL BUDGETS</b>	<b>Outcome of Review</b>
Employer Pension Contribution	<p>This budget has been updated to reflect the outcome of the 2019 Pension Fund Revaluation and the funding options offered to employers by the Fund.</p> <p>The recommended approach is:</p> <ul style="list-style-type: none"> <li>To maintain the primary employer contribution rate at 15% of salaries. This has been factored into the 2020/21 base budget.</li> <li>To pay the secondary employer rate as an advance lump sum of £6.204 million funded from the earmarked reserve set aside for this purpose plus a contribution from General Fund Reserves at the beginning of 2020/21. This represents a saving of £0.397 million compared to payment in three annual instalments from 2020/21 to 2023/24.</li> </ul>
Apprenticeship Levy	Budget increased in line with forecast total salary costs for 2020/21.

## Revenue Budget Funding 2020/21

24. The sources of funding for the revenue budget are set out in the table below.

<b>Table 6: REVENUE BUDGET FUNDING</b>	Budget 2020/21  £m
National Non-Domestic Rates	2.900
Council Tax	14.100
New Homes Bonus – these funds are transferred to a Reserve	1.789
Net Contribution (to)/from Reserves: <ul style="list-style-type: none"> <li>New Homes Bonus – 2020/21 allocation paid into Reserves – (£1.789m)</li> <li>Use of funds from the General Fund Balance and Pension Reserve to fund the advance Employer’s Pension Contribution £6.204m</li> <li>Use of funds from the General Fund Balance to support the 2020/21 Revenue Budget £1.256m</li> </ul>	5.671
<b>TOTAL</b>	<b>24.460</b>

25. Work is now complete to update the Funding forecasts that have been taken into account when arriving at the final budget proposals for 2020/21. Factors taken into account include:

New Homes Bonus

- Includes updated forecasts for New Homes Bonus based on the December 2019 Provisional Settlement announcement. These funds are transferred to a Reserve.

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- |                                  |   |
|----------------------------------|---|
| NNDR                             | <ul style="list-style-type: none"> <li>Includes continued funding for 'negative RSG', as confirmed in the December 2019 Provisional Settlement announcement.</li> </ul>   |
| Council Tax                      | <ul style="list-style-type: none"> <li>The forecast level of Council Tax income for 2020/21 based on a £5.00 Band D equivalent increase and the forecast tax base.</li> </ul>   |
| Contributions (To)/From Reserves | <ul style="list-style-type: none"> <li>Includes the net contribution of £1.256m that will be required from the General Fund Balance to address the forecast remaining Revenue Budget gap in 2020/21 and the £6.204 million advance payment of the employer secondary pension contribution. Also, the transfer to Reserves of the 2020/21 New Homes Bonus Allocation.</li> </ul> |

## Retained Business Rates Income and Negative RSG Grant

- The Provisional Settlement confirmed that this Council's share of retained business rates will be £2.900 million, an increase of £0.100 million (2%) compared to 2019/20.
- As explained above, in 2021/22, the Council will see further significant decline in Government funding support as retained business rates receipts are cut from £2.900 million to £2.500 million, a reduction of £0.400 million. In addition, the 'Negative RSG Grant' of £1.500 million will end in 2021/22, resulting in a potential total funding reduction of £1.900 million. It is not yet clear how these reductions will be implemented but are assuming this will be clearer when the outcome of the delayed Fair Funding Review and Business Rates Reset are announced during 2020.

## Use of Reserves

- There is a requirement to draw £1.256 million from the General Fund Balance to address the forecast remaining Revenue Budget gap in 2020/21. The extent of the final call on reserves will depend on the outcome of in-year budget management and will be confirmed when the outturn position for 2020/21 is reported after 31 March 2021. Recent years have reported an underspend position at year-end which is not unexpected given the revenue budget includes central contingency sums that are only called upon in exceptional circumstances
- Forecast balances on Revenue Reserves at 31 March 2020 are summarised below and detailed at Annex 2.1.

<b>Table 7 : RESERVES SUMMARY</b>	Forecast Balance <sup>1</sup> at 31 March 2020 £m
General Fund Balance	12.550
Other Earmarked Reserves	23.000
<b>TOTAL</b>	<b>£35.550M</b>

### NOTE

- Final balance depends on draw down of funds from Earmarked Reserves during the remainder of 2019/20.

- A Policy on the use of Reserves was approved by Executive in November 2019.
- The Council holds Reserves to provide protection against financial risks. The current level of reserves provides a relatively secure financial base compared to many authorities; it is important to ensure an appropriate balance between securing the financial position of the Council and investing in delivery of services.

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32. Reserves can be held for four reasons:
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
  - A contingency to cushion the impact of unexpected events or emergencies.
  - A means of building up funds to meet known or predicted liabilities.
  - A means of setting aside sums for future identified uses and / or investments.
33. There is an opportunity cost of holding reserves in terms of restricting capacity to invest in current service delivery but this is offset by the additional flexibility that reserves provide when manage budget risks and adverse variations.
34. The legal requirement for the Council to agree a balanced budget means that Council may be required to draw on its reserves to address any shortfall between forecast expenditure and forecast income.
35. The Council has set a minimum level of unallocated General Fund reserves of 15% of the net revenue budget, which equates to £2.740 million (for 19/20). The forecast unallocated balance on the General Fund at 31 March 2020 of £12.550 million, is significantly in excess of this. The ongoing requirement to retain this level of surplus resources in the General Fund reserve has been reviewed.
36. Other areas that have been considered as part of the review of Reserves include:

<b>Table 8 : RESERVES REVIEW OUTCOME</b>	
<b>Reserve</b>	<b>Recommendations</b>
General Fund Balance	<ul style="list-style-type: none"> <li>• Reduce balance to a sum that is more representative of the minimum requirement - £3.000 million</li> </ul>
Government Funding Reduction Risks Reserve	<ul style="list-style-type: none"> <li>• Retain this reserve to address continued risks of reductions in Government Funding</li> </ul>
Commercial Risks & Volatility Reserve	<ul style="list-style-type: none"> <li>• New Reserve to set aside funds to address risks of failure to meet income targets from new commercial ventures while remedial action is taken.</li> </ul>
Feasibility Studies (Commercial Ventures) Reserve	<ul style="list-style-type: none"> <li>• It is recommended that this Reserve is set at £0.500 million to ensure sufficient funding is available to prepare business cases for new initiatives designed to deliver additional sources of funding.</li> </ul>
New Homes Bonus Reserve	<ul style="list-style-type: none"> <li>• It is recommended that a sum equivalent to these resources is earmarked to fund implementation of the Housing Delivery Strategy.</li> <li>• The reserve balance at 31 March 2019 was £17.063 million. This will be increased by the 2020/21 allocation of £1.789 million including the legacy sums due for previous years.</li> </ul>
Corporate Plan Delivery Fund Reserve	<ul style="list-style-type: none"> <li>• It is recommended that this Reserve is set at £1.600 million to reflect anticipated demand for resources to deliver new initiatives during 2020/21.</li> </ul>
Business Rate Reduction Reserve	<ul style="list-style-type: none"> <li>• There will be a requirement to draw on this Reserve to fund an increase in the Business Rates Appeals provision at year end to ensure that the provision</li> </ul>

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<b>Table 8 : RESERVES REVIEW OUTCOME</b>	
<b>Reserve</b>	<b>Recommendations</b>
	reflects the assessed likelihood of successful appeals. The sum required will be confirmed during closedown 2019/20.
Superannuation (Pension) Reserve	<ul style="list-style-type: none"> <li>The current balance on this Reserve will be used to contribute to the advance payment of the employer secondary rate contribution following the 2019 pension fund revaluation.</li> </ul>
Insurance Reserve	<ul style="list-style-type: none"> <li>Established to fund any significant uninsured losses. Balance to be reviewed at year-end to reflect level of risk.</li> </ul>
New Posts Reserve	<ul style="list-style-type: none"> <li>It is recommended that this Reserve is set at £0.750 million to reflect the proposal to delete the New Posts revenue budget.</li> </ul>
Environmental Sustainability Reserve	<ul style="list-style-type: none"> <li>New Reserve for initiatives that will support delivery of the Council's Environmental Sustainability Strategy that is currently in development</li> </ul>
Feasibility Studies (Infrastructure Initiatives) Reserve	<ul style="list-style-type: none"> <li>New Reserve to fund the Council's contribution to councils in Surrey collectively funding the development of infrastructure feasibility studies so that bids can be made for full project funding when bidding rounds become available.</li> <li>Establishing a collective fund will ensure there are dedicated resources to develop a robust pipeline of schemes. The fund will have a gearing ratio of 1:1.86. For every £1 which this Council invests in the fund we will receive £1.86 for scheme development due to investment from Surrey County Council and the LEP. The fund will develop projects that cross boundaries both within and outside Surrey.</li> </ul>
Economic Development Initiatives Reserve	<ul style="list-style-type: none"> <li>New Reserve funded from the resources received as a result of participating in the 2018/19 Surrey Business Rates Pool.</li> <li>To date c£0.200 million has been allocated to raise awareness amongst local people of quality local employment opportunities</li> <li>The remaining balance (c£0.400 million) will held in the Reserve to fund ongoing initiatives in this area.</li> <li>Actual values will be confirmed as part of closedown 2019/20.</li> </ul>
Homelessness Prevention Reserve	<ul style="list-style-type: none"> <li>Established to account separately for the funding set aside for homelessness prevention. No changes proposed</li> </ul>
Business Support Scheme Reserve	<ul style="list-style-type: none"> <li>Established to account separately for the allocation of funding to help flood-affected business. No changes proposed</li> </ul>

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Table 8 : RESERVES REVIEW OUTCOME	
Reserve	Recommendations
High Street Innovation Reserve	<ul style="list-style-type: none"> <li>Established to account separately for the funding of this initiative prior to it being used. No changes proposed.</li> </ul>
Neighbourhood Investment Reserve	<ul style="list-style-type: none"> <li>The residual (small) unspent balance on this reserve has been transferred to the General Fund Balance now that the initiative is concluded.</li> </ul>

37. A summary of the outcome of the review and the updated Reserves allocations for 2020/21 onwards is set out at Annex 2.2.

### Council Tax 2020/21

38. The referendum cap was confirmed with the Provisional Local Government Funding Settlement Announcement in December, being the higher of 1.99% or £5.00 for district councils. £5.00 (2.20%) is to this Council's advantage as it yields a higher level of income. This is therefore the recommended increase
39. Every 1% additional council tax income generates £0.137 million income for this Council.
40. A Council Tax increase of £5.00 will increase a Band D charge from £227.46 to £232.46, an increase of 10 pence per week. The total income from council tax for this council will increase to £14.100 million
41. As reported to Executive in December 2019, the impacts of the forecast increase in the taxbase and collection performance for 2020/21 is 885.8 Band D equivalent properties, an increase of 1.5% compared to 2019/20. This is forecast to yield an additional £0.201 million increase in this Council's share of the sums collected.
42. As usual at this stage in the budget cycle, the provision for business rates appeals in the Collection Fund has been reviewed and the outcome is a requirement to plan to increase the provision to bring it in line with the level of income expected and likelihood of successful appeals. The Council's share of the provision will be funded through drawing on the earmarked reserve that has been set aside for this purpose and making provision in the Medium Term Financial Plan for future years' contributions.

### Council Tax Policy

43. In line with the other Surrey districts, for 2020/21 onwards a new local discount was approved in November 2019, comprising a 100% discount to care leavers up to the age of 25. This is forecast to reduce total council tax yields by £35k.
44. Changes to council charges on empty homes were also approved during 2019/20 and will come into effect in 2020/21:
- Homes that have been empty and substantially unfurnished for more than two years and less than five years will be charged a Council Tax long term empty premium equivalent to 100% of the Council Tax in addition to their current Council Tax.
  - Homes that have been empty and substantially unfurnished for five years and more will be charged a Council Tax long term empty premium equivalent to 200% of the Council Tax.
45. As these changes help deliver a county-wide initiative to reduce the number of empty

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properties throughout Surrey, the County Council is proposing to reallocate its share of the increased funding that results from changes in Empty Homes policies. Under this commitment the Boroughs and Districts will receive reallocated funding where agreed conditions are met. The Country council has stated that it plans to agree details of the distribution arrangement in the coming months.

## Council Tax Precepts

46. Details of the proposed council tax precepts for Surrey are set out in a separate report on this agenda. In summary the proposals are as follows:

<b>Table 9: ANALYSIS OF COUNCIL TAX BY PRECEPTOR</b>		
Authority	£000	% share
Surrey County Council <sup>1</sup>	92,393.7	74.94%
Surrey Police & Crime Commissioner <sup>1</sup>	16,245.6	13.18%
Reigate & Banstead BC	14,210.0	11.53%
Horley Town Council	404.7	0.33%
Salfords & Sidlow Parish Council	38.5	0.03%
	<b>123,292.5</b>	<b>100%</b>

<b>Table 10: ANALYSIS OF COUNCIL TAX CHANGES BY PRECEPTOR</b>				
Authority	2020/21	2019/20	Increase	
			£	%
Surrey County Council	1,511.46	1,453.50	57.96	3.99% <sup>1</sup>
Surrey Police & Crime Commissioner	265.76	260.57	5.19	1.99% <sup>1</sup>
Reigate & Banstead Borough Council	232.46	227.46	5.00	2.20%
Horley Town Council	39.71	37.86	1.84	4.85%
Salfords & Sidlow Parish Council	27.18	22.18	5.00	22.54%

NOTE:

1. Actual increases are subject to formal confirmation in February 2020 by precepting bodies

## **CAPITAL PROGRAMME 2020/21 ONWARDS**

47. A comprehensive review of the Programme has been undertaken. The growth proposals in this report demonstrate the extent of the Council's investment ambitions as well as its commitment to address historic asset maintenance challenges.

### 2020/21 to 2024/25 Capital Programme

48. The Capital Programme 2020/21 to 2024/25 is summarised below and detailed at Annex 3.3:

Table 11: CAPITAL PROGRAMME 2020/21 to	2020/21	2021/22	2022/23	2023/24	2024/25
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2024/25	Projected	Projected	Projected	Projected	Projected	TOTAL
	£m	£m	£m	£m	£m	£m
<b>ORGANISATION SERVICES:</b>						
Strategic Property	4.385	1.332	1.658	1.374	1.258	<b>10.007</b>
IT Services	0.225	0.425	0.375	0.385	0.325	<b>1.735</b>
Organisational Development	0.280	0.260	0.260	0.260	0.260	<b>1.320</b>
<b>PEOPLE SERVICES:</b>						
Housing	16.990	11.405	11.334	1.334	1.334	<b>42.400</b>
Wellbeing & Intervention	0.140	0.040	0.040	0.040	0.040	<b>0.300</b>
Community Partnerships	0.030	0.030	0.030	0.030	0.030	<b>0.150</b>
<b>PLACE SERVICES:</b>						
Neighbourhood Operations	3.927	2.822	1.202	1.202	1.202	<b>10.353</b>
Place Delivery	20.021	24.442	15.100	0.000	0.000	<b>59.563</b>
Economic Prosperity	0.100	0.100	0.100	0.100	0.100	<b>0.500</b>
<b>CORPORATE:</b>						
Commercial Investment Strategy	50.000	0.000	0.000	0.000	0.000	<b>50.000</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>96.100</b>	<b>40.856</b>	<b>30.099</b>	<b>4.725</b>	<b>4.549</b>	<b>176.328</b>

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## Capital Programme Growth 2020/21 Onwards

49. Capital Programme Growth across all services for the period 2020/21 to 2024/25 is summarised below:

Table 12: TOTAL CAPITAL PROGRAMME GROWTH 2020/21 to 2024/25	2020/21	2021/22	2022/23	2023/24	2024/25	
	Projected	Projected	Projected	Projected	Projected	TOTAL
	£m	£m	£m	£m	£m	£m
<b>ORGANISATION SERVICES:</b>	4.531	1.410	1.711	1.437	1.055	<b>10.144</b>
<b>PEOPLE SERVICES:</b>	10.329	9.995	9.995	-0.005	0.015	<b>30.329</b>
<b>PLACE SERVICES:</b>	0.962	0.680	0.150	0.150	0.150	<b>2.092</b>
<b>CORPORATE:</b>	50.000	-	-	-	-	<b>50.000</b>
<b>TOTAL CAPITAL PROGRAMME GROWTH</b>	<b>65.822</b>	<b>12.085</b>	<b>11.856</b>	<b>1.582</b>	<b>1.220</b>	<b>92.565</b>

50. Capital Programme growth proposals of £9.910 million were approved by Executive in November 2019.
51. Additional capital growth proposals totalling £82.655 million are summarised below and detailed at Annex 3.1.

Table 13: ADDITIONAL CAPITAL PROGRAMME GROWTH 2020/21 to 2024/25	2020/21	2021/22	2022/23	2023/24	2024/25	
	Projected	Projected	Projected	Projected	Projected	TOTAL
	£m	£m	£m	£m	£m	£m
<b>ORGANISATION SERVICES:</b>						
Strategic Property	(0.318)	0.425	0.661	0.455	0.745	<b>1.969</b>
IT Services	-	-	-	-	-	-
Organisational Development	0.030	0.010	0.010	0.010	0.010	<b>0.070</b>
<b>PEOPLE SERVICES:</b>						
Housing	10.234	10.000	10.000	0.000	0.000	<b>30.234</b>
Wellbeing & Intervention	0.100	0.000	0.000	0.000	0.000	<b>0.100</b>
Community Partnerships	(0.020)	(0.020)	(0.020)	(0.020)	0.000	<b>(0.080)</b>
<b>PLACE SERVICES:</b>						
Neighbourhood Operations	-	-	-	-	-	-
Place Delivery	0.362	0.000	0.000	0.000	0.000	<b>0.362</b>
Economic Prosperity	-	-	-	-	-	-
<b>CORPORATE:</b>						
Commercial Investment Strategy	50.000	-	-	-	-	-
<b>TOTAL ADDITIONAL CAPITAL PROGRAMME GROWTH</b>	<b>60.388</b>	<b>10.415</b>	<b>10.651</b>	<b>0.445</b>	<b>0.755</b>	<b>82.655</b>

52. The reasons for these latest growth proposals are set out below:

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<b>Table 14: OTHER CAPITAL GROWTH PROPOSALS</b>	
<b>Service Area</b>	<b>Additional Capital Growth Proposals</b>
<b>ORGANISATION</b>	
Strategic Property	<ul style="list-style-type: none"> <li>Investment in building maintenance for the Council's tenanted and commercial properties including leisure centres, pavilions and infrastructure assets – scheme details to be confirmed following condition surveys that are being commissioned</li> <li>Re-profiling of some elements of the November 2019 growth proposals following further assessments of priorities</li> </ul>
Organisational Development	<ul style="list-style-type: none"> <li>Investment in IT facilities to support the development and adaptability of the Council's workforce to meet changing service needs</li> </ul>
Commercial Investment Strategy	<ul style="list-style-type: none"> <li>Allocation of capital funding for future investment in new development and commercial assets and activities that, in addition to local regeneration and place-shaping benefits, deliver a sustainable net income stream to the revenue budget.</li> <li>Following the allocation of £25m in the 2019/20 Capital Programme a further £50m is recommended for investment in 2020/21 onwards, funded through prudential borrowing.</li> </ul>
<b>PEOPLE SERVICES:</b>	
Wellbeing & Intervention	<ul style="list-style-type: none"> <li>Initial capital funding allocation of £0.100m to support future development of facilities at the Harlequin theatre over the next five years – this is a provisional figure, details to be articulated through more detailed Business Cases following agreement of new Vision and Objectives for the facility</li> </ul>
Housing Delivery Strategy	<ul style="list-style-type: none"> <li>Investment of £30 million over the three years 2020/21 to 2022/23, funded in part through the allocation of resources equivalent to the value of New Homes Bonus receipts.</li> <li>Updated funding allocation for the Lee Street Bungalows scheme to reflect the updated specification.</li> </ul>
<b>PLACE SERVICES:</b>	
Place Delivery	<ul style="list-style-type: none"> <li>Preston Regeneration – confirmation of ongoing capital investment requirements – to be funded through a CIL allocation as part of the Strategic Infrastructure Plan (SIP).</li> </ul>
<b>CORPORATE:</b>	
Commercial Investment Strategy	<ul style="list-style-type: none"> <li>Allocation of capital funding for investment in corporate priorities that also realise new income-generating opportunities.</li> <li>Following the allocation of £25m in the 2019/20 Capital Programme a further £50m is recommended for investment in 2020/21 onwards, funded through prudential borrowing.</li> </ul>

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53. For the majority of new capital schemes there is expected to be a requirement for further reports to Executive or to the Commercial Ventures Sub-Committee, as business cases are finalised, the outcome of tendering is known and costs are confirmed, or where there is a significant cost variance compared to the original capital allocation. At that stage specific funds can be allocated to individual schemes.

