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TO	Executive
DATE	Thursday, 19 November 2020
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance

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

SUBJECT:	SERVICE & FINANCIAL PLANNING 2021/22, INCLUDING COUNCIL TAX POLICY CHANGE
RECOMMENDATIONS:	
<p>(i) That the national and local policy context (Annex 1) be noted.</p> <p>(ii) That the service proposals set out in this report which seek to respond to this context and deliver our corporate priorities, be endorsed.</p> <p>(iii) That the draft business plans for 2021/22 to 2023/24 be approved, and that Heads of Service be authorised to finalise the plans for their service areas, in consultation with the relevant Portfolio Holders.</p> <p>(iv) That the following be approved for consultation under the Council's budget and policy framework:</p>	

- a) **Medium Term Financial Plan Summary (Annex 2)**
- b) **Revenue Budget Savings and Additional Income proposals totalling (£2.094) million (Annex 3)**
- c) **Revenue Budget Growth proposals totalling £0.812 million (Annex 3)**
- d) **Forecast ongoing income budget pressures in 2021/22 as a consequence of the COVID-19 pandemic totalling £1.610 million (Annex 2)**
- e) **Capital Programme Growth and Reprofiting proposals resulting in a net reduction in the five-year Capital Programme of (£0.286) million (Annex 4)**
- f) **Revenue Reserve Balances at 1 April 2020 of £35.391 million (Annex 6.1)**
- (v) **That the Fees & Charges Policy (Annex 5) be approved.**
- (vi) **That the Reserves Policy (Annex 6.2) be approved.**
- (vii) **That the Medium Term Financial Plan forecast for 2022/23 onwards (Annex 2) and proposed actions to address the forecast revenue budget gap be noted.**
- (viii) **That the modified housing benefit schemes, whereby prescribed war disablement pensions and war widow's pensions are disregarded, be continued.**
- (ix) **That the Executive recommends to the Council the adoption of a new council tax policy to apply a 300% council premium for properties that have been empty for more than 10 years with effect from 1 April 2021.**

REASONS FOR RECOMMENDATIONS:

Recommendations (i) to (vii): 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 corporate plan for 2020-2025.

Recommendation (viii) and (ix): To ensure that council tax and housing benefits policy supports delivery of Council objectives.

EXECUTIVE SUMMARY:

The primary objectives of the service and financial planning process are to ensure that the Council continues to be financially sustainable, and that we are able to effectively deliver our services and corporate priorities.

Reigate & Banstead Borough Council is recognised as being a leading local authority that delivers high quality services.

Our five year corporate plan looks to build on and further develop the work we have been doing, as well as expanding our efforts to support environmental sustainability, affordable housing and the wellbeing of our residents.

As always, we are seeking to ensure that the borough remains a great place to live and work, and to maintain and improve the quality of our services, all whilst securing savings and investment to remain financially sustainable.

The Council's Medium Term Financial Plan (MTFP) was updated and reported to Executive in July 2020. It covered:

- Objectives and priorities for the 2021/22 budget

- Context to budget-setting, including updates on the national economic forecast, local government funding, Corporate Plan priorities and specific factors to be taken into account when developing budget proposals for 2021/22
- Key budget information, including the 2019/20 budget outturn position, current year budgets and forecast new budget pressures and saving opportunities
- Updates on the capital programme and treasury management
- Information about the service and financial process and budget-setting timetables
- A summary of budget risks and sensitivities and how they will be managed.

Updated MTFP forecasts are presented in this report (Annex 2)

The supporting Reserves and Fees & Charges policies are presented once again for approval.

The Council no longer receives Revenue Support Grant from Government and faces the prospect of a forecast reduction in retained business rates, resulting in significant financial pressures over the medium term.

The Revenue Budget for 2020/21 that was approved in February 2020, was agreed before the impacts of the COVID-19 pandemic on the UK became apparent. It does not therefore consider the significant additional financial impacts that are now faced during 2020/21 on service income and expenditure budgets and on Collection Fund income forecasts for council tax and business rates. At the time of preparing this report the global pandemic was still underway and there remains considerable uncertainty about the impacts on Council finances; both for the remainder of 2020/21 and any ongoing impacts in income receipts that will have to be resourced in future years.

Nevertheless, the Council remains in a relatively strong position to respond to these challenges. In recent years, we have established ring-fenced revenue reserves to manage financial risks, however, use of reserves represents a short term tactic. We continue to work towards becoming a more commercial organisation and generating new sources of income to secure our long-term financial stability. Our 2021/22 budget proposals recognise that we need to continue to invest in our capacity and staff to achieve this.

The Council is working to develop its Strategy to support future commercial and investment activity around our Corporate Plan objective to be financially self-sufficient. This will consider the degree and type of investment which might be supported and the scope within which this might take place. Part 1 of the Commercial Strategy is elsewhere on the agenda of this Executive meeting.

The budget proposals detailed in this report are based on analysis of a range of data and evidence, and the result of extensive discussions over recent months between the Executive and Management Team. This report provides a condensed version of those discussions, describing the national and local context and the service and budget proposals which have been put forward in response.

The provisional budget proposals set out within this report include revenue budget savings and additional income proposals and revenue budget growth proposals.

While much of the detail is included in this report, work on some aspects of Central Budgets and confirming the sources of funding will continue and the outcome will be presented in the final budget proposals in January.

At the time of preparing this report the Council faces a potential budget gap of around £0.600 million in 2021/22 after implementing the actions as described in this report. Over the short-term, once again we expect to be able to manage this budget challenge without compromising our financial sustainability or ability to deliver high quality services. The extent to which any residual forecast budget shortfall will have to be funded from drawing on Reserves will be confirmed in the final budget report in January.

The report also presents Capital Programme proposals resulting in a small net reduction over next five years. The final Capital Programme for 2021/22 to 2025/26 will be confirmed in the January budget report; no further significant growth proposals are anticipated at the time of preparing this report.

If the Executive accepts the budget recommendations in this report, further work will be undertaken over the coming weeks to test and refine the proposals, including consultation with the Overview & Scrutiny Committee's Budget Scrutiny Panel. This will help ensure that the Council adopts a balanced budget for 2021/22 and is in the best position to prepare for anticipated budget challenges in 2022/23 onwards.

The report includes a recommendation to introduce an additional long-term empty property premium of 300 % for properties empty for more than 10 years and confirmation of the policy to disregard certain pensions when calculating housing benefits. It also confirms that the Local Council Tax Reduction scheme will remain unchanged, other than to reflect changes in allowances and premiums in line with Government benefits.

Executive has authority to approve the recommendations (i) to (vii).

Recommendations (viii) and (ix) are subject to approval by Full Council.

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.
4. Council Tax Reduction Scheme: Section 13A(2) of the Local Government Finance Act 1992 (as amended) requires billing authorities to make a reduction scheme for persons in financial need or classes of persons that the authority considers – in general – to be in financial need. Section 13A(1)(c) of this Act gives billing authorities the power to reduce a liability to an extent that is seen fit.

5. The council tax that local authorities can charge for the long-term empty premium was changed when the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, came into force from 1 April 2019.
6. Sections 134(8)(a) and 139(6)(a) of the Social Security Administration Act 1992 allow local authorities administering schemes for housing benefit to modify those schemes to disregard prescribed war disablement pensions and war widow's pensions.