## Capital Programme Funding

54. Sources of funding for the 2020/21 to 2024/25 Capital Programme are summarised below:

<b>Table 15: CAPITAL PROGRAMME FUNDING 2020/21 to 2024/25</b>	<b>2020/21 Projected</b>	<b>2021/22 Projected</b>	<b>2022/23 Projected</b>	<b>2023/24 Projected</b>	<b>2024/25 Projected</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>TOTAL CAPITAL EXPENDITURE 2020/21 - 2024/25</b>	<b>96.100</b>	<b>40.855</b>	<b>30.099</b>	<b>4.725</b>	<b>4.549</b>	<b>176.328</b>
<b>FUNDED BY:</b>						
Capital Grants & Contributions	1.843	1.600	1.187	1.187	1.187	7.006
Capital Receipts	8.805	24.488	26.778	0.000	0.000	60.072
Funding equivalent to historic New Homes Bonus allocation - to support implementation of the Housing Delivery Strategy <sup>1</sup>	10.000	7.000	-	-	-	17.000
Prudential Borrowing	75.451	7.767	2.133	3.537	3.361	92.250
<b>TOTAL CAPITAL FUNDING 2020/21 to 2024/25</b>	<b>96.100</b>	<b>40.855</b>	<b>30.099</b>	<b>4.725</b>	<b>4.549</b>	<b>176.328</b>

### NOTE

1. Sum to be confirmed when 2020/21 New Homes Bonus allocations are confirmed

55. Sources of funding for the 2020/21 to 2024/25 Capital Programme are explained below:

<b>Table 16: CAPITAL FUNDING</b>	
Capital Reserves	<ul style="list-style-type: none"> <li>Previously the Council benefitted from access to significant capital reserves following the sale of its housing stock. Over recent years these reserves have been utilised to invest in the capital programme. The remaining balance was less than £0.700 million at March 2019.</li> </ul>
Capital Receipts	<ul style="list-style-type: none"> <li>Sale of capital assets results in a capital receipt that can be used to invest in new capital assets or to repay prudential borrowing.</li> <li>The main source of capital receipts over the duration of this Capital programme relate to delivery of major schemes including Marketfield Way redevelopment, Pitwood Park and the Cromwell Road Housing developments. These capital receipts have been factored into forecast funding requirements.</li> </ul>
Capital Grants & Contributions	<ul style="list-style-type: none"> <li>Forecasts of the future grant funding allocation for Disabled Facilities works have been updated to reflect forecast allocations.</li> </ul>

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Table 16: CAPITAL FUNDING	
	<ul style="list-style-type: none"> <li>• They also include the Council's share of Section 106 and CIL funding. A review of historic allocations of Section 106 funds to the Capital Programme is planned during year-end closedown for 2019/20 to confirm that the funds allocated reconcile to Planning team records.</li> <li>• Funding equivalent to the historic New Homes Bonus grant allocation is to be allocated to support implementation of the Housing Delivery Strategy</li> </ul>
Prudential Borrowing	<ul style="list-style-type: none"> <li>• The primary source of long-term funding for the Capital Programme is now prudential borrowing, mainly from the Public Works Loans Board (PWLB).</li> <li>• Loans are managed through the approved Treasury Management Strategy and policies.</li> <li>• Interest on borrowing is paid to the PWLB and charged to the annual revenue budget along with the Minimum Revenue Provision that is necessary to set aside funds for eventual repayment of the loan principal. These costs have to be taken into account when setting a balanced Revenue Budget.</li> <li>• There are increasing restrictions on the type of capital expenditure that is eligible for prudential borrowing. Borrowing to fund investment solely for commercial gain is not permitted.</li> </ul>

## Capital Programme – Revenue Budget Implications

56. As explained above, the Council no longer has significant capital reserves, therefore, while a small number of schemes will be continued to be funded from capital grants and other contributions, the majority of the approved Capital Programme must be funded through prudential borrowing. The costs of repaying this borrowing fall on the revenue budget as treasury management costs in Central budgets.
57. Treasury management budgets have been updated to reflect the costs of borrowing for the approved Capital Programme for 2020/21 onwards net of interest on forecast balances. Details will be confirmed in the Treasury Management Strategy for 2020/21 that is reported to Executive and Full Council for approval in March/April each year.

## **STATEMENT OF THE CHIEF FINANCE OFFICER (CFO)**

58. 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. The Council is required to have regard to this advice when making the annual budget decisions.
59. The information set out in this budget report and the supporting Medium-Term Financial Plan and other Annexes sets out how this Council plans to:
  - assess and manage financial risks, including the risks relating to delivery of new income streams and commercial activities
  - manage increased demand for services
  - manage delivery of major capital schemes
  - monitor the financial risks relating to Brexit
  - track proposed changes and volatility of Government funding
  - deliver a balanced budget beyond 2020/21
  - continue to deliver value for money to local taxpayers;

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- continue to receive an unqualified audit report on the annual statement of accounts; and
- ensure that effective scrutiny of the Budget process is carried out and responded to.

## CIPFA Resilience Index

60. The Council's position at March 2019 against a range of financial measures compared to similar councils is available online through the CIPFA Financial Resilience Index at <https://www.cipfa.org/services/financial-resilience-index/financial-resilience>.

<b>Table 17: CIPFA RESILIENCE INDEX INDICATORS</b>	<b>This Council's Relative Risk Compared to Similar Councils</b>	<b>This Council's Prospects over the Medium Term</b>
Reserves Sustainability – increase in reserves over recent years	Medium	Planned use of reserves (for example for investment in Housing) means that this position will be harder to maintain
Level of Reserves – compared to the annual revenue budget	Low	
Changes in reserves over recent years	Low	
Interest payable compared to recent budget	Low	Planned growth in the Capital Programme and associated borrowing means that this position will not be maintained.
Gross external debt	Low	
Fees & Charges - as % of service budgets	Higher than Average	Implementation of the new Fees & Charges Policy and planned review should improve the Council's position against this indicator if it results in new and/or increased sources of income.
Ratio of Council tax contribution to revenue budget	Low	Risk may increase if budget increases without the ability to levy a proportionate increase in council tax.
Funding growth - compared to Government baseline	Medium	This risk is expected to increase as Government funding reduces.

## Robustness of Reserves

61. As highlighted in the Service and Financial Planning report to Executive on 7 November 2019 both general and earmarked reserves remain relatively healthy. The planned use of reserves in 2020/21 year is appropriate as the Council moves to a position where its finances rely less on central government grants and it starts to invest in its Housing and Commercial Strategies. The forecast remaining level of reserves will continue to provide sufficient cover to meet commitments and provide a strong 'safety net' for unplanned events. This report includes proposals to redistribute available funds between reserves in 2020/21 to ensure that they are aligned with the most significant areas of risk in the budget.

## Budget Proposals - Uncertainties & Risks

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62. As explained in this report, the budget proposals for 2020/21 are robust. There remain, however, a number of uncertainties and risks which are set out in the following paragraphs.
63. The Economy:
- There is still uncertainty and a lack of confidence about the future of the economy as consequence of the planned exit from the European Union.
  - Preparations for exit continue and may affect investor confidence, whilst the lower value of the Pound may increase 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 demand (benefits and 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.
64. Future Government Funding:
- The future of business rates funding is uncertain and an area of concern. The end of New Homes Bonus payments over the coming years will have an impact on reserves, but no direct budget impact.
  - The Homelessness Reduction Act requires Councils to provide more support to homeless people and people at risk of becoming homeless. The Government has committed ring-fenced funding towards this duty but there remains a question mark over the longer term.
  - Funding reductions to County Councils are having an impact on boroughs and districts. Significant income streams received from upper-tier councils are being reviewed, with potential ongoing impacts on local residents.
65. Revenue Budget 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. The increasing guidance on 'borrowing in advance of need' is likely to limit some of the options that may otherwise have been considered to deliver new commercial income streams.
66. Five Year Plan 2020 - 2025:
- The new Corporate Plan sets out the Council's vision and objectives over the medium term and will enable it 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. The prioritisation of services like Housing Delivery and Environmental Sustainability will place new demands on existing resources. A combination of careful stewardship and an innovative approach to service delivery will be required to ensure that we achieve our goals.
67. Budget Risks:

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- 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 reserves.
- Despite significant improvements in recent years the Pension Fund remains a risk over the longer term as the future economic downturns may impact on the value of Fund investments and liabilities.

68. Overall, the Council has made prudent budgetary provision for its commitments for the 2020/21 financial year, within the legislative framework that governs its operations and within other constraints, such as the Council's policy framework.

## **OPTIONS**

69. 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 2020/21 which in turn would require changes to the formal resolutions to full Council in February.

## **LEGAL IMPLICATIONS**

70. Service & financial planning: There are no direct legal implications arising from the recommendations in this report subject to the Council adopting a balanced budget for 2020/21 by 11 March 2020 to meet the requirements of the Local Government Finance Act 1992.

## **FINANCIAL IMPLICATIONS**

71. These are addressed throughout the report.

## **EQUALITIES IMPLICATIONS**

72. An Equalities Impact Assessment of service planning proposals has been undertaken and is provided as a background paper to this report.

73. This is based on the best information available at the time of writing; however it is important to note that where individual changes, projects or policies are being developed, equalities impact assessments will need to be carried out by the responsible officer(s) and considered by the decision maker(s).

74. A large proportion of the growth sought is staff costs and increased operating costs. Some growth is sought to progress with service reviews, changes or expansion. The Equalities Impact Assessment concludes that a number of these have the potential to deliver positive benefits for those with protected characteristics, and these opportunities should be explored further as work on these specific projects continues.

75. It will however be important that equalities considerations are properly as this work is taken forward, for example:

- Proposals for channel shift could have a negative impact for those who find it difficult to access online services. This potential negative impact can be mitigated by ensuring that that assistance or alternative forms of contact are available.
- In identifying a vision for the long term operation and maintenance of the Council's community centres and a new business plan for the Harlequin Theatre, it will be important that consultation is undertaken with user groups and those with protected characteristics, and that a detailed equalities impact

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assessment is carried out to ensure the needs of protected characteristic groups are properly considered.

- Changes to the physical environment due to regeneration / construction works could impact on those with mobility difficulties or physical or other disabilities. This potential negative impact can be mitigated by applying sensitive construction practices and clear communication in advance of and during construction activities.

## **COMMUNICATION IMPLICATIONS**

76. The Council continues to offer value for money for Council residents – in 2020/21, the average household will pay just £4.47 per week to the Borough Council in Council Tax, which pays for the wide range of services that the Council delivers, including household waste and recycling collections, street cleaning, greenspaces maintenance, leisure and community centres, and statutory and regulatory services such as licencing, environmental health and planning.
77. Central to Council's communications and engagement strategy is not only to promote the good work that the Council does and the great services it provides, but also to make sure that our annual service and financial planning process reflects what our residents and businesses need. The development of the new Five Year Corporate Plan has been supported by extensive consultation with residents and other partners to ensure that our priorities remain relevant up to 2025.
78. Service and financial plans are aimed at minimising risks and ensuring that the Council continues to deliver great services whilst managing budgets and other resources well. The Medium Term Financial Plan and Capital Investment Strategy include analyses of forecast budget risks and the mitigating action that is planned.
79. The Council has strong risk management arrangements in place to ensure that any risks are identified and managed, with regular performance reports provided to the Overview & Scrutiny Committee and the Executive.
80. The risks relating to the long term financial sustainability of the Council remain on the strategic risk register, and as such controls and mitigating actions are regularly reviewed. Property investment, which is a key aspect of securing our long term financial sustainability and can be affected by wider macro-economic circumstances, is a strategic financial risk for which controls are in place and mitigating actions being implemented.
81. Other strategic risks, which the Council recognises need to be managed relate to partner organisation's decisions in relation to future funding and recycling credits.

## **HUMAN RESOURCE IMPLICATIONS**

82. Service & financial planning: delivery of significant savings in previous years resulted in staffing reductions and a substantial reduction in the salary budget. Continuing to make these kinds of efficiencies is no longer sustainable without impacting on the quality of service delivery. Conversely, the Council will need to grow in the future if the Council is to succeed in our ambitious approach to becoming self-sufficient. The Council will need the capacity and skills to enable the organisation to diversify and to become more commercial, whilst also expanding our service provision as outlined in the earlier sections of this report.
83. The service and financial planning proposals for 2020/21 result in a net increase in FTE of 41.5. This includes the 15.0 posts that are transferring back to the Council's

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workforce following the decision to bring Community Centres back in-house.

<b>Table 18: STAFF ESTABLISHMENT - FTE MOVEMENTS 2019/20 to 2020/21</b>		
<b>STAFF ESTABLISHMENT 2019/20 (including fixed term posts)</b>		<b>487.5</b>
<b>Posts Funded Through CPDF - Approved During 2019/20:</b>		
Project Manager ICT	1.0	
Technical Analyst ICT	1.0	
Open Space Development Manager	1.0	
Community Centres Transformation Manager	1.0	
HR Improvement and Efficiency Recruitment Post	1.0	
		<b>5.0</b>
<b>UPDATED STAFF ESTABLISHMENT 2019/20</b>		<b>492.5</b>
<b>Base Budget Growth Proposals 2020/21 - Transfers In/Out</b>		
Community Partnerships - Community Centres (Staywell)	15.0	
Neighbourhood Services - Car Parking	(2.5)	
		<b>12.5</b>
<b>New Posts to be Created as part of 2020/21 Service &amp; Financial Planning Growth</b>		
Finance Apprentice	1.0	
Property Services Manager	1.0	
ICT Posts	3.0	
Waste and Recycling New Crew	3.0	
Fleet Training Officer and Apprentices	3.0	
Communications and Customer Contact	2.0	
Project and Business Assurance	1.0	
Economic Prosperity Officer	1.0	
Human Resources Posts	2.0	
Harlequin Casual Staff	6.0	
Wellbeing and Intervention Team Leader and Refugee Co-ordinator	2.0	
Environmental Health and Licencing Posts	4.0	
		<b>29.0</b>
<b>Movement in Fixed Term Roles (funded through CPDF) in 2020/21</b>		
Economic Prosperity	(1.0)	
Human Resources	1.0	
		<b>0.0</b>
<b>STAFF ESTABLISHMENT 2020/21</b>		<b>534.0</b>
<b>NET INCREASE</b>		<b>41.5</b>

## Pay Award

84. Negotiations with employee representatives are complete. An increase of 2.3% for 2020/21 as been agreed and has been accommodated in the budget.

## **CONSULTATION**

85. Consultation has been carried out in line with the Council's budget and policy framework. This includes consideration by the Overview & Scrutiny Committee.

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86. The Overview & Scrutiny Committee established a Budget Scrutiny Panel to support this work. The Panel met on 20 November and their report was considered by the Overview & Scrutiny Committee on 17 December. The Overview & Scrutiny Committee also considered final Central Budget and Capital Programme proposals at its meeting on 23 January 2020. Any comments or recommendations from the Committee will be reported to this meeting of the Executive.
87. 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. This is being done through activities coordinated by the Economic Prosperity Team, including business networking events and using the Council's business e-newsletter.

## **POLICY FRAMEWORK**

88. Service & financial planning: The budget proposals within this report form part of the Council's budget and policy framework. The annual budget is developed to ensure that the Council can deliver the Corporate Five Year Plan and services to residents and businesses.

### **Background Papers:**

*Medium Term Financial Plan Update*, report to Executive on 18 July 2019

*Capital Investment Strategy 2019/20*, report to Executive on 19 September 2019

*Service & Financial Planning 2020/21*, report to Executive on 7 November 2019

*Budget Scrutiny Panel Report, Service & Financial Planning 2020/21*, report to Executive on 30 January 2020

*Equality Impact Assessment: Service & Financial Planning 2020/21*, January 2020.

## Revenue Budget Growth, Income and Savings Proposals 2020/21 (additional proposals – January 2020)

	Budget Growth	Additional Income / Savings	Total of Proposed Changes	Narrative
	£	£	£	
Electoral Services	30,000	-	30,000	Additional funding for training relating to Elections.
Democratic Services	14,000	-	14,000	Increase in budget for Member learning and development.
Human Resources	24,000	-	24,000	Increase in central budget for staff recruitment costs.
ICT	6,000	-	6,000	Additional revenue budget costs arising from new capital investment in technology.
<b>TOTAL</b>			<b>74,000</b>	

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# MEDIUM TERM FINANCIAL PLAN SUMMARY

## 2020/21 to 2024/25

### January 2020

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#### Introduction

1. Medium Term Financial Plan Context
2. Budget-Setting Priorities 2020/21
3. Council Tax
4. Business Rates (National Non-Domestic Rates)
5. New Homes Bonus
6. Medium Term Financial Plan Forecast 2020/21 onwards
7. Medium Term Financial Plan Risks & Sensitivities

#### APPENDICES

1. Strategic Financial Risks

## Introduction

This Medium Term Financial Plan (MTFP) is a summary of our key financial information, including the budget challenges that we face over the period 2020/21 to 2024/25 and our approach to addressing them.

It sets out our approach to establishing a sustainable financial base to support delivery of our policies and priorities. It also highlights the financial risks and issues which have to be tackled, including ongoing reductions in Government funding.

In July 2019 the Executive approved the latest version of the MTFP. This document refreshes and updates the key elements of the MTFP to support service & financial planning for 2020/21.

## 1. CIPFA Financial Management (FM) Code

Local government finance in the UK is governed by primary legislation, regulation and professional standards as supported by statutory provision. The general financial management of a local authority, however, has not until now been supported by a professional code.

The CIPFA FM Code was therefore introduced in October 2019 and will be applicable from 1 April 2020. Work will be undertaken as part of 2020/21 budget-setting to review compliance with the Principles and Standards in the Code and to identify any actions required to address any gaps identified.

CIPFA explain that reasons for introducing the Code include: *'... the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. There is much good practice across the sector, but the failures of a small number threatens stakeholders' confidence in local government as a whole. Most importantly, the financial failure of just one local authority is one too many because it brings with it a risk to the services on which local people rely....'*

The Code has several components, comprising:

- An introduction explaining how the FM Code applies, a principles-based approach and how it relates to other statutory and good practice guidance on the subject.
- The CIPFA Statement of Principles of Good Financial Management, the benchmarks against which financial management should be judged. CIPFA's view is that all financial management practices should comply with these principles.
- The FM Code then translates these principles into financial management standards which will have different practical applications according to the circumstances of each authority and their use should therefore reflect this. The principle of proportionality is embedded within the code, reflecting the non-prescriptive approach adopted by CIPFA.

The Principles focus determining whether, in applying standards of financial management, a local authority is financially sustainable. They cover:

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional standards is promoted by the leadership team and is evidenced.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The supporting financial management Standards are summarised in the table below:

<b>Table 1: CIPFA Financial Management Standards</b>	
<b>FM Standard Reference</b>	
<b>Section 1: The responsibilities of the chief finance officer and leadership team</b>	
<b>A</b>	The leadership team is able to demonstrate that the services provided by the authority provide value for money.
<b>B</b>	The authority complies with the CIPFA <i>Statement on the Role of the Chief Finance Officer in Local Government</i> .
<b>Section 2: Governance and financial management style</b>	
<b>C</b>	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
<b>D</b>	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).
<b>E</b>	The financial management style of the authority supports financial sustainability.
<b>Section 3: Long to medium-term financial management</b>	
<b>F</b>	The authority has carried out a credible and transparent financial resilience assessment.
<b>G</b>	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
<b>H</b>	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.
<b>I</b>	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

<b>Table 1: CIPFA Financial Management Standards</b>	
<b>FM Standard Reference</b>	
<b>Section 4: The annual budget</b>	
<b>J</b>	The authority complies with its statutory obligations in respect of the budget setting process.
<b>K</b>	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.
<b>Section 5: Stakeholder engagement and business plans</b>	
<b>L</b>	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
<b>M</b>	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.
<b>Section 6: Monitoring financial performance</b>	
<b>N</b>	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
<b>O</b>	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.
<b>Section 7: External financial reporting</b>	
<b>P</b>	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.
<b>Q</b>	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

## 2. Medium Term Financial Plan Context

### The Economy and Public Spending

There remains considerable uncertainty in financial and economic forecasts. In September 2019 the Office for Budget Responsibility (OBR) reported

- *Public sector net borrowing (PSNB) is estimated at £9.4 billion in September, £0.6 billion higher than a year earlier. It has risen in five out of six months so far in 2019-20.*
- *Year-to-date borrowing was up £7.2 billion (21.6 per cent) on the same period last year. In our March forecast (including our estimate at the time of the student loans methodology change), we assumed a £7.2 billion (21.8 per cent) rise in borrowing for 2019-20 as a whole. Stronger than expected spending growth is driving the faster rise in the deficit.*
- *Central government receipts (excluding PSNB-neutral transfers related to 'quantitative easing') were up 6.9 per cent in September. Year-to-date receipts*

*growth of 3.6 per cent is above our March forecast of a 2.6 per cent rise in 2019-20 (on a like-for-like basis).*

- *Central government spending (excluding PSNB-neutral grants to local authorities) was up 7.4 per cent in September and 5.4 per cent for the year to date, well above our March forecast of a 3.3 per cent rise in 2019-20 (on a like-for-like basis).*
- *Net debt was 1.2 per cent of GDP lower in September 2019 than a year earlier.*

In August 2019 the council's Treasury advisors (Link Asset Management) observed:

- *The risk of a UK recession was evidenced by the 0.2% q/q contraction of GDP growth in Q2 and the weak August PMIs, but economists are confident that Q3 should prove better, and recession averted.*
- *The early holiday closure of car production in April means that the usual negative impact seen in August will not be felt this year, which should provide a sufficient boost to ensure that growth does not decline. However, looking ahead, performance will be defined by Brexit.*
- *While a "no deal" may not happen at the end of October, this might still only be kicking the can down the road to January if an extension to the process is requested/granted. If a deal can be achieved then the economy will just be at the mercy of the state of the global economy, but if a "no deal" proves the only way to exit the EU then there could prove to be more serious concerns.*

### Interest Rates

The base rate remains at 0.75% (January 2020). Average forecasts continue to predict a sustained increase; however Brexit continues to create uncertainty.