SERVICE & FINANCIAL PLANNING

Service Context

7. It is important that our service plans respond to the context in which they will be implemented, in order to provide effective services that meet the needs of residents, communities and businesses. The local, national and regional context that has informed our service plans is summarised below.

Reigate & Banstead 2025 - Our five year corporate plan

8. The Council plan for 2020-25 sets out the organisation's vision, priorities, aims and objectives, and informs Council decisions at every level. The vision set out in 'Reigate & Banstead 2025' is to be recognised by our residents, businesses and partners as a leading Council. This means:
 - Delivering quality services and support
 - Providing value for money
 - Making the borough a great place to live, work and visit
 - Being proactive about tackling climate change and reducing our environmental impact
 - Being flexible and sustainable, responding to the needs and demands of our borough, residents, businesses; and
 - Operating as an increasingly commercial organisation.

9. The corporate plan seeks to deliver against the vision, with priorities grouped around the three themes of People, Place and Organisation. These priorities have been taken into account in developing the 2021/22 service and financial planning proposals.

Service Plans

10. Each Council service has reviewed its future direction in light of the wider context in which it operates, and its role in delivering our updated corporate plan priorities. These plans set out the direction of Council services, including key changes and priorities.
11. The following paragraphs highlight areas where changes to the way in which the Council carries out its business are planned, or where substantive revenue savings, income or growth is proposed.

Communications and Customer Contact: The ongoing response to, and recovery from, the COVID-19 pandemic has relied heavily on data and insight. The service has therefore established a Data and Insight team to support the Council's emergency response and recovery structures. The initial focus on COVID-19 may need to be extended, particularly if there is a protracted second wave. The pandemic has also resulted in increased levels of customer contact, inhibiting opportunities for leveraging further efficiencies.

Housing and Homelessness: The Council continues to make positive progress in preventing homelessness. The economic fallout from the COVID-19 pandemic,

however, could result in increased homelessness and the need for the Council to provide support to affected residents, including through the provision of temporary emergency accommodation. Government requirements in this area may also change, as demonstrated by the need to house all rough sleepers during the first phase of the pandemic. The Council will continue to strive to deliver affordable housing in the borough through the Housing Strategy.

Planning: whilst the proposals are at an early stage, the government's recent White Paper on changes to the planning system could result in significant work being required in adopting a new local plan. The Council has concerns on the current proposals' impact on the delivery of affordable housing in the borough and has responded to the proposal accordingly. The impact of any possible changes will be closely monitored

National and Regional Context

12. Legislation, policies from national government, and decisions made by partner organisations (eg. Surrey County Council), will continue to have a significant effect on our residents, and therefore on the support and services that the Council provides. Annex 1 provides a summary of the international, national and sub-national context within which this Council will need to operate in 2021/22.
13. The overarching context remains one where there is increasing demand for Council services, whilst simultaneously experiencing a reduction in funding and resources. The Council is continuing to work to respond to this challenge by increasing efficiencies and generating income, but this context presents an increasing pressure of work to meet the needs of our residents.
14. Consultations and announcements over recent months have covered the following aspects of local government funding:

Brexit

15. The continuing uncertainty in the transition period following the UK's exit from the European Union in January 2020 and the potential implications thereof also continues to be consideration for the Council. The Council will continue to work with the Government, partners (including the Surrey Local Resilience Forum), and local businesses to understand whether there will be direct effects for the local area. The potential influence upon the wider national economy will also reflect upon the borough.

FINANCIAL CONTEXT

16. The Council continues to manage its finances well and has continued to deliver significant service improvements and priority projects despite increasing pressures on resources.

Chancellor's Winter Economy Plan 2020

17. In September it was announced that there would be no Autumn Budget from the Chancellor due to the pandemic and it would be replaced with a Winter Economy Plan (which was presented to Parliament on 25 September).
18. There were three policy announcements in the Plan:
 - Support for employment: Job Support Scheme and extension to self-employed income support scheme grants.
 - Easing burdens on business: extension of the temporary VAT reduction, VAT deferrals, and various other financing measures.

- Support for public services: outlining the £24.3bn support approved since the Plan for Jobs in July.

19. Issues most relevance to local government from the Plan included:

- Extension to VAT reduction (to 5%) for certain supplies of hospitality, holiday accommodation and admission to attractions from 13 January to 31 March 2021; which could benefit authorities providing these services.
- £500m increase to the infection control (Track & Trace) fund, which was previously announced by the Health Secretary.
- £60m funding for police and local government for enforcement measures such as marshals.

20. Key economic updates in the Plan:

- GDP in April was 25% lower than in February, and whilst it has slowly grown since May, it is estimated that July's GDP was still 12% lower than February.
- Consumer spending fell by 80% at its lowest point, but retail sales were now 2.8% higher than in the same month in 2019 (though it should be noted that this may simply be deferred activity which would otherwise have taken place earlier in the year).
- Employment had fallen by 695,000 between March and August, and the number of vacancies being advertised was 40% lower than in the same month in 2019.
- The Government had spent around £190bn supporting people, businesses and public services since the start of the pandemic.

Spending Review 2020

21. The Government would usually be expected to conduct a multi-year spending review every two to four years. However, there has not currently been such a review since 2015, and the review in 2019 covered only the financial year 2021/22. This set out departmental spending allocations for the year. These allocations included increases in spending on schools, social care and the NHS, but no additional funding for local authorities. Even for the departments receiving increases to their allocations, real per capita spending remains significantly below pre-2008 levels.

22. In October 2020 the Government confirmed that Spending Review20 would also be for one year (2021/22) only due to the require to focus on the national response to the COVID-19 pandemic. At the time of preparing this report the date of publication had been confirmed to be on 25 November in order to then allow time for publication of the provisional local government funding settlement (usually received at the end of December).

23. The Government has indicated that Spending Review20 will focus on three areas:

- Providing departments with the certainty they need to tackle COVID-19 and deliver the Government's plan for jobs to support employment
- Giving public services enhanced support to fight COVID-19 alongside delivering frontline services
- Investing in infrastructure to deliver the Government's "*ambitious plans to unite and level up the country, drive our economic recovery and build back better*".

It is currently expected to be a 'roll over' settlement with no significant changes to funding allocations.

24. Given the ongoing political focus and uncertainty due to the COVID-19 pandemic, it remains unclear when the next longer-term spending review will take place. Some provisional spending totals were set out in the 2018 Autumn Budget for the years up to 2024/25. These provisional totals continue to underpin the official fiscal forecasts and therefore provide an indication of what might be expected.

Local Government Funding Inquiry

25. In late October 2020 it was announced that the Housing, Communities and Local Government Committee will consider what approach the Government should take to funding local government as part of the 2020 spending review. It will investigate the current financial health of local authorities and their ability to deliver services, including the additional pressures caused by the COVID-19 pandemic. In light of continued delays to the multi-year spending review, the Committee Inquiry will also examine the impact of single year settlements on the ability of councils to plan and deliver services in the long-term.

Fair Funding Review

26. The Government was scheduled to complete its Fair Funding Review of local government funding this year, with the outcomes introduced in 2021/22. The review was intended to set new funding baselines and confirm any transitional arrangements. However, following the delay in the longer-term spending review, the Fair Funding Review has also been postponed once more.
27. Given the Government's current primary focus on the COVID-19 pandemic, it is unclear when this will be completed. Before its introduction, we would expect there to be an opportunity to respond to consultations on indicative allocations.

Business Rates Growth: Reset and 'Alternative' System

28. The Government's stated aim is to balance risk and reward through a system of Resets, Safety Nets, Levies, Tier Splits and Pooling. It has also stated an intent to simplify the rating system by looking again at appeals, while addressing income volatility and introducing more simplification. As with other planned reviews, it remains uncertain when this work will be completed.

Government Funding

29. The Council therefore still expects to see a significant decline in Government funding support over the medium term as our retained business rates receipts are cut, a reduction of up to £2.300 million, including loss of 'Negative RSG Grant' of £1.5 million.
30. The table below summarises how Government funding has changed for the Council in recent years and current forecasts for 2021/22 onwards.

Table 1: BUSINESS RATES FORECAST	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Forecast Business Rates Resources	2.500	2.300	2.300	1.700	1.600	1.400
Less 'Negative RSG Grant'	-	-	-	(0.700)	(1.000)	(1.200)
Net Forecast	2.500	2.300	2.300	1.000	0.600	0.200
Annual Reduction	-	(0.200)	-	(1.300)	(0.400)	(0.400)

Table 1: BUSINESS RATES FORECAST	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Cumulative Reduction	-	(0.200)	(0.200)	(1.500)	(1.900)	(2.300)

31. These forecasts will be updated when the outcome of Spending Review20 and the provisional local government settlement are known.

Specific Grants

32. There is still an expectation that these will be rolled into the funding system when 75% business rates retention is introduced (expected as part of the longer-term Spending Review post 2021/22).

New Homes Bonus

33. At the time of preparing this report it remained unclear whether 2020/21 was the final year of New Homes Bonus allocations.

Council Tax Reform

34. There is a possibility of increased freedoms (primarily for social care precepting authorities), but this also remains uncertain.

Partner Funding

35. Surrey County Council continues to face severe financial constraints. This is already impacting a range of statutory and non-statutory services, from social care to highways and parking, to support for socially excluded groups and the voluntary sector. SCC implemented £82 million of cuts in 2020/21 and has previously forecast a budget gap of £57 million in 2021/22 rising to £134 million by 2024/25. These included reductions in funding for the Adult Social Care service and the Children, Schools and Families service.
36. County service reductions will impact on residents in this borough, and make it more difficult for us to deliver on our own corporate priorities within the context of our already challenging financial position. In recent years much work has been undertaken to put this Council in the best place possible to respond to SCC funding cuts, and this work will need to continue. Financial constraints at the county level mean that this Council needs to continue to work closely with the County Council and other partners to ensure that residents continue to receive the services they need, delivered in an efficient and cost-effective way.

COVID-19 Pandemic

37. To date the pandemic has impacted on:
- Expenditure budgets – significant unbudgeted costs have been incurred to deliver the Council's emergency response to the pandemic.
 - Income budgets – there have been material shortfalls in income receipts across many services compared to budget
 - Collection fund recovery performance – council tax and business rates income receipts have been distorted by short-term relief measures introduced by Government at the same time as underlying economic pressure on taxpayers and delays in recovery processes during lockdown. The full picture will take some time to emerge.

- Financial responsibilities – local authorities were asked to take on new responsibilities at short notice to support Government in distributing new reliefs, grants and benefits.

Further details of are set out at Appendix 4 of the MTFP attached at Annex 2.

Medium Term Financial Planning

38. The Council has been planning for this 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.
39. The Council's updated MTFP, summarised at Annex 2, was approved in July 2020 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 sets out the priorities that will be taken into account when preparing the draft budget for 2021/22

Medium Term Financial Plan Forecasts at November 2020

40. At the time of preparing this report MTFP forecasts indicate that it will be possible to balance the 2021/22 budget through savings opportunities in Central Budgets, use of earmarked Reserves and a call on the General Fund Balance. However there is a forecast budget gap over the medium term: £2.554 million for 2022/23 rising to £4.014 million, the primary cause of being anticipated Government funding reductions. This gap is before taking account of any ongoing COVID-19 impacts on income budgets.
41. The final position and MTFP forecasts for 2021/22 will be detailed in the January budget report. Many of the measures that will be used to balance the budget for 2021/22 will once again be one-off cost reductions, including calling on Reserves to address any residual budget gap.
42. Reliance on one-off measures such as the use of Reserves is not without risks and will not be sustainable over the long-term. Going forward, solutions that reduce costs or increase income on a permanent basis will have to be identified for 2022/23 onwards. These are likely to include:
 - Pursuing commercial investments to generate new income streams – after taking into account the costs of associated borrowing
 - Considering options for asset sales to realise capital receipts and reduce or avoid new borrowing costs
 - Implementing the outcome of the fees and charges review that is now underway; and
 - Reviewing in-year budget monitoring forecasts to identify new opportunities for savings and efficiencies.

Commercial Strategy

43. 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. As set out above, this will be supported by the developing commercial approach and associated plans.
44. The Commercial Ventures Executive Sub-Committee, supported by other Executive Members, has been working to develop the Council's commercial agenda. This has included consideration of the scale and appropriate type of investments, the

geographic area of any investment activities, and the opportunities for partnership working.

45. The current MTFP financial model does not include any assumptions about new commercial income streams or when they might be achieved. This will only be possible when individual business cases have been approved and delivery timescales are confirmed.
46. The Commercial Strategy Part 1 is included elsewhere on the agenda of this meeting. Approval of this document will allow work to continue on preparing forecasts for inclusion in future MTFP modelling.

REVENUE BUDGET

47. 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.
 - **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'. Over the medium term this is expected to cease resulting in a significant budget pressure.
 - **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).

Revenue Budget Outturn 2019/20

48. In February 2019 the Council set a net Revenue Budget for 2019/20 of £16.3 million. Transfers from the Corporate Plan Delivery Fund and other grants received during the year resulted in a net increase to £17.5 million.
49. As reported in the 2019/20 Statement of Accounts, the final outturn for Service budgets at the end of the year was £0.470 million (3.5%) higher than the management budget however, the overall provisional outturn, including Central Items, was £2.087 million (11.9%) lower than budget.

Table 2: REVENUE BUDGET OUTTURN 2019/20	Original Budget	Revised Budget	Year End Outturn	Year End Variance
	£m	£m	£m	£m
Service Budget	12.148	13.606	14.076	0.470
Central Budgets	4.147	3.870	1.313	(2.557)
Total	16.295	17.476	15.389	(2.087)