<b>Table 2</b>	<b>Apr 2020</b>	<b>June 2020</b>	<b>Dec 2020</b>	<b>Apr 2021</b>
<b>Forecast Interest Rates</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Forecast Bank Rate	0.75%	0.75%	0.75%	1.00%

Source: *Link Asset Management January 2020*

### Inflation

The rate of inflation (as measured by the Consumer Price Index - CPI) currently falls within the Bank of England target of 2%.

<b>Table 3</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2022/24</b>
<b>Forecast Inflation (CPI)</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>£%</b>
Forecast CPI	1.8%	1.9%	2.1%	2.1%	2.1%

Source: Forecasts for the UK Economy: A Comparison of Independent Forecasts [Compiled and published by HM Treasury December 2019]

### Economic Growth

Economic growth – as measured by Gross Domestic Product (GDP) - is forecast to rise over the next five years.

<b>Table 4</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
<b>Forecast Growth</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>£%</b>
Forecast GDP Change	1.2%	1.2%	1.5%	1.7%	1.7%

Source: Forecasts for the UK Economy: A Comparison of Independent Forecasts  
[Compiled and published by HM Treasury December 2019]

### **Service & Financial Planning: Government Funding Assumptions**

For the purposes of preparing the draft 2020/21 budget the following has been assumed:

- No changes to total local government funding as a result of Spending Round19
- Funding changes delayed to 2021/22. This means that
  - Fair Funding Review will reduce our Government funding by £1.5m ('negative RSG')
  - the Reset of Business rates will reduce our funding by £0.7m
- Some transitional funding arrangements (details to be confirmed)
- Council taxbase growth of c1.00% per annum and council tax increases continue to be capped at a maximum of 1.99% or £5
- Funding from New Homes Bonus will not continue beyond 2020/21 (and to remain outside our budget calculations)

## **3. Budget-Setting Priorities 2020/21**

The Priorities that have been taken into account when preparing the budget proposals for 2020/21 are set out below:

- To ensure resources are aligned with the emerging **Corporate Plan priorities**
- To maintain a **balanced budget** such that expenditure matches income from council tax, fees and charges, and government and other grants and to maintain that position
- To set a rate for **council tax** which maximises income necessary to deliver our strategic objectives while ensuring that Government referendum limits are not exceeded. The percentage increase will be reviewed annually and be approved by Full Council
- To **maximise other income** by setting fees and charges, where we have the discretion and need to do so, at a level to ensure at least full cost recovery, promptly raising all monies due and minimising the levels of arrears and debt write offs

- To ensure a long term sustainable view is taken of our **investments** and that appropriate risk analyses are used when considering new investments
- To consider and take advantage of **commercial opportunities** as they arise to deliver new income streams
- To maintain an adequate and prudent level of **reserves** and regularly review their planned use and allocation to support delivery of our priorities.

### Value for Money

We will assess and challenge the value for money (economy, efficiency and effectiveness) provided by each service through the service & financial planning process.

Information about our performance compared to other councils across a range of published measures is published on the LGA website at <https://lginform.local.gov.uk/>

## 4. Council Tax

Decisions around the annual council tax increase and taxbase growth are two key variables in the MTFP.

Although this is a significant funding source, it remains subject to restrictions by Government. The Localism Act included a requirement to hold a local referendum if any council tax increase is deemed 'excessive' and this level is expected to be set at 2.0%.

MTFP forecasts for 2020/21 are based on a council tax increase of £5 per annum for a Band D equivalent property. The forecast amount of council tax to be collected takes into account local decisions on discounts, exemptions and reliefs and the local council tax support scheme.

### Council Tax 2019/20

Reigate & Banstead's share of the council tax for 2019/20 increased by 2.99%. The respective shares of the main precepting bodies is set out below.

<b>Table 5</b> <b>Council Tax 2019/20</b>	<b>Band D</b> <b>£</b>	<b>%</b>
Reigate & Banstead	227.46	12%
Surrey County Council Precept	1,481.71	75%
Surrey Police & Crime Commissioner Precept	260.57	13%
<b>Council Tax Total</b>	<b>£1,941.53</b>	<b>100%</b>

### **Council Tax Options 2020/21**

Each 1% increase in Council Tax generates £137,000 additional income for this borough.

## **5. Business Rates (National Non-Domestic Rates)**

In 2013, the Government introduced a scheme through which local authorities retain a proportion of any business rates growth above a set 'baseline'. The purpose was to give authorities a financial incentive to encourage and foster economic growth within their area and to work collaboratively with other authorities and business organisations to achieve that growth.

While this scheme was broadly welcomed by the sector, there remain concerns over the potential volatility of this income stream due to the level of appeals; even a small variation in the overall revenue generated can result in a significant financial impact.

The Government is currently undertaking a review of how business rates will operate going forward and has stated its intentions to achieve 75% localisation of business rates from 2021.

The full impact of this will only become clear later during 2020/21 as proposals are developed. This adds a further element of uncertainty to the projected position and suggests caution is needed in any future projections.

## **6. New Homes Bonus**

The New Homes Bonus was introduced in 2011/12. Authorities are rewarded with a financial bonus, equal to the national average council tax on each additional property built which is paid for a number of years as a non-ring fenced Government grant. 80% of the Bonus is paid to the district council and 20% to the county council. here is an enhanced payment for new affordable homes.

New Homes Bonus was revised for the 2017/18 financial year with the length of time it is paid reducing from six to five years (for the 2017/18 award) and to four years from 2019/20 onwards. A new 'baseline' of +0.4% growth was also introduced before any Bonus is paid. The retained funds were used by the Government to support authorities with adult social care responsibilities.

The Government has set out its intention to end New Homes Bonus as part of the Fair Funding Review. The intention is to replace this mechanism with a different means of incentivising and rewarding housing growth. The detail remains unclear.

To date we have set aside this funding in an Earmarked Reserve which may be used for any purpose. The Capital investment proposals for 2020/21 onwards are based on investing an equivalent sum in implementation of the Housing Delivery Strategy.

## 7. Medium Term Financial Plan Forecast 2020/21 onwards

### Revenue Budget-Setting Assumptions 2020/21

The following assumptions will be used during service & financial planning over coming months when preparing the draft budget estimates for 2020/21:

- |                                 |  |
|---------------------------------|--|
| Council Tax                     | <ul style="list-style-type: none"> <li>• To increase by the referendum limit of £5.</li> <li>• Plus an increase due to growth in the taxbase of 1% per annum</li> <li>• The impacts of local discounts, exemptions and the local council tax support scheme will be taken into account when preparing income forecasts.</li> </ul>   |
| Government Funding              | <ul style="list-style-type: none"> <li>• Fair Funding Review is expected to reduce our Government funding by £1.5m ('negative RSG') in 2021/22</li> </ul>  |
| Retained Business Rates Income  | <ul style="list-style-type: none"> <li>• The Reset of Business Rates is expected to reduce our funding by £0.6m in 2021/22</li> </ul>  |
| Fees & Charges                  | <ul style="list-style-type: none"> <li>• For budgeting purposes it is assumed that fees and charges will increase in line with the Fees &amp; Charges Policy.</li> </ul>   |
| Investment Income and Borrowing | <ul style="list-style-type: none"> <li>• Investments and borrowing will be forecast in line with forecast balances (reserves) and capital investment plans</li> </ul>  |
| Pay Inflation                   | <ul style="list-style-type: none"> <li>• As a minimum all Council pay scales are now at or above the Real Living Wage</li> <li>• An allowance for a pay award will be included in the draft budget, in addition to forecast contractual pay increases.</li> <li>• This provides the option for pay rises but the specific rate of increase will be subject to established consultation processes.</li> </ul>   |
| Employer Pension Costs          | <ul style="list-style-type: none"> <li>• The latest actuarial review of the Surrey Local Government Pension Fund was as at 31 March 2019; the outcome has been profiled into the budget for the three years to 2022/23.</li> <li>• The 2019 valuation confirmed that the Fund's total assets, which at 31 March 2019 were valued at £4,483 million, were sufficient to meet 96% of liabilities (ie. the present value of promised retirement benefits) accrued up to that date. The resulting total Fund deficit at the 2019 valuation was £196 million.</li> <li>• Each employer has a contribution requirement set at the valuation, with the aim of achieving full funding within an</li> </ul> |

agreed time horizon and probability measure, as set out in the Fund's Funding Strategy Statement. Individual employers' contributions for April 2020 to March 2023 have been set in accordance with this requirement.

- For Reigate & Banstead this is based on a 15% payroll oncost charge plus a £2.2m lump sum annual deficit payment with the option to pay this in 'Year 1' at a discount.
- The next actuarial review will be at 31 March 2022 and any budget implications will be built into budgets for 2023/24 onwards.
- National consultation is currently in progress regarding moving to a four-year revaluation cycle going forward.

Price Inflation

- The general assumption is that services should first seek to cover price inflation from their existing budgets, unless tied contractually to significant cost increases that warrant additional funding.

## 8. Medium Term Financial Plan Risks & Sensitivities

The Council's Strategic Risk Register contains the following risks:

- *The Council receives no Revenue Support Grant from Central Government. While council tax and business rates make up a significant portion of the Council's funding, they do not cover the full extent of the Council's expenditure.*
- *The Council's ability to generate income from investments may be restricted by changes in regulations and codes of practice.*
- *The Council must therefore put in place a capital investment strategy, supported by appropriate governance structures and resources, to generate additional income to sustain service provision. The failure to generate this income will jeopardise the delivery of corporate objectives. Managing this risk well is dependent on Officers and Members remaining ambitious.*

Details of the mitigating actions are set out at Appendix 5.

### Operational Risk Register – Budget-Setting

The principles and assumptions contained within this MPFP are aimed at ensuring that the Council is financially sustainable and continues to deliver high quality services.

Individual revenue and capital budget proposals will be subject to risk assessment as part of the service & financial planning process.

The Council, in common with most local authorities, continues to be at risk from a range of financial risks. They include:

Perceived Risk	Impact	Likelihood	Preventative Action
Failure to remain up to date with changes in relevant legislation, regulations and guidance	High	Low	Ensure that all relevant information is taken into account when producing MTFP and budget forecasts.
Changes in legislation affecting the scope of services and the cost of carrying them out	Medium	Medium	Maintain regular contact with Heads of Service regarding developments that have potential financial implications.
Local Government Financial Settlement worse than forecast	High	Medium	Model a range of MTFP and budget scenarios and strategies.
Outdated MTFP assumptions Significant variations due to economic factors	High	Low	Regularly review and update assumptions.
Inaccurate budget assumptions	High	Medium	Regularly review and update assumptions.
Unexpected financial events	High	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Deliverability of new income streams against forecast timescales	High	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Demographic and demand-led pressures	Medium	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Reduction in existing fees & charges income	Medium	Low	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Contract risks e.g. contractor viability, non-delivery	Medium	Low	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks. Maintain regular contact with Heads of Service regarding developments that have potential financial implications.

### Sensitivity Analysis

A small change in key underlying assumptions can produce a significant change in the budget.

<b>Table 6</b> <b>Sensitivity</b>	<b>Change</b>	<b>Estimated annual impact £000</b>
Business Rates Income	+/- 1%	£8k
Staff Costs	+/- 1%	£220k
Non-Pay Costs	+/- 1%	£80k
Council Tax/Taxbase	+/- 1%	£138k

## APPENDICES

1. Strategic Financial Risks

## EXTRACT: STRATEGIC RISK REGISTER STRATEGIC FINANCIAL RISKS

Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
72 SR2	<p><b>Financial sustainability</b></p> <p>The Council receives no Revenue Support Grant from Central Government. Whilst council tax and business rates make up a significant portion of the Council's funding, they do not cover the full extent of the Council's expenditure.</p> <p>The Council's ability to generate income from investments may be restricted by changes in regulations and codes of practice.</p> <p>The Council must therefore put in place a capital investment strategy, supported by appropriate governance structures and resources, to generate additional income to sustain service provision. The failure to generate this income will jeopardise the delivery of</p>	<p>PM</p> <p><b>Portfolio Holder:</b> Cllr Schofield</p>	<p>We are preparing updated Medium-Term Financial Plan (MTFP) revenue budget forecasts and a five-year capital programme during service and financial planning for 2020/21 onwards.</p> <p>These will be used to confirm the extent of the financial challenges faced and support strategic service and financial planning decisions.</p> <p>We will continue to implement the actions detailed in the Capital Investment Strategy that was approved by Executive in September 2019.</p>	<p>We will continue to ensure that strong financial management arrangements are in place and continue to invest in skills and expertise to support delivery of the council's financial and commercial objectives while managing associated risks.</p> <p>The Council's Medium-Term Financial Plan was reported to the Executive in July. This sets out the forecast budget challenges over the coming five years. It will be reviewed and updated after the 2020/21 budget is approved to form the basis for service &amp; financial planning for 2021/22 onwards.</p> <p>In September the Government announced that the new funding</p>	A	Treat	15.1.20	SR2

Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
73	corporate objectives. Managing this risk well is dependent on Officers and Members remaining ambitious.		<p>This will help ensure that capital investment decisions support delivery of the Council's strategic and financial objectives.</p> <p>We are preparing the Treasury Management Strategy 2020/21 for approval by Executive in April 2020.</p> <p>This will ensure that treasury investments achieve target returns within approved security and liquidity limits.</p>	<p>arrangements for local government will be delayed to 2021/22. the government still plan to proceed with the Fair Funding Review, Business Rates Reset and Comprehensive Spending Review, the specific outcomes of which and the impacts for this Council remain unknown but are expected to result in significantly reduced funding.</p> <p>The Council is therefore expecting to be increasingly reliant on other sources of income, primarily from fees and charges and from its treasury and commercial investments.</p>				

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## FORECAST REVENUE RESERVE BALANCES AT 31 MARCH 2020

	Forecast Balance at 31.3.20 £m	Purpose
General Fund Balance	<b>£12.547m</b>	Acts as a buffer against unpredicted budget pressures. The minimum level required is £2.6m.

Other Revenue Reserves	Balance at 31.3.20 £m	Purpose
New Homes Bonus Reserve	<b>£17.086m</b>	Established to account separately for New Homes Bonus income. There are no restrictions on use of these funds.

Earmarked Revenue Reserves	Balance at 31.3.20 £m	Purpose
Government Funding Reduction Reserve	2.019	Established at the end of 2017/18 for the purpose of mitigating the planned reduction in Government funding.
Superannuation Reserve	1.507	Established to 'smooth' any sudden increases in employer pension costs. To be used to part-fund the advance payment of the employer's secondary pension contribution for 2020 to 2023.
Corporate Plan Delivery Fund (CPDF)	1.206	Provides time-limited funding to deliver key priorities, Corporate Plan objectives and invest-to-save initiatives.
Business Rates Equalisation Reserve	1.000	Established to mitigate the impact of any fluctuations in retained business rates income resulting from, for instance, a back-dated rating appeal or a major employer leaving the area. To be merged into a new Government Funding Risks Reserve in 2020.
Insurance Reserve	0.550	Provides cover against uninsured losses.
New Posts Reserve	0.500	Established at the end of 2018/19 to provide initial funding for new permanent posts created during the year to support delivery of new corporate initiatives. Thereafter the intention is to build these posts into the approved budget in 2020/21 onwards.
Homelessness Prevention Reserve	0.407	Established to account separately for the funding set aside for homelessness prevention.
Feasibility Studies (Commercial Ventures)	0.250	Established at the end of 2018/19 to set aside funds for feasibility studies, to be managed by the new

<b>Earmarked Revenue Reserves</b>	<b>Balance at 31.3.20 £m</b>	<b>Purpose</b>
Reserve		Commercial Ventures Sub-Committee.
Growth Points Reserve	0.286	Established to account separately for Growth Points funding.
Business Support Scheme	0.147	Established to account separately for the allocation of funding to help flood-affected business.
Neighbourhood Improvement Reserve	nil	Established to account separately for the funding set aside for neighbourhood improvement projects.
High Street Innovation Reserve	0.040	Established to account separately for the funding of this initiative prior to it being used.
<b>Total Forecast Earmarked Revenue Reserves at 31.3.2020</b>	<b>£7.912M</b>	

<b>Total Forecast All Revenue Reserves at 31.3.2020:</b>	<b>£37.545M<sup>1</sup></b>	
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## NOTE

1. Final balance depends on draw down of funds from Reserves during the remainder of 2019/20.

## FORECAST REVENUE RESERVES 2020/21

	<sup>1</sup> Forecast Balance at 1.4.20 £m	Purpose
General Fund Balance	£3.000M	Acts as a buffer against unpredicted budget pressures.  The minimum level required is £2.7m

Forecast Earmarked Revenue Reserves	<sup>1</sup> Forecast Balance at 1.4.20 £m	Purpose
Housing Delivery Strategy Reserve	£18.900M	Established as part of budget-setting 2020/21 – to support delivery of the Council’s Housing Delivery Strategy. Funded from the equivalent of the balance on previous years’ New Homes Bonus grant allocations plus the 2020/21 allocation.
Commercial Risks & Volatility Reserve	£4.000M	New reserve created as part of budget-setting 2020/21 - earmarked for the purpose of mitigating the impacts of delays in delivery of new sustainable commercial income streams.
Government Funding Reduction Risks Reserve	£2.700M	Reviewed as part of budget-setting 2020/21 – earmarked for the purpose of mitigating the planned reduction in Government funding pending delivery of new sustainable income streams.
Corporate Plan Delivery Fund (CPDF)	£1.600M	Provides time-limited funding to deliver key priorities, Corporate Plan objectives and invest-to-save initiatives, including investment in new technology. Balance to be confirmed during closedown 2019/20.
Homelessness Prevention Reserve	£0.900M	Established to account separately for the funding set aside for homelessness prevention. Balance to be confirmed during closedown of the 2019/20 financial year along with confirmation of 2020/21 funding.
New Posts Reserve	£0.750M	Reviewed as part of budget-setting 2020/21 – used to provide initial funding for new permanent posts created during the year to support delivery of new corporate initiatives.  Thereafter the intention is to build these posts into the following year’s base budget.
Feasibility Studies (Commercial Ventures) Reserve	£0.500M	Reviewed as part of budget-setting 2020/21 – ensures that funding is available to prepare business cases And obtain external professional advice for new initiatives designed to deliver new sustainable commercial income streams.

<b>Forecast Earmarked Revenue Reserves</b>	<b><sup>1</sup>Forecast Balance at 1.4.20 £m</b>	<b>Purpose</b>
Economic Development Initiatives Reserve	£0.300M	Established as part of budget-setting 2020/21 – to fund initiatives to raise awareness amongst local people of quality local employment opportunities.
Growth Points Reseve	£0.300M	Established to account separately for Growth Points funding.
Environmental Sustainability Reserve	£0.250M	Established as part of budget-setting 2020/21 – to support delivery of the Council's Environmental Sustainability Strategy that is currently in development
Feasibility Studies (Infrastructure Initiatives) Reserve	£0.250M	Established as part of budget-setting 2020/21 – to fund the Council's contribution to councils in Surrey collectively funding the development of infrastructure feasibility studies so that bids can be made for full project funding when bidding rounds become available.
Insurance Reserve	£0.250M	Provides cover against uninsured losses. Balance revised to reflect likelihood of calling on this reserve.
Superannuation (Pension) Reserrve	nil	Previous balance has been used to fund the advance payment of the employer's secondary pension contribution for 2020 to 2023. Reserve to be re-built over the medium term ready for the next Pension Fund revaluation in 2022.