50. The most significant Revenue Budget variances for the year are summarised below:
- Finance: £0.640m 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 Team and Benefits Paid/Subsidy Received: £0.573m over budget due to reduced DWP grant, additional consultancy and printing costs, increased Bed & Breakfast placement costs, additional statutory costs and income shortfall due to suspension/cessation of Court recovery as a result of COVID 19 at year-end.
 - Harlequin Theatre: £0.221m over budget due to delay in cinema opening and staff costs higher than budget.
 - Development Services: £0.200m lower than budget due to underspends on Consultancy.
 - Fleet: £0.219m above budget due to expenditure on spare parts to keep the ageing Fleet running.
 - Projects & Assurance: £0.105m lower than budget due to vacant posts
 - Headroom Contingency: £0.737m lower than budget because funds have not been required during the year.
 - Interest on borrowing: £0.086m lower than budget.
 - Senior Management Team: £0.202m lower than budget due to vacant Director post.
 - Property and Facilities: £0.322m lower than budget due to new rental income from Salfords Industrial Units offset by lower income from Warwick Quadrant and Marketfield Way.
 - Refuse and Recycling: £0.341m lower than budget net (income is £0.703m higher than budget, offset by overtime and temporary staff costs to cover sickness and additional staff costs for recycling service to flats and extra expenditure on new bins).
51. The service & financial planning process for 2021/22 has included an assessment of whether any budgets require realignment to reflect historic outturn trends.
52. Executive agreed that the net underspend would be transferred to Reserves, initially to fund the Council's response to the COVID-19 pandemic with any remaining balance used to help rebuild the Pensions Reserve ready for the next revaluation in 2022.
- 2020/21 Revenue Budget
53. The Revenue Budget for 2020/21 was approved in February 2020. In summary it comprises:

Table 3: BUDGET SUMMARY 2020/21	Budget 2020/21 £m
1. Net Cost of Services	14.276
2. Central Budgets	3.980
3. One off: Advance Payment of Employer's Pension Costs	6.204
NET EXPENDITURE 2020/21	£24.460m
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: <ul style="list-style-type: none"> • New Homes Bonus – 2020/21 allocation paid into Reserves – (£1.789m) • Use of funds from the General Fund Balance and Pension Reserve to fund the advance Employer's Pension Contribution of £6.204m • Use of funds from the General Fund Balance to support the 2020/21 Revenue Budget £1.256m¹ 	5.671
NET SOURCES OF INCOME 2020/21	£16.295m

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.

54. Excluding the one-off pension contribution the underlying 2020/21 budget is £18.256 million. This is the figure referenced in MTFP budget modelling at Annex 2 (Appendix 2).

Central Budgets

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

Table 4: CENTRAL BUDGETS	Approved Budget 2020/21 £m
Budget Contingencies	1.941
New Posts Budget	0.159
Insurance	0.482
External Audit Fees	0.050
Treasury Management	0.376
Minimum Revenue Provision	0.528
Employer Secondary Pension Contribution	0.375

Table 4: CENTRAL BUDGETS	Approved Budget 2020/21 £m
Apprenticeship Levy	0.069
Central Budgets	3.980

Budget Contingencies

56. The Headroom Contingency Budget was originally established during in 2012/13 to 'mitigate the reduction in Central Government revenue funding'. It currently stands at £1.0 million.
57. It is appropriate to retain an adequate level of contingency in the Revenue Budget as well as holding reserves. When assessing the level of contingency required the following are examples of the factors that need to be considered:
- Budget risks (eg. delays or non-delivery of new income streams)
 - Unexpected pressures on relatively volatile and/or demand led budgets
 - Likelihood of incurring unexpected costs (eg. an uninsured loss, litigation costs)
 - New pressures as a consequence of the uncertain economic climate
 - Capacity elsewhere in the budget (eg. in Reserves) to address financial risks.

Revenue Budget Funding

58. The sources of funding for the £18.256 million revenue budget in 2020/21 are set out in the table below.

Table 5: REVENUE BUDGET FUNDING	Budget 2020/21 £m
National Non-Domestic Rates	2.900
Council Tax	14.100
Net Contribution from Reserves	1.256
TOTAL	18.256

Revenue Budget-Setting Assumptions 2021/22

59. The following assumptions will be used during service & financial planning over coming months when preparing the draft Budget estimates for 2021/22:

- Council Tax
- To increase by the referendum limit – assumed to be £1.99% (subject to confirmation by Government)
 - Plus an increase due to growth in the taxbase of 1% per annum
 - The impacts of local discounts, exemptions and the local council tax support scheme will be taken into account when preparing income forecasts. Also the ongoing impacts of the COVID-19 pandemic on collection performance and take up of the Local Council Tax Support Scheme.

Government Funding	<ul style="list-style-type: none"> • Fair Funding Review and loss of Negative RSG Grant will not impact in 2021/22
Retained Business Rates Income	<ul style="list-style-type: none"> • Reset of Business Rates will not impact in 2021/22
Fees & Charges	<ul style="list-style-type: none"> • The Fees & Charges Policy is attached at Appendix 5. For budgeting purposes it is assumed that fees and charges will increase in line with the Policy and that all fees and charged will be reviewed to ensure they comply.
Investment Income and Borrowing	<ul style="list-style-type: none"> • Investments and borrowing will be forecast in line with forecast balances (reserves) and Capital Programme investment plans
Pay Inflation	<ul style="list-style-type: none"> • An allowance for a pay award has been included in the draft Budget, in addition to forecast contractual pay increases. • This provides the option for pay rises but the specific rate of increase will be subject to established consultation processes.
Employer Pension Costs	<ul style="list-style-type: none"> • As part of budget-setting 2020/21 The approved approach was: <ul style="list-style-type: none"> ○ To maintain the primary employer contribution rate at 15% of salaries. This has been factored into the 2021/22 base budget. ○ To pay the secondary employer rate as an advance lump sum of £6.204 million in April 2020 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. ○ To plan to rebuild the Pensions Reserve ready for the next revaluation in 2022 • Subsequent to budget-setting Surrey Pension Fund confirmed that it is no longer necessary to budget for £0.375 million each year for additional historic employer pension costs because they had been taken into account in the 2019 fund revaluation and reflected in updated employer contribution rates for 2020/21 onwards). This Central budget will therefore be deleted in 2021/22 onwards.
Price Inflation	<ul style="list-style-type: none"> • The general principle 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.

2020/21 Revenue Budget Monitoring

60. The full year forecast for Service budgets at the end of Period 6 (September 2020) is £0.166 million (1.1%) higher than the management budget while Central budgets are reporting a £1.879 million (27.4%) underspend, resulting in an overall forecast of £1.713 million (6.95%) lower than budget.

2021/22 Service Budget Proposals

61. Service budget proposals are summarised below:

Table 6: SERVICE BUDGET PROPOSALS	Approved Budget 2020/21 £m	Proposed Budget 2021/22 £m	Net Service Budget Increase / Decrease £m
ORGANISATION			
Organisational Development & HR	0.852	0.852	-
Finance	1.123	1.262	0.139
Projects & Performance / Environment / Management Team	1.859	1.882	0.023
Legal & Governance / Property / Commercial	0.232	0.415	0.183
IT	1.784	1.784	-
PLACE			
Planning	0.755	0.755	-
Economic Prosperity	0.398	0.388	(0.010)
Place Delivery	0.275	0.295	0.020
Neighbourhood Operations	3.110	3.226	0.116
PEOPLE			
Community Development	1.583	1.588	0.005
Communications & Customer Contact	0.851	0.851	-
Wellbeing & Intervention	0.443	0.443	-
Housing, Revenues, Benefits & Fraud	1.012	1.227	0.215
Deletion of vacant funded posts	-	(0.350)	(0.350)
TOTAL	14.277	14.618	0.341

62. Service savings, additional income and growth proposals are detailed at Annex 3 and result in the following net budget movements:

Table 7.1: SERVICE BUDGET PROPOSALS FOR 2021/22		FTE	£m
Budget Movements:			
Annex			
3.1	Services – Pay	(2.0)	(0.189)
3.2	New Strategies – Pay	2.0	0.143
3.3	Services – Non-Pay	-	0.269
3.5	New Strategies – non-Pay	-	0.023
3.6	Government Funding Reductions	-	0.095