## NOTE

1. Actual balances to be confirmed with the budget outturn position for 2019/20.

**CAPITAL PROGRAMME**  
**ADDITIONAL CAPITAL GROWTH PROPOSALS**  
**2020/21 TO 2024/25**

# Capital Programme – Additional Growth Proposals

## – 2020/21 to 2024/25

Head of Service	Growth Proposal	Growth 20/21 £M	Growth 21/22 £M	Growth 22/23 £M	Growth 23/24 £M	Growth 24/25 £M
<b>ORGANISATION SERVICES</b>						
Caroline Waterworth	Maintenance works - Forum House, Brighton Road, Redhill - <i>reprofiling/review of November 2019 growth proposal</i>	(0.500)	-	-	-	-
		0.070	0.100	0.100	0.150	-
	Maintenance works - Unit 61E, Albert Road North - <i>reprofiling/review of November 2019 growth proposal</i>	(0.200)	-	-	-	-
		0.055	0.012	0.200	0.012	0.012
	Maintenance works - Council-Occupied Properties	-	-	-	-	0.400
	Maintenance works - consultancy/capitalised staff costs.	-	-	-	-	0.040
Maintenance works - Regent House	0.025	0.050	0.100	0.090	0.090	

# Capital Programme – Additional Growth Proposals

## – 2020/21 to 2024/25

Head of Service	Growth Proposal	Growth 20/21 £M	Growth 21/22 £M	Growth 22/23 £M	Growth 23/24 £M	Growth 24/25 £M
<b>ORGANISATION SERVICES</b>						
Caroline Waterworth	Maintenance works - Linden House , 51b High Street, Reigate	0.017	0.011	0.029	0.012	0.012
	Maintenance works - Units 1-5 Redhill Distribution Centre. Salfords	0.040	0.017	0.058	0.017	0.017
	Maintenance works - Crown House	0.075	0.135	0.075	0.075	0.075
	Maintenance works - Tenanted Properties (occupied by third-parties)	0.100	0.100	0.100	0.100	0.100
Kate Brown	Workplace Facilities: additional IT requirement for forecast increase in workforce.	0.030	0.010	0.010	0.010	0.010
<b>TOTAL</b>						
		<b>(0.288)</b>	<b>0.435</b>	<b>0.671</b>	<b>0.465</b>	<b>0.755</b>

# Capital Programme – Additional Growth Proposals

## – 2020/21 to 2024/25

Head of Service	Growth Proposal	Growth 20/21 £M	Growth 21/22 £M	Growth 22/23 £M	Growth 23/24 £M	Growth 24/25 £M
<b>PEOPLE SERVICES</b>						
Justine Chatfield	Capital Grants – updates to original programme following review of approach to awarding grant funding during 2019/20	(0.020)	(0.020)	(0.020)	(0.020)	0.000
Duane Kirkland	Harlequin - Service Development investment	0.100	-	-	-	-
Richard Robinson	Housing Delivery Strategy investment	10.000	10.000	10.000	-	-
	Lee Street Bungalows	0.234	-	-	-	-
<b>TOTAL</b>		<b>10.314</b>	<b>9.980</b>	<b>9.980</b>	<b>(0.020)</b>	<b>0.000</b>

# Capital Programme – Additional Growth Proposals

## – 2020/21 to 2024/25

Head of Service	Growth Proposal	Growth 20/21 £M	Growth 21/22 £M	Growth 22/23 £M	Growth 23/24 £M	Growth 24/25 £M
<b>PLACE SERVICES</b>						
Peter Boarder	Preston Regeneration (CIL-funded)	0.362	-	-	-	-

## Capital Programme – Additional Growth Proposals – 2020/21 to 2024/25

	Growth Proposal	Growth 20/21 £M	Growth 21/22 £M	Growth 22/23 £M	Growth 23/24 £M	Growth 24/25 £M
<b>CORPORATE</b>						
Commercial Ventures Executive Sub Committee (CVESC)	Investment in corporate strategies that also realise new income-generating opportunities	50.000	-	-	-	-

**CAPITAL INVESTMENT STRATEGY SUMMARY**  
2020/21 to 2024/25  
JANUARY 2020

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7. CAPITAL APPRAISAL PROCESS
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## **FOREWORD**

The Capital Investment Strategy ('the Strategy') sets out Reigate & Banstead Council's approach to capital investment. It builds on well-established decision-making structures and policies that support our investment ambitions that underpin our Corporate Plan, Reigate & Banstead 2025, which explains the Council's proposed priorities for the next five years, and explains how we will deliver services to those living, working and spending time in our borough. This includes things like how we will deliver leisure and housing services, neighbourhood services (including recycling and refuse collection), our plans to tackle climate change and how we will support our towns, villages and local businesses. The Plan has been developed looking at resident feedback, what is likely to change in the borough over the next five years and what our partner organisations are saying.

This Strategy forms an important part of our governance arrangements and provides a mechanism for prioritising our capital investment and financing plans, ensuring that decisions take account of stewardship, value for money, prudence, sustainability and affordability.

### **1. SUMMARY**

The Capital Investment Strategy presents an overview of:

- how we plan to invest to meet the needs of the area and local residents in a sustainable manner, as set out in the Corporate Plan and other key strategies
- how capital expenditure, capital financing and treasury management activities contribute to the provision of services
- how the associated risks are managed; and
- how the implications for our future financial sustainability are assessed.

The Strategy is an integral part of our Policy Framework and integral to service and financial planning and should be read in conjunction with the Corporate Plan and supporting strategies, Capital Programme, Medium-Term Financial Plan, Treasury Management Strategy Statement and Asset Management Plan. Next step will be to develop our Commercial Investment Strategy.

The Strategy is reported separately from the annual Treasury Management Strategy Statement. This ensures the separation of information about commercial investments and fixed assets from the treasury function which focuses on investment of cash balances and operates under the principles of security, liquidity and yield.

In relation to investment in commercial investments and fixed assets, the Strategy covers:

- The governance and decision-making arrangements
- How we will set service objectives relating to capital investments
- How we will assess expected income, costs and resulting contribution to support our budget
- The links to borrowing and financing costs and the debt payback policy (Minimum Revenue Provision Policy); and
- The risks associated with each activity.

Our approach to developing the Strategy has included:

- Taking on board the relevant guidance and regulations
- Collating information about current custom and practice relating to our investments so that it can be reviewed and made available in one place
- Calling on support from our Treasury advisors, Link Asset Services
- Briefing and consulting senior management and Executive and other Members
- Holding a workshop with a group of representative Members, facilitated by Link; and
- Adopting a two-stage reporting and approval process to reflect the fact that our investment plans will change as the new Corporate Plan and Housing Strategy are developed.

Progress over recent months includes:

- Allocation of £25 million in the Capital Programme for investment in corporate priorities in 2019/20 onwards and creation of an Earmarked Reserve of £250k that is available to fund feasibility studies. The Commercial Ventures Executive Sub-Committee has delegated authority to approve investment of these funds.
- Proposed allocation of £50.00 million in the 2020/21 Capital Programme.
- Further progress in developing the new Corporate Plan ('Reigate & Banstead 2025') which is now adopted
- Approval of an updated Medium Term Financial Plan for the revenue budget by Executive in July 2019. This included approval of a Reserves Policy.
- Implementation of new governance and decision-making arrangements relating to capital and commercial investment – further details below.
- Development of reporting on our existing asset portfolio and an assessment matrix for new property investments.
- Adoption of the new Housing Delivery Strategy and proposed funding of £30.000 million in the Capital Programme to implement it

## 2. INFLUENCES ON CAPITAL INVESTMENT

### Influences on Investment

Current capital investment plans that underpin this Strategy reflect external, partner and internal influences. We aim to take a strategic view in relation to capital investment so that it can be directed to make a real and demonstrable impact on service delivery and the local economy by:

- Ensuring that service delivery is supported by fit for purpose assets
- Regenerating the borough, building on the established investment programme, by attracting external investment to supplement Council

resources and deliver an enhanced borough-wide regeneration offer. This is defined in its widest sense and will include investments in the borough that create retail, industrial, office and housing assets including working in partnership with other developers.

- Using regeneration investment to drive up gross value-added and increase the yield from business rates and commercial rents
- Working with partners, including Surrey Council and other public and private sector bodies, to take advantage of joint investment opportunities, co-location and the release of surplus assets
- Adopting transformational approaches to the delivery of services with and by local communities
- Aiming to get the basics right and drive improved business performance through investment in technology and instigating new service delivery models.

To date the Council has focussed its investments on properties and developments that located within the borough. A number of these investments over recent years (funded from capital receipts) have delivered financial returns to support our ambition to be financially self-sufficient; nevertheless a primary goal remains to focus investment to support our regeneration and community development ambitions.

Going forward, the overall investment value and range of assets acquired has to represent a mix and spread of risk, size and location across differing sectors to ensure that the portfolio is resilient to change that might lie outside our control. At the same time, it will be important that we maintain an adequate level of reserves and balances to ensure it can manage any down turn in the property market and limit the impact it will have on revenue income.

The Council may hold property assets either directly or indirectly. Direct property investment gives us full control over the property and responsibility for its management and the properties brought forward over the past year for investment are held in this way. Indirect property investment is where the asset is held through an arm's length trading company and will be necessary where the Council holds investments solely for income generation or where that is the most effective way The Council has previously acquired one property in this way, owned by its subsidiary company Greensand Holdings Limited.

Progress over recent months includes:

- Continued progress in delivery of major schemes in the current Capital Programme, including the Marketfield Way, Cromwell Road, Lee Street and Pitwood developments.
- Communications with key stakeholders and taxpayers during service and financial planning and Corporate Plan consultation to highlight areas of improvement and achievement in the Council's commercial investment approach for example, through publicising the emerging Capital Investment Strategy.
- Reviewing current asset condition surveys in order to assess the level of maintenance investment required over coming years. This has been taken

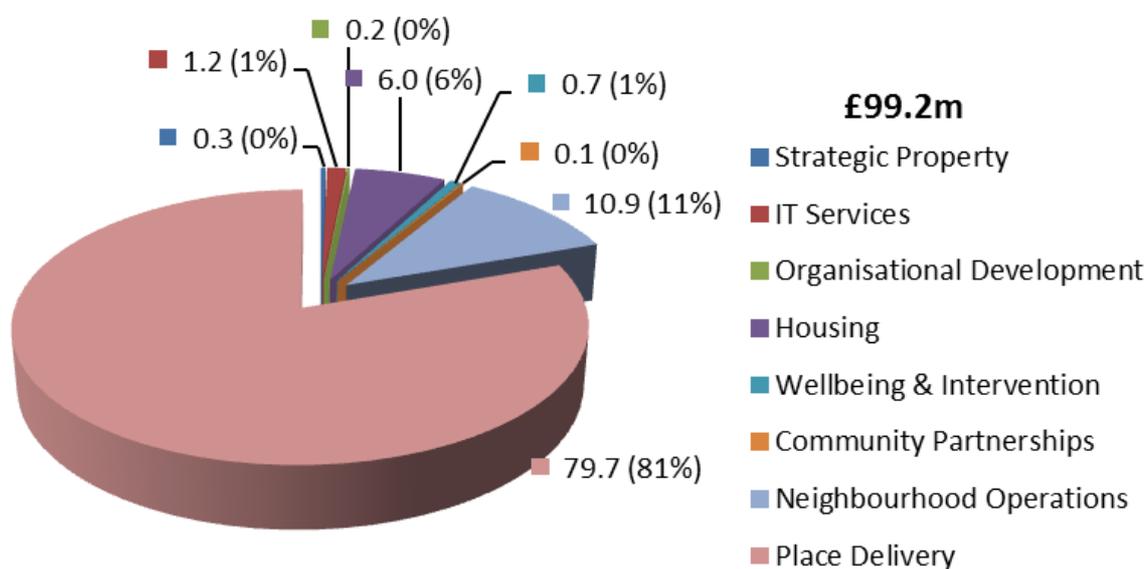
into consideration in service and financial planning when developing the proposed Capital Programme for 2020/21 onwards.

### 3. CURRENT CAPITAL EXPENDITURE

#### Capital Programme

The Capital Programme for 2019/20 to 2023/24 includes initial forecasts for capital growth during the 2019/20 year and the resources available to fund it. New investment opportunities will be reported to the Commercial Ventures Executive sub-committee for approval during the year as our Commercial Investment Strategy priorities are confirmed.

**Figure 2: Capital Programme 2019/20 to 2023/24 by Service**



Source: Budget Report 2019/20, Executive 24 January 2019

Capital Programme spending plans and priorities are now being reviewed as part of service and financial planning for 2020/21 onwards.

#### Asset Management

For an organisation like the Council, with a diverse property portfolio, the Asset Management Plan describes the general direction that the organisation's property portfolio will take over the next 5-10 years, the approach to be adopted in getting there and the policies that will be applied to decision making. The Asset Management Plan presents such a vision and reflects the operational and business strategies of the Council. It is essential to achieving efficient use of corporate assets.

We plan to review and refresh the Asset Management Plan to help support current and future aspirations. An objective will be to ensure that the ongoing costs associated with existing assets are fully reflected in revenue and capital budgets and are taken into account when making decisions on the use and performance of assets.

#### Commercial Investment

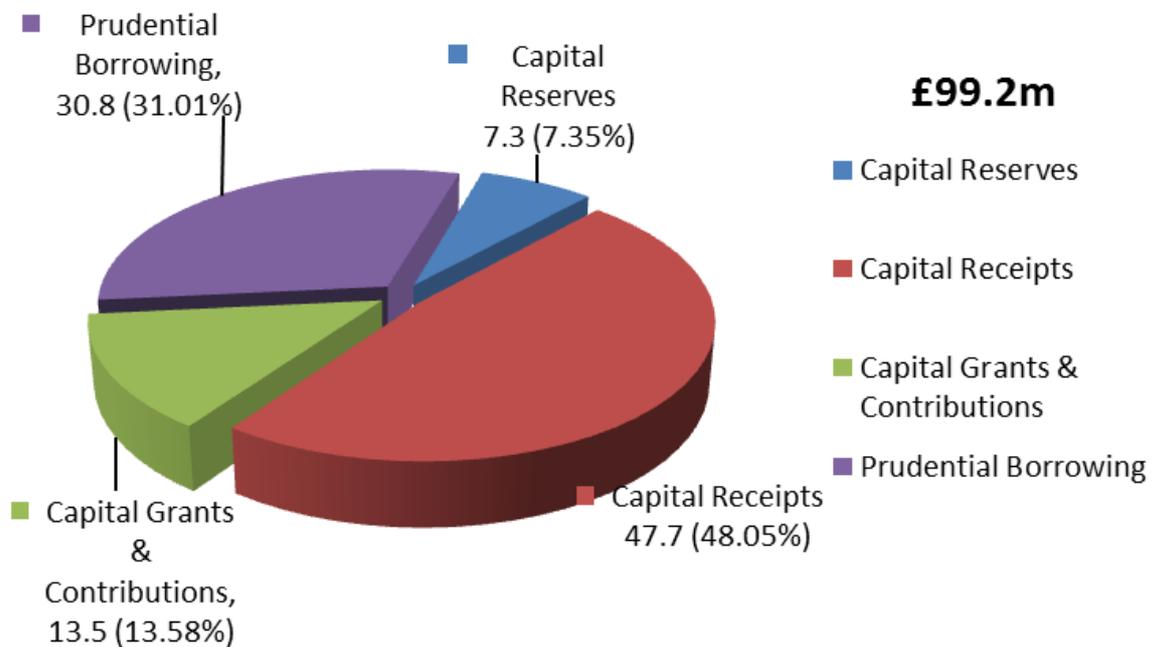
Our commercial investments comprise those activities and assets that deliver income streams to support our objective of achieving financial self-sufficiency over the medium term.

Our current approach to making commercial property investment decisions was approved by Executive in 2014 and explains how investment decisions are made, delivery approaches and how risks will be managed. This is now being updated by the Commercial Ventures Officer Board reporting to the Commercial Ventures Executive Sub-Committee which were established during 2019. A Commercial Investment Strategy is also under development, as referenced elsewhere in this document

In order to support investment decisions we rely upon the principles established in our evolving Commercial Investment Strategy and powers under the Localism Act 2011. This forms the framework for maximisation of new and existing income streams to support service provision. We will continue to identify suitable property investments and to complete substantial due diligence. We will also be taking into account updated guidance from CIPFA on prudential borrowing and investment, specifically ‘borrowing in advance of need’.

Capital Funding

**Figure 3: Capital Financing 2019/20 to 2023/24**



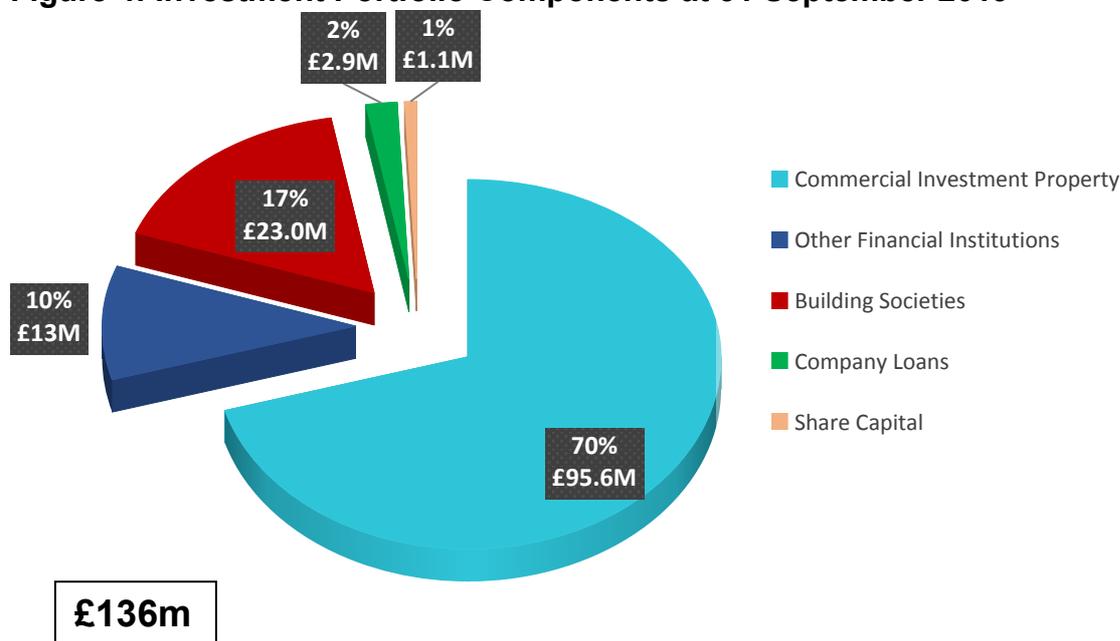
Source: Budget Report 2019/20, Executive 24 January 2019

Capital funding requirements are monitored throughout the year as part of treasury management activities and will be reviewed in detail during service and financial planning for 2020/21 onwards. At 31 March 2019 there was still no borrowing necessary to fund capital expenditure; however, this is expected to change during 2019/20 as there are now very limited capital reserves available.

Treasury Management Investments

Our Treasury Management Strategy Statement is reported each year to Executive and full Council. Treasury investments are central in providing an income stream to help fund our revenue activities.

**Figure 4: Investment Portfolio Components at 31 September 2019**



Our Treasury Management Framework is described in more detail at Appendix 1. The Framework and associated Treasury Management Strategy and reports cover:

- how long-term projections are prepared and managed for external debt, internal borrowing and the use of cash-backed reserves
- the authorised limit and operational boundary for external debt, internal borrowing and cash back reserves
- the liability benchmark for the authority. This is an indicator that describes the Council's debt position and its ability to cover it
- how debt will be repaid and the associated Minimum Revenue Provision (MRP) Policy which confirms compliance with the latest statutory guidance
- how treasury management decisions are made and risks are managed, along with key delegations
- arrangements for the scrutiny of treasury management activities by Overview & Scrutiny Committee and the Portfolioholder's Treasury Management Panel
- ensuring awareness of the availability of capitalisation flexibilities under circumstances (the Council has not made use of them to date)

Government regulations require authorities to consider whether each asset retains sufficient value to provide security of investment using the 'fair value' model [*International Accounting Standard 40: Investment Property (paragraph 37)*]. A fair value assessment has been undertaken as part of year-end processes for 2018/19 and has confirmed that the underlying assets provide security for the capital investment. Short-term reductions in value may arise (for example if assets are being used to support delivery of regeneration developments) but no other assets are currently at risk of significant impairment. As explained in this Strategy, work is underway to carry out condition surveys and review planned maintenance budgets to ensure that appropriate levels of investment are funded going forward.

Progress over recent months includes:

- Implementation of the Commercial Governance review which resulted in recommendations to adopt a good practice Framework and Checklist to guide future working and ensure lessons from past practice are implemented to inform investment decisions
- Ensuring that policies and governance arrangements are clearly established for the approval of commercial activity through the establishment of the Commercial Ventures Executive Sub-Committee and the Commercial Ventures Officer Board.
- Reporting on the Treasury Management outturn position for 2018/19 and the mid-year position for 2019/20
- Commencing a review of the performance and risk profile of existing and planned capital investments in commercial properties - to help inform capital investment decision-making and investment prioritisation in future – led by the Commercial Ventures Executive Sub-Committee supported by the Commercial Ventures Officer Board.
- Completing a review of the current Capital Programme and capital growth proposals as part of service and financial planning for 2020/21

## **4. COMMERCIAL INVESTMENT STRATEGY**

### Commercial Investment Strategy

We plan to develop a Commercial Investment Strategy which is anticipated to cover:

- Our objectives for generating sustainable future income streams to support service delivery
- The role of commercial investments acquisition in achieving that objective
- The commercial investment decision-making process
- The financial resources that will be available to facilitate commercial investments
- How commercial investment risks will be managed

### Commercial Governance Framework

Commercial property investment opportunities often arise unexpectedly and it is important to be agile in order to take advantage of opportunities when they arise. The Commercial Ventures Officer Board and Executive-Sub-Committee are now responsible for identifying suitable opportunities and developing the viability appraisal and business case for the Council to invest. The Framework is important to provide a guide when identifying appropriate investment opportunities. Examples of where the Council may need to respond without delay include the traditional route of a selling agent and bidding process, through auctions and 'off market' through direct approaches from prospective sellers who want to save time and risks of abortive costs. Receivers or administrators of distressed sellers may also seek offers for commercial

property assets quickly. The Framework and supporting tools will provide a systematic assessment investment opportunities so that we are able to move quickly when a compelling opportunity arises.

### Asset Management

It is also important that the Council actively manages the investment portfolio. Such work includes rent collection, service charge calculation and collection, building maintenance, security, dealing with tenants, re-letting empty units, negotiating terms of rent reviews, dilapidation claims and the general miscellany of property management. The commercial Ventures Officer Board and Executive Sub-Committee are now responsible for ensuring that the portfolio is delivering the investment returns that were envisaged and to always act in the Council's financial interest, which will also include making recommendations for appropriate disposal of investments that are underperforming or no longer meet the Council's objectives.