Table 7.1: SERVICE BUDGET PROPOSALS FOR 2021/22		
	FTE	£m
NET BUDGET GROWTH	-	0.341

63. In addition the following ongoing impacts are forecast on income budgets as a consequence of the COVID-19 pandemic.

Table 7.2: SERVICE BUDGET PROPOSALS FOR 2021/22 – ESTIMATED COVID INCOME LOSSES	£m
Budget Movements:	
COVID-19 Pandemic – Ongoing Impacts on Income Budgets (2021/22 forecast only) <ul style="list-style-type: none"> • Community Centres - £0.200m • Harlequin - £0.050m • Parking - £1.200m • Commercial Waste - £0.160m 	1.610

Service Fees & Charges

64. Income from fees and charges in 2020/21 contributes £16.4 million to support service delivery. The Policy on Fees & Charges is attached at Annex 5.
65. A review of Fees & Charges is being carried out during 2020/21 to support delivery of Medium Term Financial Plan and Commercial Strategy targets for increasing sustainable income streams to support the budget. Actions that are planned to implement the review include:
- Improving the Council's strategic approach to fees and charges;
 - Charging for new services and for those not currently charged for; and
 - Investing in expanding existing charged for services that have scope for growth.

Commercial Income

66. The Medium Term Financial Plan includes the objective of:
- To consider and take advantage of **commercial opportunities** as they arise to deliver new income streams.
67. Delivery of this objective is supported by the allocation of additional funds in the Capital Programme to purchase or develop assets that will generate new income streams as well as supporting delivery of corporate objectives. These purchases will be financed through prudential borrowing therefore provision will have 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 Government and CIPFA guidance, specifically 'borrowing in advance of need'.

Example Investment Returns

68. In order to generate £2.0 million additional net income to the revenue budget (for example) would require borrowing and re-investment in income-generating assets of circa £106 million [based on prevailing PWLB rates at the time of preparing this report].

Central Budget Proposals 2021/22

69. Proposed changes to Central budgets are summarised in the table below.

Annex	Table 8: CENTRAL BUDGETS	Approved Budget 2020/21 £m	Proposed Budget 2021/22 £m	Net Central Budget Increase / Decrease £m
3.4	Budget Contingencies <ul style="list-style-type: none"> delete Headroom Contingency because there is adequate coverage for budget risks in Reserves delete central salary contingency budget – no longer required visa sponsorship and central training budgets – minor updates 	1.941	0.806	(1.135)
3.4	New Posts Budget <ul style="list-style-type: none"> delete budget – no longer required because a New Posts Reserve has been established instead 	0.159	-	(0.159)
3.4	Insurance <ul style="list-style-type: none"> contract inflation 	0.482	0.511	0.029
3.4	External Audit Fees <ul style="list-style-type: none"> contract inflation 	0.050	0.067	0.017
2 (App2)	Treasury Management & MRP <ul style="list-style-type: none"> estimated increase in borrowing costs to fund the approved Capital Programme – actual increase to be confirmed in the final budget proposals in January 	0.904	1.404	0.500
3.4	Employer Pension Contribution <ul style="list-style-type: none"> delete residual central pension budget – sum is no longer payable to Surrey Pension Fund following the 2019 revaluation 	0.375	-	(0.375)
	Apprenticeship Levy <ul style="list-style-type: none"> to be updated when final salary costs are confirmed at year-end 	0.069	0.069	-
	Central Budgets	3.980	2.857	(1.123)

70. While the majority of Central Budgets have been reviewed while preparing this report, as highlighted in the table above, further work is in progress in order to confirm some of these budgets for inclusion in the final budget proposals in January 2020.

Revenue Budget Funding 2021/22

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

Table 9: REVENUE BUDGET FUNDING	Approved Budget 2020/21 £m	Draft Budget 2021/22 £m
Council Tax	(14.100)	(14.500)

Table 9: REVENUE BUDGET FUNDING	Approved Budget 2020/21 £m	Draft Budget 2021/22 £m
National Non-Domestic Rates	(2.900)	(2.900)

Use of Reserves

72. Based on the outcome of services & financial planning work to date it is likely to be necessary to call on earmarked reserves and a contribution from the general fund balance in order to achieve a balanced budget in 2021/22. The latest MTFP at Annex 2 is based on the following assumptions regarding use of Reserves. These figures will be updated in the final budget report in January when the outstanding budget items (as explained in this report) are confirmed.

Table 10: POTENTIAL USE OF RESERVES 2021/22	£m
Govt Funding Risks Reserve <i>Housing Benefit subsidy reduction</i>	(0.095)
Commercial Risks Reserve <i>Redhill hotel income reduction</i>	(0.040)
General Fund Contribution <i>Subject to final budget proposals</i>	(0.549)

73. Work is still in progress to update the above Funding forecasts for inclusion in the final budget proposals. Factors to be taken into account will include:

Council Tax

- The final recommendation on the council tax increase will be included in the January budget report following confirmation of the referendum limit by Government.
- Council tax income forecasts for 2021/22 will be dependent on the outcome of work that is currently in progress to forecast the council tax base for 2021/22. This is more challenging this year due to the increasing numbers of local council tax support scheme claimants as a consequence of the COVID-19 pandemic.

National Non-Domestic Rates

- Includes retained Business Rates, Negative RSG Grant, Fees and Charges and Other Grants. These are expected to be confirmed in the Spending Review20 and Provisional Settlement announcements in November/December.

Contributions To/From Reserves

- Options for drawing on Reserves will be finalised for inclusion in the January budget report.

Forecast Budget Gap at November 2020

74. The forecast budget gap over the next five years is set out below. Further details are provided in the MTFP at Annex 2 (Appendix 2).

Table 11.1: MEDIUM TERM REVENUE BUDGET FORECAST (at November 2020)	Approved Budget 2020/21	Forecast Budget 2021/22	Forecast Budget 2022/23	Forecast Budget 2023/34	Forecast Budget 2024/25	Forecast Budget 2025/26
	£m	£m	£m	£m	£m	£m
FORECAST GAP	Balanced	Balanced	2.554	3.414	3.964	4.104
Annual Increase in Gap	-	Balanced	2.554	0.860	0.550	0.140
Gap as % of 2020/21 budget requirement	-	n/a	13.99%	18.76%	21.77%	22.54%

75. However, in addition there are forecast to be impacts on service income budgets in 2021/22 as a consequence of the COVID-19 pandemic as set out in the table below

Table 11.2: MEDIUM TERM REVENUE BUDGET FORECAST (at November 2020)	Approved Budget 2020/21	Forecast Budget 2021/22	Forecast Budget 2022/23	Forecast Budget 2023/34	Forecast Budget 2024/25	Forecast Budget 2025/26
	£m	£m	£m	£m	£m	£m
FORECAST GAP	Balanced	Balanced	2.554	3.414	3.964	4.104
COVID-19 – 2021/22 income impacts <ul style="list-style-type: none"> • Community Centres - £0.200m • Harlequin - £0.050m • Parking - £1.200m • Commercial Waste - £0.160m 		1.610	TBC			
Income Losses to be funded by calling on the Government Funding Risks Reserve		(1.610)	TBC			
FORECAST GAP	Balanced	Balanced	TBC			

76. There is no indication at the time of preparing this report whether Government support for COVID-19-related income losses will continue into 2021/22 therefore the above forecasts are based on the assumption that they will have to be funded through drawing on the Council's own Reserves.
77. Work is continuing on forecasts for income impacts beyond 2021/22 and an update will be provided in the January budget report.
78. Over the medium term the Council's strategy is to invest to realise new sustainable sources of income. This is dependent on successful delivery of schemes identified through the new Commercial Strategy.
79. While the above analyses indicate that the 2021/22 budget can be balanced through calling on Reserves other options for addressing the gap continue to be considered and will be finalised in the January budget report. They include:

- Identification of further savings, income generation opportunities or budget efficiencies (net of any new pressures identified); and
- Use of any unallocated grants.