Progress over recent months includes:

- Implementing the Commercial Governance Framework and supporting tools for evaluating new investment opportunities – overseen by the Commercial Ventures Executive Sub-Committee.
- Monitoring the potential impacts of emerging guidance on investment and borrowing, in particular on 'borrowing in advance of need'.
- Commissioning an independent review of the Council's Property service and calling on the services of interim development management and strategic acquisitions advisors to help take key developments and investment opportunities forward.

## 5. FUTURE CAPITAL INVESTMENT PLANS

### Capital Investment Plan 2019/20 to 2023/24

The Capital Programme includes £20.8m of investment in 2019/20, with an indicative programme for the subsequent four years of £78.4m. In addition, the Commercial Ventures Executive sub-committee has delegated authority to approve new investments funded from the £25 million allocated for investment in corporate priorities. Our intention is to develop this Programme over the coming year to include longer-term (10-year) forecasts.

### How Future Capital Requirements Will Be Prioritised

We plan to assess our approach to capital expenditure and investment, and aim to avoid over-exposure to specific markets, sectors or activity. This will reflect investments made to deliver Council services and those designed for wider economic benefit.

We also recognise delivery of our ambitions will be constrained by availability of funding which then necessitates prioritisation of the use of capital resources. We are therefore developing our approach to assessing new opportunities and for prioritising capital investments.

Overall, the intention is that our portfolio will comprise an acceptable balance of risk and return, based on market conditions and the level of secured / unsecured investments. Appropriate risk management tools will be applied, tailored to individual schemes and projects.

Capital growth is being considered as part of the service and financial planning process. Heads of Service have submitted proposals for new investments that are considered for inclusion in the five year rolling capital programme by Executive which is subject to review by Overview and Scrutiny Committee.

Proposals for investment in new commercial assets and initiatives are considered by the Commercial Ventures Executive Sub-Committee which has delegated authority to invest. Work is under way to develop new processes for evaluating and prioritising new investment opportunities.

Option appraisals include an assessment of strategic and operational risks.

### Asset Management Planning

Our Asset Management Plan will both inform, and be informed by, this Capital Investment Strategy. The overriding objective of asset management within the Council is to achieve a portfolio of property assets that is appropriate, fit for purpose and affordable. Our property portfolio consists of operational property, commercial investment property and property held for specific community or regeneration purposes.

### Purchase of Shares/Provision of Loans:

We may make investments to support delivery of local public services, including making loans to and buying shares in service providers, local businesses to promote economic growth and our subsidiaries that provide services or which have been established for the purposes of trading.

During 2018/19 our Members carried out a Commercial Governance Review that focussed on our companies and Executive agreed a number of recommendations that are intended to further develop the governance arrangements relating to their operation.

### Non-Specified Investments

Shares are the only investment type that we have identified that meets the definition of a non-specified investment in the government guidance.

### Treasury Management Investments

Our Treasury Management Strategy Statement and Annual Investment Strategy set out our current decision-making arrangements, investment position and forward view.

### Other Capital and Commercial Investments

This will be covered in our Commercial Investment Strategy

Progress over recent months includes:

- Establishment of the Commercial Ventures Executive Sub-Committee with delegated authority to monitor existing and approve new investments. The Sub-Committee is supported by an officer Board with aligned terms of reference.
- Establishment of People & Place Officer Board to oversee delivery of new initiatives, with associated reporting arrangements to ensure that Executive Members are kept informed on delivery progress.

## 6. RISK MANAGEMENT

Our capital investment activity requires us to manage a range of risks.

This section of the Strategy provides an initial overview of known risks. An initial risk assessment has been carried out and this will continue to be monitored and developed, as referenced in the action plan below. Details at Appendix 2.

### Affordability and Delivery Risks

We are exposed to a range of risks with regard to the continued affordability and delivery of the Capital Programme and Commercial Investment Strategy as follows:

- Financial risks related to the investment of our assets, cash flow and market volatility
- Macroeconomic risks related to the growth or decline of the local economy, interest rates, inflation and the wider national and global economy
- Credit and counterparty risks related to investments, loans to public and private institutions
- Operational risks related to operational exposures within the organisation, its counterparties, partners and commercial interests
- Strategic risks related to key initiatives undertaken by we such as areas of organisational change necessary to enable the Council to meet its goals and objectives, significant capital schemes and major purchases and new ventures
- Reputational risks related to our dealings and interests, and the impact of adverse outcomes on our reputation and public perception
- Environmental and social risks related to the environmental and social impact of our Strategy and interests
- Governance risks related to ensuring that prudence and careful consideration are prominent in Council decision-making, augmented by quality independent advice and appropriate checks to ensure that we have the correct level of oversight, scrutiny and efficiency.

Progress over recent months includes:

- Producing a Risk Register for consideration and development

## 7. CAPITAL APPRAISAL PROCESS

In considering schemes for inclusion in the capital programme, regard will be had to the following principles:

### Funding

- available capital funding will be optimised e.g. through surplus asset disposal, maximising use of planning gain, by pooling capital receipts and by exploring external financing sources
- the financial implications of capital investment decisions will be fully-integrated into revenue budget and medium term financial plans
- capital appraisal will promote schemes which provide a direct gain to our revenue budget position within agreed risk appetite limits, e.g. council tax and business rate growth, commercial investment return, 'invest to save' outcomes
- capital funding decisions will seek to minimise or mitigate the ongoing revenue implications of investment decisions

### Evaluation

- investment proposals will be supported by an affordable and sustainable plan, including careful consideration of risks, value for money and options appraisal along with an appropriate level of due diligence and assurance regarding deliverability
- environmental and social sustainability issues in line with Council policy will be built into project appraisal

### Deliverability

- capital schemes will adhere to corporate project management and governance arrangements, with clear responsibility for delivery and risk management
- there will be effective working relationships with partners
- projects will be reviewed on completion to ensure key learning opportunities are captured.

Progress over recent months includes:

- Establishment of the Commercial Ventures Executive Sub-Committee with delegated authority to monitor existing and approve new investments. The Sub-Committee is supported by an officer Board with aligned terms of reference.
- Establishment of People & Place Officer Board to oversee delivery of new initiatives, with associated reporting arrangements to ensure that lead Members are kept informed on delivery progress.
- Adoption of the Commercial Governance Framework and development of an outline investment appraisal process for commercial investments
- Considering the latest MHCLG and CIPFA guidance on 'borrowing in advance of need'. The Council does not currently borrow for commercial investment and is aware of the additional risks that this entails.

- Commencing a review of current Capital Programme plans as part of service and financial planning
- Confirming those commercial activities that will require formal Business Plans to help map their future strategies

## **8. GOVERNANCE**

### Capital Programme

Democratic decision-making and scrutiny processes provide overall political direction and ensure accountability for investment in our Capital Programme. These processes include:

- Executive and full Council approve the Corporate Plan and supporting Strategies which set out our strategic priorities
- Full Council is ultimately responsible for approving the Capital Investment Strategy, Treasury Management Strategy Statement and Capital Programme
- The Commercial Ventures Executive Sub-Committee will receive regular capital monitoring reports, approves variations to the programme and consider new bids for inclusion in the Capital Programme
- Overview & Scrutiny Committee can call in Executive reports and routinely receive and scrutinise reports
- All projects progressing to the Capital Programme comply with the Constitution and financial procedure rules
- The Capital Programme is subject to internal and external audit.

Any new capital expenditure is subject to thorough evaluation which focuses on the key benefits that are expected in relation to Council priorities. The evaluation includes financial considerations such as the expected cost and funding sources identified. Risks to either the delivery or cost forecasts are considered as part of the evaluation.

Approval to spend on individual capital schemes will only be given once procedural guidelines have been complied with and assessed to the satisfaction of the Chief Finance Officer. Designated budget managers monitor the delivery of individual capital schemes.

It is for the Chief Finance Officer to advise, and ultimately Members to determine, the level of borrowing the council should undertake. The principles of prudence, affordability and sustainability are a reference to revenue budget impact. The revenue costs must be fully budgeted for through either:

- Savings/efficiencies made elsewhere; or
- Net income generated (after borrowing costs) from investments – going forward these have to be robust enough to fund the debt for the lifetime of the loan.

Progress over recent months includes:

- Establishment of the Commercial Ventures Executive Sub-Committee with delegated authority to monitor existing and approve new investments. The

Sub-Committee is supported by an officer Board with aligned terms of reference.

- Adoption of the Commercial Governance Framework and development of an outline investment appraisal process for commercial investments
- Development of management information to support the Sub-Committee and Board in their work so that they have oversight of how investments are being managed and reported on a routine and exception basis. This is in addition to established quarterly revenue budget monitoring and capital programme monitoring
- Establishment of People & Place Officer Board to oversee delivery of new initiatives, with associated reporting arrangements to ensure that lead Members are kept informed on delivery progress.

### Treasury Management

Day to day decisions on investment and borrowing are delegated to the Chief Finance Officer and the Finance Team, who act in line with the Treasury Management Strategy Statement, which is approved by full Council before the start of each financial year. The underlying framework is explained at Appendix 1.

The Overview & Scrutiny Committee is responsible for scrutiny and governance of Treasury Management. It reviews the Treasury Management policy and procedures and all Treasury Management reports. It also scrutinises the full suite of budget reports prior to their presentation to Executive and Council for final approval.

Throughout the year the Overview & Scrutiny Committee receives regular updates on performance and emerging issues and the Mid-Year Treasury Management report which is also reported to full Council. The Treasury Management function is also subject to regular internal and external audit reviews.

Progress over recent months includes:

- Reporting treasury management outturn for 2018/19 to Executive and the mid-year position for 2019/20. These reports set out details of the current treasury investment portfolio, its risk profile and how risks are managed.
- Balance sheet and cashflow planning to ensure that treasury investments are optimised while ensuring security' liquidity and yield objectives are met.
- Drawing on support from treasury advisors on extending the range of treasury investments available to the Council

### Skills and Advice

Work is underway to ensure that we have access to appropriate levels of skills and knowledge to support delivery of this Strategy. This includes the establishment of a corporate Project Management office to support capital scheme delivery while progress is monitored by the People & Place Board and Member Panels.

The Council draws on support from its Treasury Advisors (Link Asset Services) when preparing treasury management reports and plans. Officers make reference to the regular technical updates that Link provide and attend their seminars on treasury and investment topics. These are also valuable networking opportunities with other councils as well as ensuring that we are up to date with the latest thinking and guidance. Link also provide treasury management briefings for our Members. A number of treasury brokers are called upon to provide information about specific treasury investment options. We also subscribe to relevant CIPFA networks and attend their practitioner briefings and training events.

Proposals for investment in new capital assets are always supported by independent valuations and appropriate legal advice.

The appointment of external advisers is periodically tested through a tendering process to ensure that the quality of advice is benchmarked, monitored and maintained. Regular client meetings are held to consider performance.

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# CAPITAL PROGRAMME SUMMARY

## 2020/21 to 2024/25

### CAPITAL PROGRAMME 2020 to 2025 - SCHEME DETAILS

#### ORGANISATION SERVICES

PROPERTY SERVICES	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£000	£000	£000	£000	£000	£000
<b>Rolling Property Maintenance Programmes:</b>						
Beech House, London Road, Reigate	3,000.0	0.0	0.0	0.0	0.0	<b>3,000.0</b>
Forum House, Brighton Road, Redhill	70.0	100.0	100.0	150.0	150.0	<b>570.0</b>
Unit 61E, Albert Road North	55.0	11.5	200.0	11.5	11.5	<b>289.5</b>
Regent House	25.0	50.0	100.0	90.0	90.0	<b>355.0</b>
Linden House , 51b High Street, Reigate	17.3	11.3	28.8	11.5	11.5	<b>80.3</b>
Units 1-5 Redhill Distribution Centre. Salfords	40.3	17.3	57.5	17.3	17.3	<b>149.5</b>
Crown House	75.0	135.0	75.0	75.0	75.0	<b>435.0</b>
Tenanted properties - occupied by third-parties - planned building maintenance	100.0	100.0	100.0	100.0	100.0	<b>500.0</b>
Commercial Investment Properties	50.0	76.0	76.0	76.0	76.0	<b>354.0</b>
Operational Buildings	115.0	145.0	110.0	95.0	80.0	<b>545.0</b>
Priory Park Maintenance	198.0	10.0	10.0	10.0	30.0	<b>258.0</b>
Public Conveniences	5.0	4.0	4.0	4.0	20.0	<b>37.0</b>
Infrastructure (Walls etc.)	55.0	10.0	60.0	10.0	60.0	<b>195.0</b>
Allotments	14.0	12.0	12.0	12.0	22.0	<b>72.0</b>
Cemeteries & Chapels	40.0	20.0	20.0	20.0	40.0	<b>140.0</b>
Leisure Centres	30.0	30.0	210.0	190.0	30.0	<b>490.0</b>
Pavilions	90.0	110.0	50.0	50.0	50.0	<b>350.0</b>
Car Parks Capital Works	190.0	195.0	190.0	195.0	170.0	<b>940.0</b>
Earlswood Depot/Park Farm Depot	50.0	20.0	20.0	20.0	20.0	<b>130.0</b>
Day Centres	75.0	85.0	75.0	67.0	65.0	<b>367.0</b>
Harlequin Property Maintenance	40.0	140.0	110.0	120.0	100.0	<b>510.0</b>
Building Maintenance – consultancy/capitalised staff costs.	50.0	50.0	50.0	50.0	40.0	<b>240.0</b>
	<b>4,384.5</b>	<b>1,332.0</b>	<b>1,658.3</b>	<b>1,374.3</b>	<b>1,258.3</b>	<b>10,007.3</b>

<b>CAPITAL PROGRAMME 2020 to 2025 - SCHEME DETAILS</b>
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IT SERVICES	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
<b>Rolling Investment Programmes:</b>						
ICT Replacement Programme	225.0	425.0	325.0	325.0	325.0	1,625.0
Disaster Recovery Systems Upgrade	0.0	0.0	50.0	0.0	0.0	50.0
Replacement Photocopiers/ Printers	0.0	0.0	0.0	60.0	0.0	60.0
	<b>225.0</b>	<b>425.0</b>	<b>375.0</b>	<b>385.0</b>	<b>325.0</b>	<b>1,735.0</b>

ORGANISATIONAL DEVELOPMENT	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Workplace Facilities: Estate/Asset Development	250.0	250.0	250.0	250.0	250.0	1,250.0
Workplace Facilities: additional IT requirement for increase in workforce.	30.0	10.0	10.0	10.0	10.0	70.0
	<b>280.0</b>	<b>260.0</b>	<b>260.0</b>	<b>260.0</b>	<b>260.0</b>	<b>1,320.0</b>

<b>COMMERCIAL</b>						
COMMERCIAL INVESTMENT	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Commercial Investment Strategy	50,000.0	0.0	0.0	0.0	0.0	50,000.0

## CAPITAL PROGRAMME 2020 to 2025 - SCHEME DETAILS

## PEOPLE SERVICES

HOUSING	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£000	£000	£000	£000	£000	£000
<b>Grant-Funded Schemes</b>						
Disabled Facilities Grant	1,134.0	1,134.0	1,134.0	1,134.0	1,134.0	<b>5,669.8</b>
Home Improvement Agency (Part Grant-Funded)	120.0	120.0	120.0	120.0	120.0	<b>600.0</b>
Handy Person Scheme (Housing Assistance Programme)	50.0	50.0	50.0	50.0	50.0	<b>250.0</b>
Repossession Prevention Fund	30.0	30.0	30.0	30.0	30.0	<b>150.0</b>
<b>Housing Development</b>						
Lee Street Bungalows	234.0	0.0	0.0	0.0	0.0	<b>234.0</b>
Cromwell Road Redevelopment	3,680.0	0.0	0.0	0.0	0.0	<b>3,680.0</b>
Pitwood Park	1,745.0	71.0	0.0	0.0	0.0	<b>1,816.0</b>
<b>Housing Delivery Strategy</b>						
Housing Delivery	10,000.0	10,000.0	10,000.0	0.0	0.0	<b>30,000.0</b>
	<b>16,993.0</b>	<b>11,405.0</b>	<b>11,334.0</b>	<b>1,334.0</b>	<b>1,334.0</b>	<b>42,399.8</b>

WELLBEING & INTERVENTION	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£000	£000	£000	£000	£000	£000
<b>Rolling Maintenance Programmes:</b>						
Harlequin Facilities Maintenance	40.0	40.0	40.0	40.0	40.0	<b>200.0</b>
Harlequin - Service Development	100.0	0.0	0.0	0.0	0.0	<b>100.0</b>
	<b>140.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>	<b>300.0</b>

COMMUNITY PARTNERSHIPS	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£000	£000	£000	£000	£000	£000
<b>Rolling Maintenance/Investment Programmes:</b>						
CCTV	30.0	30.0	30.0	30.0	30.0	<b>150.0</b>
	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>150.0</b>

<b>CAPITAL PROGRAMME 2020 to 2025 - SCHEME DETAILS</b>
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<b>PLACE SERVICES</b>						
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NEIGHBOURHOOD OPERATIONS	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£000	£000	£000	£000	£000	£000
<b>Rolling Maintenance/Investment Programmes:</b>						
Refuse Vehicle Replacement	1,620.0	1,620.0	0.0	0.0	0.0	<b>3,240.0</b>
Vehicles & Plant	1,542.0	846.0	846.0	846.0	846.0	<b>4,926.0</b>
Fleet Vehicle Wash-Bay Replacement	350.0	0.0	0.0	0.0	0.0	<b>350.0</b>
Play Areas Improvement	226.0	230.0	230.0	230.0	230.0	<b>1,146.0</b>
Air Quality Monitoring Equipment	108.0	40.0	40.0	40.0	40.0	<b>268.0</b>
Park & Countryside - Infrastructure & Fencing	45.0	45.0	45.0	45.0	45.0	<b>225.0</b>
Contaminated Land - Investigation Work	30.0	30.0	30.0	30.0	30.0	<b>150.0</b>
Land Flood Prevention	6.0	10.5	10.5	10.5	10.5	<b>48.0</b>
	<b>3,927.0</b>	<b>2,821.5</b>	<b>1,201.5</b>	<b>1,201.5</b>	<b>1,201.5</b>	<b>10,353.0</b>

PLACE DELIVERY	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£000	£000	£000	£000	£000	£000
Marketfield Way Redevelopment	18,858.6	23,212.0	15,100.0	0.0	0.0	<b>57,170.6</b>
Preston Regeneration	362.1	0.0	0.0	0.0	0.0	<b>362.1</b>
Horley Public Realm Improvements - Phase 4	100.0	500.0	0.0	0.0	0.0	<b>600.0</b>
Merstham Recreation Ground	700.0	700.0	0.0	0.0	0.0	<b>1,400.0</b>
Redhill Public Realm Improvements	0.0	30.0	0.0	0.0	0.0	<b>30.0</b>
	20,020.7	24,442.0	15,100.0	0.0	0.0	<b>59,562.7</b>

<b>Economic Prosperity</b>						
Vibrant towns & villages	100.0	100.0	100.0	100.0	100.0	<b>500.0</b>
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>500.0</b>

<b>TOTAL APPROVED CAPITAL PROGRAMME</b>	<b>96,100.1</b>	<b>40,855.5</b>	<b>30,098.7</b>	<b>4,724.7</b>	<b>4,548.7</b>	<b>176,327.8</b>
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<b>SIGNED OFF BY</b>	Helen Stocker, Finance Manager, Financial & Corporate
<b>AUTHOR</b>	Helen Stocker, Finance Manager, Financial & Corporate
<b>TELEPHONE</b>	01737 276568
<b>EMAIL</b>	Helen.Stocker@reigate-banstead.gov.uk
<b>TO</b>	Executive
<b>DATE</b>	Thursday, 30 January 2020
<b>EXECUTIVE MEMBER</b>	Deputy Leader and Portfolio Holder for Finance

<b>KEY DECISION REQUIRED</b>	Y
<b>WARDS AFFECTED</b>	(All Wards);

<b>SUBJECT</b>	Council Tax Setting 2020/21
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<b>RECOMMENDATIONS</b>				
<p>1. It be noted that on 16 January 2020 the Council calculated:</p> <p>(a) the Council Tax base 2020/21 for the whole Council as <b>61,128.8</b></p> <p>[Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")] and,</p> <p>(b) for dwellings in those parts of its area to which a Parish precept relates:</p> <table style="margin-left: 40px;"> <tr> <td>Horley Town Council</td> <td style="text-align: right;"><b>10,191.7</b></td> </tr> <tr> <td>Salfords &amp; Sidlow Parish Council</td> <td style="text-align: right;"><b>1,416.5</b></td> </tr> </table> <p>The 'tax base' is the number of Band D equivalent dwellings in a local authority area. Detailed calculations of the Council Tax are set out in Annex 1, 2 &amp; 3.</p> <p>2. Calculate that the Council Tax requirements for the Council's own purposes for 2020/21 (excluding Parish precepts) is <b>£14,210,001</b></p> <p>3. That the following amounts be calculated for the year 2020/21 in accordance with Sections 31 to 36 of the Act:</p> <p style="margin-left: 40px;">a. <b>£85,196,176</b> – being the amounts which the Council estimates for the items</p>	Horley Town Council	<b>10,191.7</b>	Salfords & Sidlow Parish Council	<b>1,416.5</b>
Horley Town Council	<b>10,191.7</b>			
Salfords & Sidlow Parish Council	<b>1,416.5</b>			

# Agenda Item 6

set out in Section 32(2) of the Act taking into account all precepts issued to it by Parish Councils

b. **£70,543,000** – being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) of the Act.

c. **£14,653,176** – being the amount which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 32(4) of the Act as its Council Tax requirement for the year (item R in the formula in Section 32(4) of the Act).

d. **£239.71** – being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year (including Parish

e. **£443,176** - being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix).

f. **£232.46** - being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

g. Horley Town Council **£272.17**

Salfords & Sidlow Parish Council **£259.64**

Being the amounts given by adding to the amount at 3(f) above the amounts of the special items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 1(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

4. It be noted that the figures in the attached Appendix being the amounts given by multiplying the amounts at 3(f) and 3(g) above by the number which, in the proportions set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of dwellings listed in different valuation bands.
5. It be noted that for the year 2020/21 Surrey County Council and Surrey Police have stated amounts in precepts issued to the Council, in accordance with Section 40 of the Act, for each of the categories of dwellings shown in Appendix 2.
6. Having calculated the aggregate in each case of the amounts 1 to 5, above, the Council, in accordance with Section 30(2) of the Act, hereby sets the amounts of

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Council Tax for the year 2020/21 for each of the categories of dwellings shown in Appendix 3.

7. Authorise the Chief Finance Officer to make any amendments to the Council Tax demands as might prove necessary as the result of changes to the estimated demands issued by preceptors on the Council's Collection Fund.

## REASONS FOR RECOMMENDATIONS

The *Local Government Finance Act 1992* sets out the requirement for local authorities to set a budget for the next financial year. This report provides the information to fulfil that requirement. Under the Constitution the Executive considers a proposed budget and Council Tax, before then making a recommendation on the appropriate level of Council Tax to full Council. Following consideration, Council may then authorise the budget and Council Tax.

## EXECUTIVE SUMMARY

This report will enable this Council to collect Council Tax for 2020/21 on behalf of itself and its precepting bodies.

**Recommendations 1-7 are subject to approval by the Council.**

## STATUTORY POWERS

1. The *Local Government Finance Act 1992* (the Act) sets out the requirement for local authorities to set a budget for the next financial year. The full Council of the authority is formally required to approve the budget and for Council Tax to be levied. Under the Council's Constitution the Executive considers a proposed budget and Council Tax, in order to make a recommendation on the appropriate level of Council Tax to the full Council.
2. Reigate & Banstead Council, in common with other District and Borough Councils, acts as a Council Tax collection agent for other organisations, known as "preceptors" on the Council's Collection Fund. Reigate & Banstead's preceptors are Surrey County Council, Surrey Police, Horley Town Council and Salfords and Sidlow Parish Council. The majority of Council Tax paid by residents of the borough is collected on behalf of these precepting authorities.
3. At the time of writing the final precepts from Surrey County Council and the Surrey Police are not known. They are holding their budget setting meetings in early February. All information relating to the precepts presented in this report is based on the latest available estimates, for illustrative purposes, and may therefore be subject to change.

## KEY INFORMATION

4. The purpose of this report is to propose the technical recommendations which Council will need in order to comply with the Act and set a legally compliant budget.

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5. Annex 1 sets out, in accordance with the legislation, the calculation of the Borough's and the Parish/Town Councils' basic amounts of tax. That is, the taxes for a Band D property.
6. The calculations below have been based on the assumption that the Executive will recommend a budget at that level for acceptance by Council. Any changes by the Executive will, of course, be incorporated into the recommendation to Council in February.
7. **Salfords and Sidlow Parish Council** set their budget on 9 December 2019 based upon an amount of £27.18 for a Band D dwelling which is an increase of £5.00 for a Band D dwelling.
8. **Horley Town Council** set their budget on 10 December 2019 based upon an amount of £39.71 for a Band D dwelling which is an increase of £1.84 from 2019/20
9. **Reigate and Banstead Borough Council's** proposed annual Band D Council Tax rates are as follows:
  - £232.46 (or £4.46 per week) in non-parished areas (i.e. the Borough's Council Tax)
  - £272.17 (or £5.22 per week) in the Horley Town Council area
  - £259.64 (or £4.98 per week) in the Salfords and Sidlow Parish Council area.
10. The Council has previously decided to treat all its expenditure as a general expense on the whole of the Borough and not to designate any special expense areas (for example, for parish/town Council areas) (minute no. 5(i)(5), page 623 1993/94 refers). All residents therefore pay the same basic amount for borough services for a Band D property, subject to statutory exemptions, reliefs and discounts.
11. **Surrey County Council** is due to set its budget on 4 February 2020. For the purposes of this report a 3.99% increase in their council tax rate has been assumed. This equates to a Band D Council Tax of £1,511.46. The calculations shown in Tables 1, 2 and 3 are therefore illustrative only, in order to show what the Band D Council Tax for the average Council Taxpayer might look like. The Executive is recommended to authorise the Chief Finance Officer to make such amendments as are necessary to this report in order to reflect the final demand from the County Council in the report to Council on 13 February 2020.
12. **Surrey Police & Crime Commissioner** is due to set its budget on 7 February 2020 with a proposed increase of £5.19 in their council tax rate. Again, the calculations in Tables 1, 2 and 3 are illustrative only, in order to show what the Band D Council Tax for the average Council Taxpayer might look like. The Executive is recommended to authorise the Chief Finance Officer to make such amendments as are necessary to this report in order to reflect the final demand from the Surrey Police in the budget report to Council on 13 February 2020.

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13. The 2020/21 Council Tax for each area of the Borough is as detailed in Annexes 2, 3 and 4. In summary, the total to be collected in 2020/21 is shown in Table 1 below.

**Table 1: Analysis of Council Tax by Preceptor**

Authority	£000	% share
Surrey County Council	92,393.7	74.94%
Surrey Police & Crime Commissioner	16,245.6	13.18%
Reigate & Banstead BC	14,210.0	11.53%
Horley Town Council	404.7	0.33%
Salfords & Sidlow Parish Council	38.5	0.02%
	<b>123,292.5</b>	<b>100%</b>

14. An analysis of the individual Council Tax elements is set out in Table 2 below.

**Table 2: Analysis of Council Tax Changes by Preceptor**

Authority	2020/21	2019/20	Increase	
			£	%
Surrey County Council	1,511.46	1,453.50	57.96	3.99%
Surrey Police & Crime Commissioner	265.76	260.57	5.19	1.99%
Reigate & Banstead Borough Council	232.46	227.46	5.00	2.20%
Horley Town Council	39.71	37.87	1.84	4.85%
Salfords & Sidlow Parish Council	27.18	22.18	5.00	22.54%
	<b>2,076.57</b>	<b>2,001.58</b>	<b>74.99</b>	<b>3.75%</b>

15. The total figures above are for statutory reporting purposes only. The actual levels of Council Tax to be paid, given the assumptions about the precepts are shown in Table 3 below.

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**Table 3: Total Payable at Band D**

Area	Borough & Parish Services £	County & Police Services £	Total Payable at Band D £
Horley Town Council	272.17	1,777.22	2,049.39
Salfords & Sidlow Parish Council	259.64	1,777.22	2,036.86
Rest of the Borough	232.46	1,777.22	2,009.68

## **OPTIONS**

16. The budget is based on a recommended Council Tax rise of £5.00 (2.20%) increase in 2020/21.

## **LEGAL IMPLICATIONS**

17. The legal implications of this report are fully covered in the statutory powers section.

## **FINANCIAL IMPLICATIONS**

18. The financial implications of this report are set out in the report.

## **EQUALITIES IMPLICATIONS**

19. These are explored in the Budget 2020/21 report elsewhere on the agenda.

## **CONSULTATION & COMMUNICATION IMPLICATIONS**

20. The budget proposals were circulated to the business community via the monthly Business e-bulletin (which has in excess of 1,500 recipients).

## **RISK MANAGEMENT CONSIDERATIONS**

21. These are explored in the Budget 2020/21 report elsewhere on the agenda.

## **POLICY FRAMEWORK**

22. Approval of the annual General Fund Budget and determination of the Council Tax is a function of full Council under the Council's constitution (Article 4.12)

## **BACKGROUND PAPERS**

*Council Tax Base 2020/21*, report to Council, 16 January 2020

*Budget 2020/21*, Executive, 30 January 2020

## COUNCIL TAX 2020/21

Annex 1

## REIGATE AND BANSTEAD'S AND PARISH/TOWN COUNCILS' BASIC AMOUNTS OF TAX

	RBBC average including parishes	RBBC excluding parishes	Horley Town Council area	Salfords & Sidlow Parish Council area
<b>Tax base</b>	61,128.8	61,128.8	10,191.7	1,416.5
	£	£	£	£
Gross expenditure (Borough)	84,753,000	84,753,000	84,753,000	84,753,000
Income (Borough)	-60,293,400	-60,293,400	-60,293,400	-60,293,400
	<u>24,459,600</u>	<u>24,459,600</u>	<u>24,459,600</u>	<u>24,459,600</u>
Contribution from Reserves	-5,560,599	-5,560,599	-5,560,599	-5,560,599
<b>NET BOROUGH BUDGET</b>	<u>18,899,001</u>	<u>18,899,001</u>	<u>18,899,001</u>	<u>18,899,001</u>
Horley TC precept	404,676	0	404,676	0
Salfords & Sidlow PC precept	38,500	0	0	38,500
<b>BUDGET REQUIREMENT</b>	<u>19,342,177</u>	<u>18,899,001</u>	<u>19,303,677</u>	<u>18,937,501</u>
General government grant	-2,900,000	-2,900,000	-2,900,000	-2,900,000
New Homes Bonus	-1,789,000	-1,789,000	-1,789,000	-1,789,000
<b>TOTAL</b>	<u>14,653,177</u> *	<u>14,210,001</u>	<u>14,614,677</u>	<u>14,248,501</u>
<b>BASIC AMOUNT OF TAX</b>	<u><u>239.71</u></u>	<u><u>232.46</u></u>	<u><u>272.17</u></u>	<u><u>259.64</u></u>
* Demand on Collection Fund				

## COUNCIL TAX 2020/21

Annex 2

## SETTING OF TOTAL COUNCIL TAX (INCLUDING BOROUGH &amp; ALL PRECEPTING AUTHORITIES) - BASIC AMOUNT (BAND D)

AUTHORITY	AREA		
	Reigate & Banstead	Horley TC	Salfords & Sidlow PC
	£	£	£
Reigate & Banstead *	232.46	272.17	259.64
Surrey County Council	1,511.46	1,511.46	1,511.46
Surrey Police	265.76	265.76	265.76
<b>TOTAL</b>	<b>2,009.68</b>	<b>2,049.39</b>	<b>2,036.86</b>

\* Including Parish and Town Council where appropriate

## COUNCIL TAX 2020/21

COUNCIL AREA	VALUATION BANDS							
	A £	B £	C £	D £	E £	F £	G £	H £
<b>1. AMOUNTS OF TAX FOR REIGATE AND BANSTEAD BOROUGH COUNCIL, HORLEY TOWN COUNCIL AND SALFORDS AND SIDLOW PARISH COUNCIL</b>								
Horley Town Council area	181.45	211.69	241.93	272.17	332.65	393.13	453.62	544.34
Salfords and Sidlow Parish Council are	173.09	201.94	230.79	259.64	317.34	375.04	432.73	519.28
Rest of Borough	154.97	180.80	206.63	232.46	284.12	335.78	387.43	464.92
<b>2. AMOUNTS OF TAX FOR SURREY COUNTY COUNCIL AND SURREY POLICE</b>								
Surrey County Council precept	1007.64	1175.58	1,343.52	1,511.46	1,847.34	2,183.22	2,519.10	3,022.92
Surrey Police precept	177.17	206.70	236.23	265.76	324.82	383.88	442.93	531.52
<b>3. TOTAL AMOUNTS OF COUNCIL TAX FOR 2020/21</b>								
Horley Town Council area	1,366.26	1,593.97	1,821.68	2,049.39	2,504.81	2,960.23	3,415.65	4,098.78
Salfords and Sidlow Parish Council are	1,357.90	1,584.22	1,810.54	2,036.86	2,489.50	2,942.14	3,394.76	4,073.72
Rest of Borough	1,339.78	1,563.08	1,786.38	2,009.68	2,456.28	2,902.88	3,349.46	4,019.36

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# Agenda Item 7



<b>SIGNED OFF BY</b>	Doula Pont, Head of Projects and Performance
<b>AUTHOR</b>	Luke Harvey
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<b>EMAIL</b>	Luke.Harvey@Reigate-Banstead.gov.uk
<b>TO</b>	Executive
<b>DATE</b>	30 January 2020
<b>EXECUTIVE MEMBER</b>	Councillor V. Lewanski

<b>KEY DECISION REQUIRED</b>	No
<b>WARDS AFFECTED</b>	All Wards

<b>SUBJECT</b>	<b>Quarterly Performance Report (Q2 2019-20)</b>
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<b>RECOMMENDATIONS</b>
(i) <b>To note the Council's performance for the second quarter of financial year 2019-20.</b>
<b>REASONS FOR RECOMMENDATIONS</b>
To consider Council performance for the second quarter of financial year 2019-20.
<b>EXECUTIVE SUMMARY</b>
The attached report (Annex 1) provides the headline issues in relation to the Council's performance for quarter two 2019-20. The report was considered by the Overview and Scrutiny Committee on 17 December 2019. The committee made a number of observations on the report, the detail of which is captured in the minutes of the meeting.
<b>Executive has authority to approve the above recommendation</b>

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<b>Subject:</b>	<b>Quarterly Performance Report (Q2 – July to September 2019)</b>
<b>Officer:</b>	Doula Pont
<b>To:</b>	Overview and Scrutiny Committee, 17 December 2019
<b>Purpose:</b>	To consider the Council’s performance for the second quarter of the year 2019-20.

**Introduction**

This report provides the headline issues on major variances in relation to the Council's overall performance for Quarter 2.

The detailed information showing all performance is available for Members to review at the eMembers room.

The headline performance information is set out in the following sections:

Key Performance Indicators	Section 1
Risk Management	Section 2
Revenue budget monitoring	Section 3
Capital budget monitoring	Section 4

**Recommendation**

The Committee is requested to review the performance report and consider any advance questions received in relation to strategic issues and make any observations to the Executive.

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## KEY PERFORMANCE INDICATORS

### Headline Information

Of the 14 Key Performance Indicators reported on this quarter, 10 are on target or within the agreed tolerance. 2 are outside of tolerance, 1 is contextual and 1 is unable to report.

KPI 4 is a contextual indicator that tracks the number of individuals/households that approach the Council for homelessness support. Whilst this figure is outside the direct control of the Council – and no target is therefore able to be set – it provides valuable context for the other homelessness performance indicators.

A copy of the full performance schedule is available in the eMembers portal.

### Major variances

<b>KPI 2 – Total number of residential completions</b>	
<b>Target</b>	<b>Actual</b>
230	122

The target and performance for this indicator is cumulative for the year.

The trend that was observed in Q1 continues. The low total number of completions reflects the phasing of some major developments and, in particular large developments of flats, which can result in an uneven distribution of housing completions through the year.

Housing completions are dependent on a ‘pipeline’ of homes. The pipeline starts at the planning permission stage, through to the build (the start of which is called a ‘commencement’) and then ultimately completion.

It can take circa 12 months for a commencement to feed through into a completion – though, in some instances, this can be even longer. In 2017/18 there were 366 commencements. This is lower than that received in previous years and has therefore resulted in lower completions in the first two quarters of this year.

The latter notwithstanding, there were 597 commencements in 2018/19 – many of which are part of large developments, including flats. Commencements in 2018/19 are high in comparison to previous years, meaning that these builds should eventually lead to commensurately high numbers of completions in the upcoming quarters.

At the end of Q2 there were 2,041 units under construction, 56 of which commenced construction during the quarter.

<b>KPI 12 – Trade waste – increase in the number of customers</b>	
<b>Target</b>	<b>Actual</b>

15

-11

The primary reason for the reduction in the number of active trade waste accounts is the closure of accounts following the non-payment of invoices. Recovery of outstanding monies due will follow the Council's usual debt recovery processes.

### Unable to report

We have been unable to report on one Key Performance Indicator:

#### KPI 1 – Maintain levels of self-service transactions

Target	Actual
80%	-

This indicator reports the percentage of key transactions that are completed online. The transactions are: paying a parking fine, buying a new/replacement bin and reporting a missed bin.

The systems upgrade reported in Q1 is almost complete, meaning that we are now able to report on 2 of these 3 measures:

- Paying a parking fine: 97% online
- Purchasing a new/additional bin: 92% online

The reporting functionality for reporting a missed bin, however, is not currently fully operational in the new CRM, meaning that we are unable to provide an accurate overall figure and are therefore unable to report.

### eMembers room information

A copy of the full schedule can be found in the eMembers portal.

## RISK MANAGEMENT

### Overview

This report covers two aspects of risk management:

#### *Strategic risks*

Strategic risks are defined as those risks that have an impact on the medium to long term ambitions and priorities of the Council as set out in the Five Year Plan and the Medium Term Financial Strategy. The Management Team has shared responsibility for strategic risks.

#### *Operational risks*

Operational risks are those short term risks that are encountered in the course of the day to day delivery of services and functions. Individual operational managers will have responsibility for their own operational risks. The Management Team are responsible for monitoring the operational risk registers.

### New strategic risks

There were **no new strategic risks identified in Q2 2019/20**.

### Risk update

In quarters 2 and 4 an update on the risk rating of all strategic risks and RED rated operational risks is provided.

All risks are actively monitored by the Management Team to ensure that appropriate controls are in place.

The table below provides a definition of the risk ratings that the Council employs.

<b>Red</b>	Where management should focus attention. Immediate actions should be identified and plans put in place to reduce risk as a priority.
<b>Amber</b>	Where management should ensure that contingency plans are in place. These may require immediate action and will require monitoring for any changes in the risk or controls. These will be a key area of assurance focus.
<b>Yellow</b>	These should have basic mechanisms in place as part of the normal course of management.
<b>Green</b>	Where risk is minimal if does not demand specific attention but should be kept under review.

### Strategic risks

Ref.	Risk description	Rating
SR1	<p><b>Brexit</b></p> <p>There is a high possibility that the UK's exit from the European Union will result in disruption to the borough and Council services. However there is a high degree of uncertainty surrounding the scale of impact that could be experienced by the Council as a result of Brexit, therefore making this risk difficult for the Council to effectively manage and control.</p>	Amber
SR2	<p><b>Financial sustainability</b></p> <p>The Council receives no Revenue Support Grant from Central Government. Whilst council tax and business rates make up a significant portion of the Council's funding, they do not cover the full extent of the Council's expenditure.</p> <p>The Council's ability to generate income from investments may be restricted by changes in regulations and codes of practice.</p> <p>The Council must therefore put in place a capital investment strategy, supported by appropriate governance structures and resources, to generate additional income to sustain service provision. The failure to generate this income will jeopardise the delivery of corporate objectives. Managing this risk well is dependent on Officers and Members remaining ambitious.</p>	Amber
SR3	<p><b>Local Government reorganisation and partner public sector funding decisions</b></p> <p>The public sector as a whole is experiencing significant funding pressures. Budgetary decisions made by other public service providers will impact this borough's residents and businesses as well as the Council itself. The Council may need to increase its services or the support provided, which could have funding and resource implications.</p> <p>In addition, funding pressures could result in the financial failure of partner public sector organisations. A failure of this nature within Surrey may prompt a reorganisation of local government which could have adverse effects on this Council and the delivery of services for residents.</p> <p>These funding and structural pressures, juxtaposed with the outcome of the local government Fair Funding review, could also result in this Council assuming a range of new functions or responsibilities that have traditionally sat with Surrey County Council. This Council's ability to influence such decisions will be limited, however the mitigation of this risk may require the diversion of a disproportionate level of Council resources.</p>	Red
SR4	<b>Organisational capacity and culture</b>	Amber

	<p>The Council is on the verge of implementing an ambitious Corporate Plan, supported by a capital investment strategy and housing strategy. Delivering on the ambitions in these plans – to ensure we remain an efficient and effective Council - will require a continually ambitious organisation and culture, including both Members and Officers.</p>	
<b>SR5</b>	<p><b>Economic prosperity</b></p> <p>A prosperous economy is essential for the wellbeing of the borough, creating employment and wealth that benefits local people. Economic prosperity cannot be taken for granted and the current economic outlook is very uncertain.</p> <p>Prevailing economic conditions have a direct impact on the Council's financial position and likewise impacts upon the demand for Council services, particularly in terms of income derived from paid for services and the collection of monies owed. Challenging financial circumstances for residents may also increase their reliance on Council services.</p>	<b>Amber</b>
<b>SR6</b>	<p><b>Welfare reform</b></p> <p>The borough's residents are being affected by a combination of welfare reforms, increasing housing costs and economic changes. This increases the risk of household budgets being stretched and residents being threatened with homelessness. The latter could result in an increase in cost pressures on the Council as our services are increasingly relied upon.</p>	<b>Amber</b>
<b>SR7</b>	<p><b>Cyber security</b></p> <p>Organisations are at an ever increasing risk of cyber attack as the use of digital systems and technologies increases. More sophisticated attacks and new variants of malicious software underscore the risk of corporate defences being compromised.</p> <p>The effects of a cyber attack are wide and varied though at their worst could result in data destruction, disruption to the delivery of services and data theft.</p>	<b>Amber</b>
<b>SR8</b>	<p><b>Fraud</b></p> <p>Due to the wide range of activities being undertaken by the Council, there is a risk of fraud being committed which therefore requires robust systems and processes to be in place.</p>	<b>Amber</b>
<b>SR9</b>	<p><b>Local plan (closed)</b></p> <p><i>This risk was closed in Q1 2019/20.</i></p>	<b>Closed</b>
<b>SR10</b>	<p><b>Marketfield Way</b></p>	<b>Amber</b>

	Marketfield Way is a major place project for the Council and is critical to shaping Redhill and ensuring the town's continued vitality and viability. It will also generate income which can be reinvested in Council services. Delays to this project would have an impact on the delivery of Redhill's regeneration as well as a financial impact on the Council.	
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**Operational risks (exception reporting)**

There are currently no operational risks that are rated as RED.