80. Over the medium term the Council's strategy is to invest to realise new sustainable sources of income. This is dependent on successful delivery of schemes identified through the new Commercial Strategy.

USE OF RESERVES

81. The Council holds Reserves to provide protection against financial risks. Our 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.

82. 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.

83. 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.

84. The Council's Reserves Policy is attached at Annex 6.2

85. Current Revenue Reserves are summarised below and detailed at Annex 6.1

Table 12: RESERVES SUMMARY	Balance at 1 April March 2019 £m	Balance at 1 April 2020 ¹ £m
General Fund Balance	12.547	3.246
Other Earmarked Reserves	23.042	32.145
TOTAL	35.589	35.391²

Notes

1: Balances after decisions made during budget setting for 2020/21 to redistribute funds between Reserves.

2: Balance after drawing £6.204 million in April 2020 for the advance Pension Fund contribution that was approved during budget-setting for 2020/21.

86. 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.

87. The Council has set a minimum level of unallocated General Fund reserves of 15% of the net revenue budget, which equates to £2.738 million (for 2020/21). The unallocated balance on the General Fund at 1 April 2020 of £3.246 million, is compliant with this limit.

NEW HOMES BONUS

88. 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.
89. 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 2020/21 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.
90. The Government originally set out its intention to end New Homes Bonus as part of the Fair Funding Review. The Objective is to replace this mechanism with a different means of incentivising and rewarding housing growth. The detail and timing remains unclear due to the delay in the Fair Funding review.
91. In previous years this funding was set aside in an Earmarked Reserve for general use. During budget-setting 2020/21 a sum equivalent to the accumulated funds was transferred to a new Earmarked Reserve to support implementation of the Housing Delivery Strategy. Details at Annex 6.2.
92. Forecast residual New Homes Bonus receipts (from previous year's allocations) are set out in the table below

Table 13: NEW HOMES BONUS	2021/22 £m	2022/23 £m
New Homes Bonus	0.858	0.325

COUNCIL TAX

93. Council Tax Precepts 2020/21

Table 14: ANALYSIS OF COUNCIL TAX INCOME BY PRECEPTOR 2020/21			
Authority	Band D Equivalent	£000	% share
Surrey County Council	1511.46	92,393.7	74.94
Surrey Police & Crime Commissioner	270.57	16,245.6	13.18
Reigate & Banstead BC	232.46	14,210.0	11.53
Band D Equivalent	2014.49	122,849.3	99.65
Horley Town Council		404.7	0.33
Salfords & Sidlow Parish Council		38.5	0.03
		123,292.5	100.0

94. The referendum cap is expected to be confirmed with the Provisional Local Government Funding Settlement Announcement in December. It is anticipated to be the higher of 1.99% or £5 for district councils.

95. Final recommendations will be included in the January Budget and Council Tax reports when the referendum cap has been confirmed by the Government.

Local Council Tax Support Scheme

96. The Council funds 10% of council tax for eligible claimants. This reduction in income is taken into account when the taxbase is calculated as part of budget-setting. No Government funding is provided; the costs fall on the Revenue Budget.

Council Tax Collection Performance 2019/20

97. This Council's collection performance for council tax in 2019/20 was 98.65%; 28th highest performance compared to all English local authorities

Council Tax Options 2021/22

98. Each 1% increase in Council Tax generates £0.141 million additional income for this borough. A 1.99% increase would yield c£0.280 million additional income; a £5 increase would yield c£0.300 million.
99. Council tax income forecasts for 2021/22 will be dependent on the outcome of work that is currently in progress to forecast the council tax base for 2021/22. This is more challenging this year due to the increasing numbers of local council tax support scheme claimants as a consequence of the COVID-19 pandemic.

Council Tax Forecasts

100. For MTFP modelling purposes, based on a 1.99% increase and a 1% increase in the taxbase (rounded to £0.400 million), the Council Tax income forecast at November 2020 is set out below:

Table 15: COUNCIL TAX FORECAST	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Forecast Resources	13.700	14.100	14.520	14.960	15.410	15.880
Annual Increase in Income	-	0.400	0.420	0.440	0.450	0.460
Cumulative Increase in Income		0.400	0.820	1.260	1.710	2.170
Band D	£227.46	£232.46	£237.09	£241.80	£246.62	£251.52
Band D Increase	-	£5.00	£4.63	£4.71	£4.82	£4.90

101. Although council tax is a significant source of funding for local government, 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 the limit for increases is set each year.

102. 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.

COVID-19 Impacts

103. It is still early in the 2020/21 financial year to forecast with any accuracy how the pandemic will impact council tax collection performance in future years. The latest assessment of the potential impacts is set out at Annex 2 (Appendix 4).

Council Tax Policy

104. Changes to council charges on empty homes were also approved during 2019/20 and came 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.

105. As these changes help deliver a county-wide initiative to reduce the number of empty 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 County Council has issued draft proposals for distribution of the funds during 2020/21. The sum that will be made available and proposals for its use will be included in the January budget report.

Council Tax Premium for Properties Empty for 10+ Years

106. Further to the Executive Report decision on 18 April 2020, we are now seeking to implement the next stage of Council Tax Premiums for domestic properties that have been empty and unfurnished for a continuous period of 10 or more years.
107. The Government believes that these changes could help to reduce the number of empty homes by incentivising owners to bring their properties back into use and therefore help to meet the current housing shortage in the borough, with the secondary benefit of raising additional revenue for the precepting authorities.
108. The amounts that local authorities can charge for the long-term empty premium was changed when the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, came into force from 1 April 2019.
109. This allows local authorities to further increase the premium to 300% from April 2021 where a property has been empty and substantially unfurnished for ten years.
110. In addition to raising more council tax, any homes that could be brought back into use would help to ease the housing shortage and have a positive impact on the number of people approaching the Council for housing.
111. There will be a financial impact for the owners of long term empty properties, but in cases where an owner demonstrates financial hardship, the legislation allows the Council to reduce the council tax charge at its discretion.
112. The number of properties affected will be very low. There are forecast to be 12 properties that would be affected in 2021/22.
113. Approval is sought to bring in the new premium for these properties with effect from April 2021.

Housing Benefit – local disregard for War Widows and War Pensioners

114. Sections 134(8)(a) and 139(6)(a) of the Social Security Administration Act 1992 allow local authorities administering schemes for housing benefit to modify those schemes to disregard prescribed war disablement pensions and war widow's pensions.
115. Residents who receive these prescribed pensions, will receive a higher rate of housing benefit as those incomes will be disregarded in the calculation of the award.
116. Following a recent audit, it was recommended that we seek a further commitment and decision from the Executive that this disregard should continue. The last formal decision would have been made around 1992, when the powers came into effect.

117. In 2019/20, the Housing Benefit expenditure on this client group was £20,594, and the central government subsidy claimed back was £15,446. Therefore, the scheme cost the Council £5,148.

118. The recommendation is to continue the modified scheme, so as not to cause any financial hardship to those residents who receive these pensions.

Local Council Tax Support Scheme

119. The local council tax support scheme will remain unchanged, other than to reflect increases in allowances and premiums in line with national benefits.

BUSINESS RATES (NATIONAL NON-DOMESTIC RATES)

120. 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.

121. 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.

122. The Government is currently undertaking a review of how business rates will operate going forward and has previously stated its intentions to achieve 75% localisation of business rates from 2022. The full impact of this will only become clear during 2021/22 as proposals are developed

123. As explained above, in 2022/23, the Council expects to see further significant decline in Government funding support as retained business rates receipts and Negative RSG Grant' are phased out. It remains unclear how these reductions will be implemented but we are assuming this will be clearer when the outcome of the Fair Funding Review and Business Rates Reset are announced.

Business Rates Pooling

124. A small number of Surrey authorities are once again planning to establish a voluntary Business Rates Pool for 2021/22 with Surrey County Council using the same methodology as in previous years. This Pool is not open to Reigate & Banstead due to the relative size of our business Rates Levy change.

Business Rate Appeals

125. 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 (Government Funding Reduction Risks Reserve) that has been set aside for this purpose and making provision in the Medium-Term Financial Plan for future years' contributions.

Business Rates Collection Performance 2019/20

126. Collection performance for business rates in 2019/20 was 99.94%; this was the highest performance in the country compared to all English local authorities

COVID-19 Impacts

127. It is still relatively early in the 2020/21 financial year to forecast with any accuracy how the pandemic will impact business rates collection performance. The latest assessment of the potential impacts is set out at Annex 2 (Appendix 4).

CAPITAL PROGRAMME 2021/22 ONWARDS

Capital Investment Strategy and Capital Programme

128. The latest Capital Investment Strategy was approved by Executive in July 2020 and sets out how the Council plans to invest in assets to generate income. Proposals for new schemes in the Capital Programme are detailed in this report.

2020/21 to 2024/25 Approved Capital Programme

129. The Capital Programme that was approved in January 2020 and the unspent balance on previously-approved schemes is summarised below:

Table 16: APPROVED CAPITAL PROGRAMME	2019/20 Brought Forward £m	2020/21 Approved £m	2021/22 Projected £m	2022/23 Projected £m	2023/24 Projected £m	2024/25 Projected £m	TOTAL £m
FINANCE & ORGANISATION:							
Strategic Property	0.552	4.385	1.332	1.658	1.374	1.258	10.559
IT Services	0.144	0.225	0.425	0.375	0.385	0.325	1.879
Organisational Development	0.000	0.280	0.260	0.260	0.260	0.260	1.320
PEOPLE SERVICES:							
Housing	10.266	16.990	11.405	11.334	1.334	1.334	52.663
Wellbeing & Intervention	0.000	0.140	0.040	0.040	0.040	0.040	0.300
Community Partnerships	0.069	0.030	0.030	0.030	0.030	0.030	0.219
PLACE SERVICES:							
Neighbourhood Operations	0.148	3.927	2.822	1.202	1.202	1.202	10.503
Place Delivery	4.336	20.021	24.442	15.100	0.000	0.000	63.899
Economic Prosperity	-	0.100	0.100	0.100	0.100	0.100	0.500
CORPORATE:							
Commercial Investment Strategy	13.977	50.000	0.000	0.000	0.000	0.000	63.977
TOTAL CAPITAL PROGRAMME	29.492	96.098	40.856	30.099	4.725	4.549	205.819

130. Some of the sums allocated in the approved Capital Programme are intended to demonstrate a commitment to invest, rather than specific spending plans. For some capital schemes relating to Housing and Commercial projects there will therefore be a requirement for further reports to Executive or to the Commercial Ventures Executive Sub Committee when the business cases for specific investment proposals have been developed.

Capital Programme Growth 2021/22 onwards

131. Capital Programme growth proposals that have been developed as part of the service and financial process are detailed at Annex 4 and summarised below:

Table 17: CAPITAL PROGRAMME GROWTH PROPOSALS AT NOVEMBER 2020	2021/22 Projected £m	2022/23 Projected £m	2023/24 Projected £m	2024/25 Projected £m	2025/26 Projected £m	TOTAL £m
ORGANISATION:	0.250	-	-	0.050	0.060	0.360
PEOPLE SERVICES:	-	0.021	0.021	0.021	0.021	0.084
PLACE SERVICES:	(0.427)	(0.153)	0.255	(0.172)	0.339	(0.158)
TOTAL CAPITAL GROWTH	(0.177)	(0.132)	0.276	(0.101)	0.420	(0.286)

132. Current capital growth proposals are relatively low in value for 2021/22, reflecting the significant increase in investment that was approved for 2020/21. The main reasons for the 2021/22 growth proposals include:

- Continued investment in ICT assets
- Investment in implementation of the Council’s Environmental Sustainability strategy and asset management plans
- Contribution to the new Surrey-wide transit site; and

In total the value of growth bids to date is offset by reprofiling of existing capital allocations to reflect updated service delivery needs

133. Work is still in progress to develop other proposals that will be reported in January, if they are finalised by then. They include:

- New schemes to support the Housing Delivery Strategy
- Options for investment in Community CCTV;
- Investment in IT systems and system enhancements; and
- Options for investment on Community Centres.

Capital Programme Funding

134. Sources of funding for the 2020/21 Capital Programme are explained below:

Table 18: CAPITAL FUNDING	
Capital Reserves	<ul style="list-style-type: none"> • 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 nil at March 2020.
Capital Receipts	<ul style="list-style-type: none"> • Sale of capital assets results in a capital receipt that can be used to invest in new capital assets or to repay prudential borrowing. • 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.

Table 18: CAPITAL FUNDING	
Capital Grants & Contributions	<ul style="list-style-type: none"> • Forecasts of the future grant funding allocation for Disabled Facilities works have been updated to reflect forecast allocations. • They also include the Council's share of Section 106 and CIL funding. • Funding equivalent to the historic New Homes Bonus grant allocation has been allocated to support implementation of the Housing Delivery Strategy • At 31 March they comprised: <ul style="list-style-type: none"> ○ Section 106 contributions £12.772 million ○ Community Infrastructure Levy £8.721 million ○ Other Capital Grants & Contributions £3.263 million
Prudential Borrowing	<ul style="list-style-type: none"> • The primary source of long-term funding for the Capital Programme is now prudential borrowing, mainly from the Public Works Loans Board (PWLB). • Loans are managed through the approved Treasury Management Strategy and policies. • 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. • 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.
Revenue Budget Contributions	<ul style="list-style-type: none"> • There is no expectation that significant capital expenditure will be funded from the revenue budget in 2021/22.