**eMembers room information**

The strategic and operational risk registers are available in the eMembers portal.

**Summary**

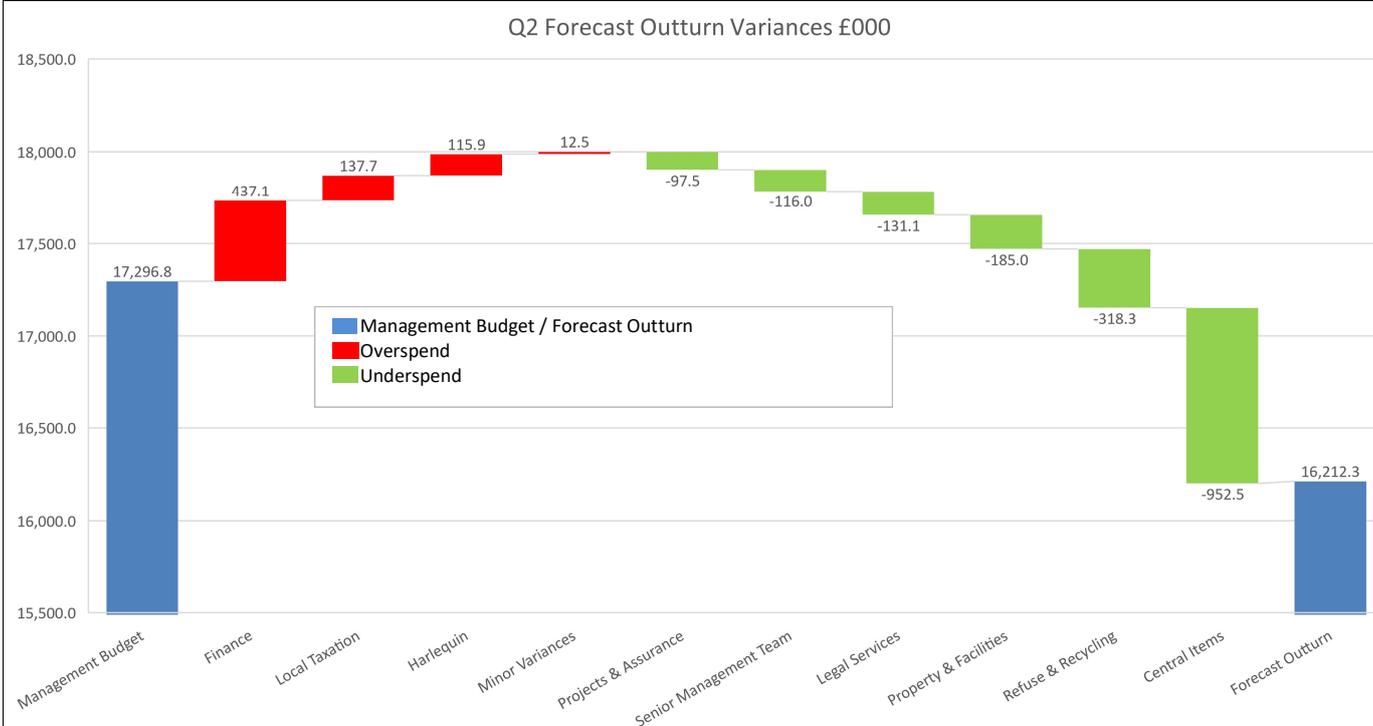
The forecast outturn for services at the end of Quarter 2 is £132.0k (or 1%) lower than the management budget with the overall forecast including central items being £1084.5k (or 6.3%) lower than management budget for the year. This compares to an overall forecast underspend of £774.4k (4.6% lower than budget) reported at Q1. The change relates primarily to a better understanding of the likely use of contingencies at this point in the year.

**Reconciliation of Original Budget to Management Budget for 2019-20**

	£000	£000
Original Budget		16,294.6
Transfers from Reserves:		
Corporate Plan Delivery Fund	659.3	
CIL funds	342.9	
		1,002.2
Management Budget		17,296.8

**Headline Revenue Budget information 2019-20**

	£000
Management Budget	17,296.8
Forecast Year End Outturn	16,212.3
Projected underspend	(1,084.5) (or -6.3% of the budget)



**Revenue – total forecast for Services is £132k better than budget:**

- Finance, the forecast is £437k over budget as a result of additional work required during the 2018/19 audit of the Statement of Accounts, additional work relating to major projects including the Horley Business Park land purchase, Marketfield Way and Baseball, and the use of interim staff to both cover vacancies and to improve finance processes.
- Benefits/Local Taxation, forecast is £138k above budget due to loss of DWP grant and additional consultancy and printing costs.
- Harlequin, forecast is £116k over budget due to delay in cinema opening and also staff costs higher than budget.
- Projects and Assurance, forecast £97k lower than budget mainly due to vacant posts.
- Senior Management Team, forecast £116k lower than budget due to vacant Director post.
- Legal Services, forecast is £131k under budget due to vacancies.
- Property and Facilities, forecast is £185k better than budget due to new rental from Salfords offset by lower income from Warwick Quadrant and Marketfield Way.
- Refuse and Recycling, forecast £318k better than budget (income £500k better than budget offset by overtime and temp staff costs to cover sickness, additional staff for recycling service to flats and by extra spending on new bins).

**Revenue – Central Items are £952k less than budget:**

- Pensions £200k contingency unallocated.
- £835k headroom, part of contingencies budget unallocated.
- £100k redundancy budget part of contingencies budget unallocated.
- Recruitment Costs are forecast to be £109k higher than budget.
- Interest on investments is forecast to be £86k lower than budget.

<b>1. General Fund Reserve</b>		<b>£000</b>
Balance at start of year		12,546.8
Less: Transfers out		0.0
Add Projected underspend		1,084.5
Anticipated balance at end of year *		13,631.3
* Note: Minimum General Fund Balance Required (15% of total Management Budget) is	2,600.0	
<b>2. Corporate Plan Delivery Fund (CPDF) Reserve</b>		<b>£000</b>
Balance at start of year		1,206.3
<u>Revenue</u>	Allocation type:	
Carried Forward - Customer Relationship Mngt.	Digital Delivery	18.7
Carried Forward - Staff Recognition Scheme	Staff Development	3.9
18-02 Community Development Team	Salary	8.6
18-02 Residents Satisfaction Survey	Regeneration	9.0
18-02 One-off Election Expenses	Elections	125.0
18-05 CRM Procurement	Digital Delivery	16.9
18-06 Projects - Corporate Plan	Organisation	8.5
18-08 Feasibility Studies	Place	20.6
18-10 Housing Licensing Resource	Salary	23.6
18-11 Housing Strategy Development	Place	18.0
19-05 Traveller Preventative Measures	Place	40.0
19-07 Economic Prosperity Officer	Place	38.5
19-08 Community Transition Budget	People	135.0
19-09 Democratic, Commercial & Policy Officer	Organisation	103.0
19-15 Housing Needs Strategy - Consultancy	People	25.0
19-15 DMP Examination -Inspector Costs	Place	65.0
		659.3
<u>Capital</u>		
19-10 Laptops, MS Office 365, Windows 10	Digital Delivery	196.0
19-11 IT Improvements @ The Harlequin	Digital Delivery	69.0
19-12 Civica Upgrade	Digital Delivery	25.0
19-13 Netcall Liberty Upgrade	Digital Delivery	105.0
19-14 Northgate iWorld	Digital Delivery	40.0
		435.0
Balance before any further transfers in year		112.0
<b>3. Uncommitted Contingencies</b>		
Contingency Budgets		1,007.5
New Posts Fund		0.0
		1,007.5

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
Simon Bland	Economic Prosperity	277.6	38.5	316.1	316.1	0.0	
Kate Brown	Human Resources	546.2	3.9	550.1	565.2	15.1	Maternity Cover for one person within this function.
Richard Robinson	Housing Services	989.7	18.0	1,007.7	966.6	-41.1	Income generated from Temporary accommodation and Masset's Road expected to be more than budget.
Doula Pont	Senior Management Team	1,184.4	5.5	1,189.9	1,073.9	-116.0	The forecast is £116k lower than budget due to the vacant Director post.
	Projects & Assurance	584.7	8.5	593.2	495.7	-97.5	Forecast lower than budget mainly due to vacant posts.
	Corporate Support	120.3	0.0	120.3	124.0	3.7	
Justine Chatfield	Community Development	208.0	193.3	401.3	409.2	7.9	Shortfall on income, this is a recovery of costs that is dependent on the successful outcome of external funding.
	Partnerships	269.1	133.4	402.5	402.4	-0.1	
	Community Centres	263.5	135.0	398.5	398.5	0.0	
	Voluntary Sector Support	421.7	-61.6	360.1	360.1	0.0	
Peter Boarder	Place Delivery	169.5	60.6	230.1	230.1	0.0	
Morag Williams	Fleet	771.4	0.0	771.4	800.5	29.1	Until the ageing fleet of waste vehicles are replaced, they will require greater expenditure on spare parts to keep running. Waste vehicles are planned to be replaced over a three year period beginning 2020/21.
	Refuse & Recycling	1,302.6	0.0	1,302.6	984.3	-318.3	
	Engineering & Construction	56.9	0.0	56.9	56.9	0.0	Variance is predominantly relating to Air Quality Monitoring. Historically this attracted more capital expenditure than revenue. Growth proposals have been requested for 20/21 Budget Setting to correct it, however income is received from Gatwick Airport and the expenditure does not exceed it.
	Environmental Health & JET	973.6	8.6	982.2	1,020.7	38.5	
	Environmental Licencing	-296.5	0.0	-296.5	-296.5	0.0	
	Greenspaces	1,274.8	153.5	1,428.3	1,428.1	-0.2	Parking receipts (all types) are forecast to be £124k higher than budget. Pay and Display and advance tickets are all doing better against budget than are Parking Fines issued. Against this, there have been additional costs relating to annual service and support for equipment, that related to prior years.
	Car Parking	-2,202.2	0.0	-2,202.2	-2,267.1	-64.9	
	Street Cleansing	985.4	0.0	985.4	960.8	-24.6	Fuel for the vehicles used in street cleansing has been less than allowed for in the budget.

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
Duane Kirkland	Supporting People	84.3	0.0	84.3	84.3	0.0	The forecast is £116k over budget due to delay in cinema opening and also staff costs higher than budget.
	Supporting Families	90.0	0.0	90.0	90.0	0.0	
Harlequin	162.9	0.0	162.9	278.8	115.9		
	Leisure Services	-148.6	0.0	-148.6	-96.3	52.3	Budget affected as a result of the 2018 restructure - (Ageing Well) growth bid already made for 2020/21.
Andrew Benson	Building Control	28.5	0.0	28.5	11.3	-17.2	Overall, the Planning budgets are expected to break-even at year-end. Income is expected to slow-down over the Winter months but this has been factored into the current forecast.
	Development Services	355.2	65.0	420.2	319.0	-101.2	
	Planning Policy	346.3	275.0	621.3	739.7	118.4	
Carys Jones	Communications	391.2	9.0	400.2	410.7	10.5	Design work not included in the budget is causing this overspend.
	Customer Contact	348.9	0.0	348.9	369.6	20.7	This is a staffing overspend that is being addressed in 2020/21 Budget setting process.

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
Darren Wray	Web & Information Information & Communications Technology	296.3 1,180.4	0.0 35.6	296.3 1,216.0	296.3 1,208.2	0.0 -7.8	
Caroline Waterworth	Democratic Services	827.5	103.0	930.5	941.6	11.1	Forecast overspends on Members training and refreshments for mayoral events.
	Electoral Services	403.3	125.0	528.3	517.3	-11.0	Vacancy in electoral officer post for part of the year.
	Legal Services	764.8	0.0	764.8	633.7	-131.1	The forecast is £131k under budget due to vacancies.
	Land Charges	-111.1	0.0	-111.1	-125.1	-14.0	Levels of income currently predicted to be better than budget. This income is highly variable based on seasonal trends.
	Property & Facilities	-1,882.0	-66.1	-1,948.1	-2,133.1	-185.0	The forecast is £185k better than budget due to new rental from Salfords offset by lower income from Warwick Quadrant and Marketfield Way.
Pat Main	Finance	1,183.6	-22.7	1,160.9	1,598.0	437.1	The forecast is £437k over budget as a result of additional work required during the 2018/19 audit of the Statement of Accounts, additional work relating to major projects including the Horley Business Park land purchase, Marketfield Way and Baseball, and the use of interim staff to both cover vacancies and to improve finance processes.
Simon Rosser	Benefits Paid/Subsidy Received	342.8	0.0	342.8	382.5	39.7	Forecast is £138k above budget due to loss of DWP grant and additional consultancy and printing costs.
	Benefits	-298.4	-18.7	-317.1	-369.5	-52.4	
	Local Taxation	-118.7	18.7	-100.0	50.4	150.4	
<b>Subtotal</b>		12,147.9	1,221.0	13,368.9	13,236.9	-132.0	(1.0%)

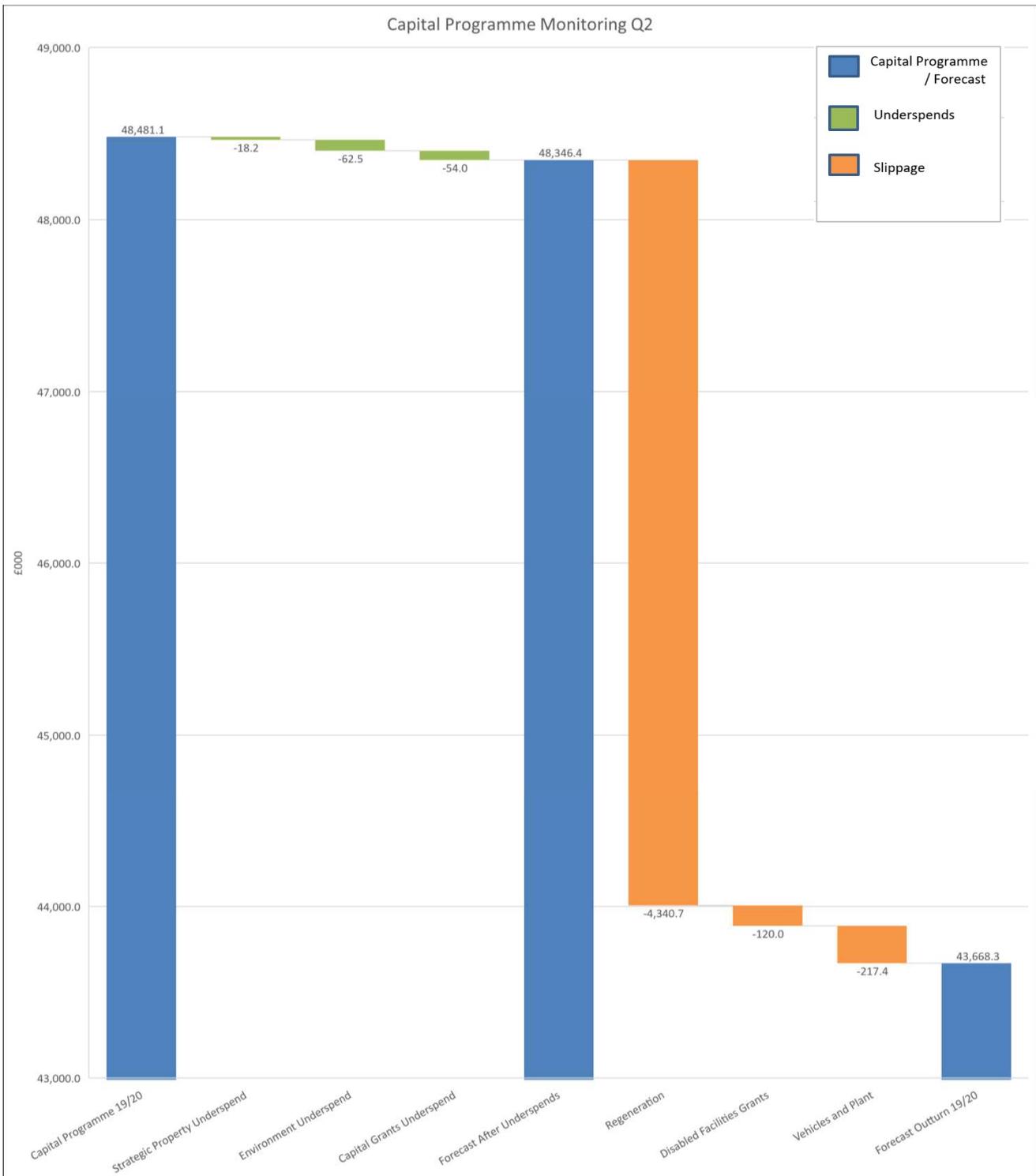
Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
Pat Main Central Items	Insurance	452.1	0.0	452.1	482.1	30.0	Increase in insurance costs to be corrected in 20/21 through service and financial planning budget growth.
	Treasury Management - Interest on Investments	-563.9	0.0	-563.9	-477.7	86.2	The treasury investments portfolio has been reduced in order to reduce the amount of external borrowing required - leading to a consequent reduction in forecast investment interest.
	Treasury Management - Interest on Borrowing	157.0	0.0	157.0	173.6	16.6	Increased costs due to increased borrowing needs to reflect the approved capital programme.
	Treasury Management - Interest on Trust Funds	36.0	0.0	36.0	36.0	0.0	Forecast expenditure will be in line with budget at outturn.
	Employer Pension costs	2,338.0	0.0	2,338.0	2,138.0	-200.0	Budget requirement to be reviewed for 2020/21.
	Apprenticeship Levy	63.9	0.0	63.9	63.9	0.0	Forecast activity will be in line with budget at outturn.
	Recruitment Expenses	16.0	0.0	16.0	125.0	109.0	Fees relating to recruitment of vacant senior posts including the Director for Organisation, Head of Finance, Property Services Manager and vacancies arising from the Finance Team restructure.
	Corporate HR Expenses	66.8	0.0	66.8	77.7	10.9	Includes senior staff development costs.
	Budget Contingencies	1,280.5	-60.0	1,220.5	213.0	-1,007.5	The £60k change in the budget reflects a transfer to the Harlequin capital budget to pay for new projectors and the £213k forecast outturn is the expected transfer to capital at the year-end.
	New Posts Budget	250.0	-158.8	91.2	91.2	0.0	Budget is forecast to be fully utilised by year-end.
	External Audit Fees	50.3	0.0	50.3	52.6	2.3	Forecast expenditure will be in line with budget at outturn.
	<b>Subtotal</b>	<b>4,146.7</b>	<b>-218.8</b>	<b>3,927.9</b>	<b>2,975.4</b>	<b>-952.5</b>	
	<b>Grand Total</b>	<b>16,294.6</b>	<b>1,002.2</b>	<b>17,296.8</b>	<b>16,212.3</b>	<b>-1,084.5</b>	<b>(6.3%)</b>
	<b>Budget Contingencies</b>						
	Miscellaneous salaries	49.9	0.0	49.9	0.0	-49.9	Historic unused budget - to be deleted in 20/21.
	Redundancy and Severance Payments	100.0	0.0	100.0	0.0	-100.0	No expenditure in current forecast.
	Headroom Contingency	835.8	0.0	835.8	0.0	-835.8	Underspend will offset service in-year budget pressure.
	Revenue Contributions To Capital	500.0	-60.0	440.0	213.0	-227.0	Current contributions to Capital funded via revenue.
	Preceptor Grants	57.5	0.0	57.5	0.0	-57.5	Payments to Parish Councils relating to services which would otherwise be delivered by the Council.
	Miscellaneous income	-262.7	0.0	-262.7	0.0	262.7	Contingency Income budgets to be issued from or absorbed into during the year.
	<b>Central Budget Contingencies</b>	<b>1,280.5</b>	<b>-60.0</b>	<b>1,220.5</b>	<b>213.0</b>	<b>-1,007.5</b>	

**Summary**

Forecast expenditure against the capital programme as at the end of Quarter 2 is £43.7m which is £4.8m or 9.9% below the approved programme for the year (there was no significant variance reported at Q1). The majority of the £4.8m relates to slippage as shown below).

**Headline Capital Budget Information, Quarter 2 2019/20**

Current Budget (annex 1):	<b>£48,481,100</b>
Projected Underspend	(£134,700) (or 0.3% of programme).
Projected Slippage	(£4,678,100) (or 9.6% of programme)
<b>Forecast Capital Expenditure</b>	<b>£43,668,300</b>



## Underspends

- Strategic Property  
64 Massetts Road - £18.2k is an actual underspend as the final work is now completed and no further expenditure expected.
- Environment  
Air Quality Monitoring Equipment - Service attracts both revenue and capital funding, this year has seen a higher revenue expenditure impact and less capitalisable spend/commitment.  
  