Capital Programme – Revenue Budget Implications

135. 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.
136. Treasury management budgets will be updated to reflect the costs of borrowing for the approved Capital Programme for 2021/22 onwards net of interest on forecast balances. Details will be confirmed in the Treasury Management Strategy for 2021/22 that is reported to Executive and Full Council for approval in March/April each year.
137. The costs of managing and maintaining new capital assets will have to be taken into account in the revenue budget as new assets come into use. Budgets will also have to be set for any new income streams generated.

BUDGET SETTING TIMETABLE

138. The timetable for approval of the 2021/22 budget is summarised below:

Date	Event	Purpose
July 2020 & October 2020	Management Team away day	Consider service position and initial forecasts
	Executive away day	Discuss budget setting priorities and 'direction of travel'
28 July 2020	Executive	Medium Term Financial Plan Update
10 September 2020	Overview and Scrutiny	Capital Strategy Update
24 September 2020	Management Team away day	Consider draft Budget proposals
8 October 2020	Executive away day	Agree draft Budget proposals
19 November 2020	Executive	Agree draft Budget
3 December 2020 9 December 2020	Budget Scrutiny Panel Overview and Scrutiny	Review draft Budget
17 December 2020	Executive	Receive Scrutiny Panel Feedback
28 January 2021	Executive	Final Budget and Council Tax proposals
11 February 2021	Full Council	Approve Budget and Council Tax

OPTIONS

139. Service & Financial Planning: the following options are available to the Executive:

- a) Approve the proposed budget and financial planning changes set out within the report, for consultation under the terms of the Constitution.

This option is recommended for approval, to ensure that our service and financial plans are agreed in good time to adopt a balanced budget for 2021/22.

- b) Only approve some of the proposed budget and financial planning changes set out within the report, for consultation under the terms of the Constitution.

This option is not recommended, as it would undermine the service plans and would present a budget gap for 2021/22.

- c) Reject the proposed budget and financial planning changes set out within the report, and request that further work be undertaken to develop new proposals for consultation under the terms of the Constitution.

This option is not recommended as it would delay the budget consultation process, undermine service planning and leave the Council and risk of failing to adopt a balanced budget for 2021/22.

140. Council tax premium on empty properties: the following options are available to the Executive:

- a) To adopt the proposed premium of 300% for properties that have been empty for more than 10 years.
- b) To reject the recommended premium of 300% for properties that have been empty for more than 10 years.

141. Modified housing benefit scheme: the following options are available to the Executive:

- a) To continue the modification.
- b) To reject the recommended continued application of the modification.

LEGAL IMPLICATIONS

142. 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 2021/22 by 11 March 2021 to meet the requirements of the Local Government Finance Act 1992.

143. Council tax premium on empty homes and modified housing benefit scheme: there are no direct legal implications arising from the recommendations in this report.

FINANCIAL IMPLICATIONS

144. Service & financial planning: these are addressed throughout the report.

EQUALITIES IMPLICATIONS

145. An Equalities Impact Assessment of the final service & Financial planning proposals will be undertaken and will be provided as a background paper to the January budget report. This will include, where possible, consideration of the effect that COVID-19 is having on residents' income, particularly those are now claiming benefits for the first time.

146. Council tax premium on empty homes: the proposal impacts on 12 properties that are forecast to be affected and is not anticipated to have equalities implications.

147. Modified housing benefit scheme: the proposal provides financial benefits to claimants in receipt of specified pensions.

COMMUNICATION IMPLICATIONS

148. Service & financial planning: the Council continues to offer value for money for Council residents – in 2020/21, the average household pays just £4.48 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.

149. 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. Development of the 2020-2025 corporate plan was supported by extensive consultation with residents and other partners to ensure that our priorities remain relevant up to 2025.

150. Council tax premium on empty homes: information about the premium will be made available to affected taxpayers and published on the Council's website.

151. Modified housing benefit scheme: information about the modification is made available to eligible claimants and published on the Council's website.

RISK MANAGEMENT CONSIDERATIONS

152. The Council has strong risk management arrangements in place to ensure that any risks are identified and managed, with regular reports provided to the Audit Committee and the Executive.

153. The risks relating to the long term financial sustainability of the Council remain on the strategic risk register and 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.

154. 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.

155. Strategic financial risks: these are set out at Annex 2 (Appendix 3).

156. Service & financial planning: the service and financial plans contained within this report 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.

157. Council tax premium on empty homes: there are no significant financial risks associated with this proposal.

158. Modified housing benefit scheme: there are no significant financial risks associated with this proposal.

HUMAN RESOURCE IMPLICATIONS

159. Service & financial planning: 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.

160. The service and financial planning proposals for 2021/22 result in no change in FTE.

Table 19: Staff Establishment - FTE Movements 2020/21 to 2021/22			
STAFF ESTABLISHMENT 2020/21 (including fixed term posts)			534.0
New Posts to be Created as part of 2021/22 Service & Financial Planning Growth			
Annex			
3.1	Additional Accountant post to support delivery of increased treasury management and Statement of Accounts service demands in 21/22 onwards	1.0	
3.1	Additional waste collection crew to meet increased household demand	3.0	
3.1	Deletion of vacant funded posts	(6.0)	
3.2	Establishment of the Commercial Team to support delivery of the Commercial Investment Strategy	2.0	0.0

Table 19: Staff Establishment - FTE Movements 2020/21 to 2021/22	
STAFF ESTABLISHMENT 2020/21 (including fixed term posts)	534.0
FORECAST STAFF ESTABLISHMENT 2021/22	534.0
NET INCREASE/DECREASE	0.0

161. The final budget proposals and Medium Term Financial Plan forecasts will include provision for an annual cost of living pay award for staff. This award is subject to negotiations with staff representatives and will depend on a variety of factors, including economic conditions, inflation levels and staff recruitment and retention considerations. The budget forecast also includes an allocation for contractual pay increases for some staff (primarily incremental pay rises linked to achieving appraisal targets).

CONSULTATION

162. Consultation will be carried out in line with the Council's budget and policy framework. This includes consideration by the Overview & Scrutiny Committee.
163. The Overview & Scrutiny Committee has established a Budget Scrutiny Panel to support this work. The Panel is scheduled to meet on 3 December. It is anticipated that the Panel's report will be considered by the Overview & Scrutiny Committee on 9 December. Any comments or recommendations will be reported to the Executive meeting on 17 December 2020.
164. 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 will be done through activities coordinated by the Economic Prosperity Team, including business networking events and using the Council's business e-newsletter.

POLICY FRAMEWORK

165. 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 its corporate plan and services to residents and businesses.
166. Council tax premium on empty homes: the proposal supports delivery of the Council's Housing Delivery Strategy.
167. Modified housing benefit scheme: the proposal supports the Council's priority of providing targeted and proactive support for our vulnerable residents.

Background Papers:

Empty Homes Policy, report to Executive on 18 April 2019

Medium Term Financial Plan Update, report to Executive on 28 July 2020

Capital Investment Strategy 2021/22, report to Executive on 28 July 2020

Service Plans, 2021/22 to 2024/25, copies of Service Plans can be viewed in the Members' Section of the Modern.Gov Library.

List of Annexes:

- 1 Policy Context
- 2 Medium Term Financial Plan - Summary
- 3 Revenue Budget – Growth, Income and Savings Proposals
- 4 Capital Programme - Growth Proposals
- 5 Fees & Charges Policy
- 6.1 Revenue Reserves at 1 April 2020
- 6.2 Reserves Policy