Contaminated Land Investigation Work - Spend is contingent on the need for investigation works being identified, no scheme currently identified.
- Capital Grants  
Handy Person Scheme - The small works assistance scheme is being more widely publicised to promote uptake. Further increase in uptake expected in future years due to changes in availability of other sources of funding for home adaptations.  
  
Home Improvement Agency SCC Grant - The Home Improvement Agency service annual contract cost is £120,000. The £34,000 brought forward from 18/19 is no longer required as provision is adequate for all service related projected spend for the year.

## Slippage

- Regeneration  
Marketfield Way - Enabling works to bring forward the scheme is now scheduled to be undertaken in the fourth quarter 2019/20, with main build commencing in first quarter 2020/21.  
  
Preston Regeneration - Works to Chetwode Road have been approved by Local Committee and are programmed to get underway in the fourth quarter 2019/20 with further spend in 2020/21 to complete the project.
- Capital Grants  
Disabled Facilities Grants - Current budget and forecast outturn are both lower than the 19/20 allocation of £1.133m but reflects the current performance. Recently approved new housing assistance policy will likely improve the outturn, the service is continually assessing the pipeline of applicants.
- Vehicles and Plant  
The reported underspend is a slippage identified from the recently completed review of programmed vehicles roll-out.

**Waste and Recycling** - £665k has been spent in 19/20 on three 26 tonne rcv's as part of the fleet replacement project. A fourth 26 tonne RCV was purchased for £222k as part of the ongoing fleet replacement program. These vehicles are set to be delivered by the 31st of March 2020. £198k spent on the purchase of one Dennis Elite dustcart and £18k was used to purchase a second hand Luton type vehicle with tail lift to replace an accident damaged vehicle.

**Cleansing** - Total spend of £66k to replace three 3.5 tonne cage vans with tail lifts.

**Green Spaces** - Current spend of £73k to replace existing equipment. An estimated £50k is still due to be used for the purchase of one arborist van and one Playground repair vehicle within this financial year.

**Pool cars/Democratic Services** - A total of £17.5k will be used from this capital budget for the lease costs of all pool cars and the Mayoral vehicle, a total of 5 vehicles.

**Workshop/Transport** - £25k has been allocated to replace the current workshop breakdown vehicle.

**Other** - £8k has been spent on the acquisition of three market trailers.

**Notes** - £120,000 was allocated for the refurbishment of two 26 tonne RCV's, this procurement exercise has yet to be awarded.

## Capital Annex 1

### Reconciliation of Capital Programme to Approved Budgets 2019-20

	£000
<b>Original Capital Programme for 19/20</b>	45,926.8
<b>Additions</b> (detailed at Annex 2)	
Carry Forwards from previous year	1,456.3
Additional Approvals In Year	450.0
Reprofiling of projects	0.0
CPDF - (in -year allocation)	435.0
Revenue Contribution to Capital	213.0
<b>Current Capital Programme for 2019/20</b>	<b>48,481.1</b>

## Capital Programme Monitoring: Summary by Project 2019-20

Project	Original Capital Programme 19/20	Carry Forwards	Additional Approvals In Year	Reprofiled	Revenue Contribution to Capital (RCC)	Other Changes	Current Capital Programme 19/20	Forecast Year End Outturn	Forecast Year End Variance	
	£000	£000	£000	£000		£000	£000	£000	£000	
Horley Public Realm Improvements - Phase 2 and 3	390.0	0.0	0.0	0.0		0.0	390.0	390.0	0.0	Works completed and full spend to be achieved.
Marketfield Way Redevelopment	6,192.1	414.9	0.0	0.0		0.0	6,607.0	2,500.0	(4,107.0)	Enabling works to bring forward the scheme is now scheduled to be undertaken in the fourth quarter 2019/20, with main build commencing in first quarter 2020/21.
Redhill Public Realm Improvements	24.8	0.0	0.0	0.0		0.0	24.8	24.8	0.0	Works completed and full spend achieved
Preston - Regeneration	418.5	15.2	0.0	0.0		0.0	433.7	200.0	(233.7)	Works to Chetwode Road have been approved by Local Committee and are programmed to get underway in the fourth quarter 2019/20 with further spend in 2020/21 to complete the project.
Merstham Recreation Ground	100.0	0.0	0.0	0.0		0.0	100.0	100.0	0.0	
<b>Regeneration</b>	<b>7,125.4</b>	<b>430.1</b>	<b>0.0</b>	<b>0.0</b>		<b>0.0</b>	<b>7,555.5</b>	<b>3,214.8</b>	<b>(4,340.7)</b>	
Leisure Centre Maintenance	30.0	36.0	0.0	(15.0)		0.0	51.0	51.0	0.0	
Harlequin Property Maintenance	40.0	71.7	0.0	(82.0)		0.0	29.7	29.7	0.0	
Play Area Improvement Programme	222.0	20.5	0.0	0.0		0.0	242.5	242.5	0.0	Outstanding repairs to play areas were unable to be actioned within previous financial year.
Parks & Countryside - Infrastructure & Fencing	45.0	0.0	0.0	0.0		0.0	45.0	45.0	0.0	
Harlequin Maintenance	25.0	0.0	0.0	0.0		0.0	25.0	25.0	0.0	
Priory Park Maintenance	5.0	34.6	0.0	0.0		0.0	39.6	39.6	0.0	
<b>Leisure and Culture</b>	<b>367.0</b>	<b>162.8</b>	<b>0.0</b>	<b>(97.0)</b>		<b>0.0</b>	<b>432.8</b>	<b>432.8</b>	<b>0.0</b>	
Lee Street Bungalows	380.1	45.6	0.0	0.0		0.0	425.7	425.7	0.0	Planning Committee deferred the planning application. Project to be reworked to traditional brick build construction, revised planning application to be made and out to retender. New timetable not agreed yet.
64 Massetts Road	0.0	18.2	0.0	0.0		0.0	18.2	0.0	(18.2)	£18.2k is an actual underspend as the final work is now completed and no further expenditure expected.
Cromwell Road Development 2016	5,707.3	118.9	0.0	0.0		0.0	5,826.2	5,826.2	0.0	Tenders received October 2019 and are currently being assessed alongside the review of available approved budget for adequacy.
Unit 1 Pitwood Park Tadworth	4,332.0	0.0	0.0	0.0		0.0	4,332.0	4,332.0	0.0	Tenders received September 2019 and are currently being assessed alongside tenure options being explored and the review of available approved budget for adequacy.
<b>Strategic Property</b>	<b>10,419.4</b>	<b>182.7</b>	<b>0.0</b>	<b>0.0</b>		<b>0.0</b>	<b>10,602.1</b>	<b>10,583.9</b>	<b>(18.2)</b>	
Earlswood Depot/Park Farm Depot	10.0	5.9	0.0	0.0		0.0	15.9	15.9	0.0	
<b>Waste Management and Recycling</b>	<b>10.0</b>	<b>5.9</b>	<b>0.0</b>	<b>0.0</b>		<b>0.0</b>	<b>15.9</b>	<b>15.9</b>	<b>0.0</b>	
Land Flood Prevention Programme	6.0	5.0	0.0	0.0		0.0	11.0	11.0	0.0	The £11k budget will be applied to offset the expenditure on Frenches Pond works - (£20k in 2019/20, and £130k in 2020/21).
Air Quality Monitoring Equipment	48.0	0.0	0.0	0.0		0.0	48.0	15.5	(32.5)	Service attracts both revenue and capital funding, this year has seen a higher revenue expenditure impact and less capitalisable spend/commitment.
Contaminated Land - Investigation work	30.0	0.0	0.0	0.0		0.0	30.0	0.0	(30.0)	Spend is contingent on the need for investigation works being identified, no scheme currently identified.
<b>Environment</b>	<b>84.0</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>		<b>0.0</b>	<b>89.0</b>	<b>26.5</b>	<b>(62.5)</b>	

## Capital Programme Monitoring: Summary by Project 2019-20

Project	Original Capital Programme 19/20 £000	Carry Forwards £000	Additional Approvals In Year £000	Reprofiled £000	Revenue Contribution to Capital (RCC)	Other Changes £000	Current Capital Programme 19/20 £000	Forecast Year End Outturn £000	Forecast Year End Variance £000	
Handy Person Scheme	0.0	0.0	50.0	0.0		0.0	50.0	30.0	(20.0)	The small works assistance scheme is being more widely publicised to promote uptake. Further increase in uptake expected in future years due to changes in availability of other sources of funding for home adaptations.
Home Improvement Agency SCC Grant	120.0	34.0	0.0	0.0		0.0	154.0	120.0	(34.0)	The Home Improvement Agency service annual contract cost is £120,000. The £34,000 brought forward from 18/19 is no longer required as provision is adequate for all service related projected spend for the year.
Disabled Facilities Grant	965.0	0.0	0.0	0.0		0.0	965.0	845.0	(120.0)	Current budget and forecast outturn are both lower than the 19/20 allocation of £1.133m but reflects the current performance. Recently approved new housing assistance policy will likely improve the outturn, the service is continually assessing the pipeline of applicants.
Repossession Prevention Fund	30.0	6.3	0.0	0.0		0.0	36.3	36.3	0.0	Funds are used to prevent homelessness predominantly by providing interest free loans to applicants to cover rent in advance, as such expenditure is not at a consistent value throughout the year.
Capital Grants	20.0	0.0	0.0	0.0		0.0	20.0	20.0	0.0	This budget is used for paying capital grants to fund improvement programmes within the borough.
<b>Capital Grants</b>	<b>1,135.0</b>	<b>40.3</b>	<b>50.0</b>	<b>0.0</b>		<b>0.0</b>	<b>1,225.3</b>	<b>1,051.3</b>	<b>(174.0)</b>	
ICT - Disaster Recovery	0.0	41.0	0.0	0.0		0.0	41.0	41.0	0.0	
<b>Organisational Change</b>	<b>0.0</b>	<b>41.0</b>	<b>0.0</b>	<b>0.0</b>		<b>0.0</b>	<b>41.0</b>	<b>41.0</b>	<b>0.0</b>	
Vehicles & Plant Programme	1,302.0	400.0	0.0	0.0		0.0	1,702.0	1,484.6	(217.4)	The reported underspend is a slippage identified from the recently completed review of programmed vehicles roll-out. <b>Waste and Recycling</b> - £665k has been spent in 19/20 on three 26 tonne rcv's as part of the fleet replacement project. A fourth 26 tonne RCV was purchased for £222k as part of the ongoing fleet replacement program. These vehicles are set to be delivered by the 31st of March 2020. £198k spent on the purchase of one Dennis Elite dustcart and £18k was used to purchase a second hand Luton type vehicle with tail lift to replace an accident damaged vehicle. <b>Cleansing</b> - Total spend of £66k to replace three 3.5 tonne cage vans with tail lifts. <b>Green Spaces</b> - Current spend of £73k to replace existing equipment. An estimated £50k is still due to be used for the purchase of one arborist van and one Playground repair vehicle within this financial year. <b>Pool cars/Democratic Services</b> - A total of £17.5k will be used from this capital budget for the lease costs of all pool cars and the Mayoral vehicle, a total of 5 vehicles. <b>Workshop/Transport</b> - £25k has been allocated to replace the current workshop breakdown vehicle. <b>Other</b> - £8k has been spent on the acquisition of three market trailers. <b>Notes</b> - £120,000 was allocated for the refurbishment of two 26 tonne RCV's, this procurement exercise has yet to be awarded.
ICT Replacement Programme	275.0	0.0	0.0	0.0		435.0	710.0	710.0	0.0	(1) Laptop rolling replacement programme (£275k) - will be delivered this financial year and on budget. (2) Microsoft Office 365 Licenses (£156k) - will be delivered this financial year and on budget. (3) Windows 10 resource (£40k) - will be delivered this financial year and on budget. (4) Netcall Upgrade and ATP integration (£105k) - funds committed but possibility of slippage this year with project completion in 2020/21. (5) Civica DMS Upgrade (£25k) - will be delivered this financial year and on budget. (6) Harlequin Theatre IT Improvements (£69k) - funds committed but possibility of slippage this year with project completion in 2020/21. (7) Northgate iWorld cloud migration (£40k) - funds committed but possibility of slippage this year with project completion in 2020/21. (8) Slippage (if any) will be ascertained and reported by Qtr. 3.

## Capital Programme Monitoring: Summary by Project 2019-20

Project	Original Capital Programme 19/20 £000	Carry Forwards £000	Additional Approvals In Year £000	Reprofiled £000	Revenue Contribution to Capital (RCC)	Other Changes £000	Current Capital Programme 19/20 £000	Forecast Year End Outturn £000	Forecast Year End Variance £000	
Council Offices Programme	30.0	48.8	130.0	0.0		0.0	208.8	208.8	0.0	Council Offices additional funds are due to be spent this financial year on air conditioning plant and preparation works for boiler replacement. Delivery is on track.
Day Centres Programme	25.0	8.9	0.0	(8.9)		0.0	25.0	25.0	0.0	
Existing Pavilions Programme	30.0	21.8	0.0	(21.8)		0.0	30.0	30.0	0.0	
Commercial Investment Properties	50.0	13.3	80.0	0.0		0.0	143.3	143.3	0.0	Regent House , Redhill maintenance work - £80k and rest of the budget to cover forecast spend on other properties maintenance works.
Infra-structure (walls)	5.0	15.0	35.0	0.0		0.0	55.0	55.0	0.0	
Car Parks Capital Works Programme	30.0	50.2	106.0	0.0		0.0	186.2	186.2	0.0	Car Parks Lift replacement at Bancroft Rd multi storey will be out to tender shortly and programmed for completion this financial year.
Public Conveniences	5.0	0.0	49.0	136.0		0.0	190.0	190.0	0.0	Public conveniences additional funds will be spent on the refurbishment of Banstead High Street toilets which is well under way.
Cemeteries & Chapel	0.0	8.3	0.0	(8.3)		0.0	0.0	0.0	0.0	
Allotments	4.0	0.0	0.0	0.0		0.0	4.0	4.0	0.0	
CCTV Rolling Programme	30.0	22.2	0.0	0.0		0.0	52.2	52.2	0.0	The CCTV service is currently being reviewed. The outcome of the review and any budget impact will be developed and reported by Qtr. 3
<b>Rolling Programmes</b>	<b>1,786.0</b>	<b>588.5</b>	<b>400.0</b>	<b>97.0</b>		<b>435.0</b>	<b>3,306.5</b>	<b>3,089.1</b>	<b>(217.4)</b>	
Commercial Investments	25,000.0	0.0	0.0	0.0		0.0	25,000.0	25,000.0	0.0	Anticipated investment in new capital schemes in 2019/20 onwards to support delivery of the Corporate Plan, Housing Strategy and Investment Strategy. (There has been approximately £11m of expenditure in Q3 to fund the purchase of land for the Horley Business Park).
<b>Commercial Investments</b>	<b>25,000.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		<b>0.0</b>	<b>25,000.0</b>	<b>25,000.0</b>	<b>0.0</b>	
Revenue Contribution to Capital	0.0	0.0	0.0	0.0	213.0	0.0	213.0	213.0	0.0	Harlequin - Projector and printer - £78k. Pittwood - £50k temporary funding allocation for 2019/20. Transaction team additional ICT spend items - £65k (for Civica Icon upgrade and implementation- £50k plus additional icon installation charge £15k). Fenches pond works - £20k forecast spend in 2019/20.
<b>Revenue Contribution to Capital</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>213.0</b>	<b>0.0</b>	<b>213.0</b>	<b>213.0</b>	<b>0.0</b>	
<b>Total Capital Budget</b>	<b>45,926.8</b>	<b>1,456.3</b>	<b>450.0</b>	<b>0.0</b>	<b>213.0</b>	<b>435.0</b>	<b>48,481.1</b>	<b>43,668.3</b>	<b>(4,812.8)</b>	<b>(9.9%)</b>

# Agenda Item 8



<b>SIGNED OFF BY</b>	Head of Legal and Governance
<b>AUTHOR</b>	Catriona Marchant, Democratic Services Officer
<b>TELEPHONE</b>	Tel: 01737 276066
<b>EMAIL</b>	catriona.marchant@reigate-banstead.gov.uk
<b>TO</b>	Executive
<b>DATE</b>	Thursday, 30 January 2020
<b>EXECUTIVE MEMBER</b>	Leader of the Council

<b>KEY DECISION REQUIRED</b>	N
<b>WARDS AFFECTED</b>	N/A

<b>SUBJECT</b>	Calendar of Meetings 2020/21
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<b>RECOMMENDATION</b>
<b>The Executive is asked to consider and recommend to Council, the draft Calendar of Meetings for the 2020/21 Municipal Year.</b>
<b>REASONS FOR RECOMMENDATION</b>
To establish a timetable to ensure the efficient and effective conduct of Council business for the forthcoming Municipal Year.
<b>EXECUTIVE SUMMARY</b>
The Calendar of Meetings for 2020/21 draws upon the pattern of previous years and is designed to ensure all business is accomplished as efficiently as possible. .The proposed Schedule of Meetings will then be approved by full Council at its meeting on 13 February 2020.
<b>The Calendar of Meetings requires approval by full Council.</b>

# Agenda Item 8

## BACKGROUND

1. Under the Constitution the Council approves a Calendar of Meetings for the forthcoming Municipal Year.
2. A draft schedule is attached to this report at Annex 1.

## KEY INFORMATION

The following points have been considered in preparing the draft calendar:

- The Employment Committee meets quarterly and on a separate evening to reflect the Committee's revised Terms of Reference.
- The Commercial Ventures Executive Sub-Committee has agreed to meet formally every two months for an hour before each Executive meeting. The informal CVESC will meet every other month (between the formal meetings).
- The deadline for the publication of the Council's annual Statement of Accounts and the opinion of External Auditors is 31 July 2020. The Executive meeting has therefore been set for Tuesday 28 July 2020 to allow enough time to finalise the Statement of Accounts. In 2021, the Executive meeting will be moved to Tuesday 27 July 2021.
- Leader's group requested an additional Executive meeting in mid-August 2020, as a contingency date, in case it was needed.
- As in previous years, meetings of the Licensing & Regulatory Committee and its sub-committees and the Standards Committee have not been scheduled except for the initial meetings to make appointments to the Chair. The first meeting of the Licensing & Regulatory Committee will be combined with a training session.
- As the initial meeting of the Standards Committee is expected to be brief, this has been scheduled on the same evening as the Overview and Scrutiny Committee on 11 June 2020.
- The proposed schedule includes indicative dates for meetings at the start of the 2021-22 Municipal Year to assist with planning for future business. These dates will be confirmed as part of the Schedule of Meetings for 2021-22, subject to any revisions.
- Amendments to the schedule may be made at any time in the course of the year and any changes will be publicly notified as and when these occur.
- The Overview & Scrutiny Committee made no comments on the public meetings listed but asked if informal meetings such as sub-committees and planning forums could be added to an internal Calendar.

## LEGAL IMPLICATIONS

3. There are no legal implications.

# Agenda Item 8

## **FINANCIAL IMPLICATIONS**

4. There are no financial implications.

## **EQUALITIES IMPLICATIONS**

5. There are no equalities implications

## **COMMUNICATION IMPLICATIONS**

6. All scheduled meetings will be listed in the Centralised Diary which can be viewed by both officers and Members. Members' calendars on their tablets will be automatically updated with the meetings they attend as committee members.
7. Scheduled meetings will be available to view on the Council's website. Any changes will be publicly notified as and when they occur.

## **CONSULTATION**

8. The draft schedule has been reviewed by the Finance, Projects and Performance and Revenue and Benefits teams.
9. The Corporate Governance Group was consulted at its meeting on 22 October 2019.
10. Leader's group considered the draft schedule at their meeting on 11 November 2019. Group Leaders were consulted on 25 November 2019.
11. The Overview and Scrutiny Committee considered the draft Calendar at its meeting on 17 December 2019 and its comment is included in this report.

## **ANNEXES**

1. The draft schedule is attached to this report as Annex 1.

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## Calendar of Meetings 2020/21

MEETING	TIME	MAY 2020	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN 2021	FEB	MAR	APR
<b>Council</b>	7.30pm	28		30		24	22		10		11		8
<b>Commercial Ventures Executive Sub Committee</b>	6.30pm		4			17		5		28		25	
<b>Employment</b>	7.00pm		24			15			15			31	
<b>Executive</b>	7.30pm		4 25	28	13	17	8	5	3	14 28	25	25	22
<b>Licensing &amp; Regulatory</b>	7.30pm		3										
<b>Overview &amp; Scrutiny</b>	7.30pm		11	2		10	15	19*	9	21	18	18	15
<b>Planning</b>	7.30pm	20	10	8 29		2 30	28	25	16	20	17	17	14
<b>Standards</b>	7.00pm		11										

\* Budget Scrutiny Panel 6.30pm

## Calendar of Meetings 2021/22

MEETING	TIME	MAY 2021	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR
<b>Council</b>	7.30pm	27		29									
<b>Commercial Ventures Executive Sub Committee</b>	6.30pm		3										
<b>Employment</b>	7.00pm		23										
<b>Executive</b>	7.30pm		3 24	27									
<b>Licensing &amp; Regulatory</b>	7.30pm		2										
<b>Overview &amp; Scrutiny</b>	7.30pm		10	1									
<b>Planning</b>	7.30pm	19	9	7 28									
<b>Standards</b>	7.00pm		10										