

SIGNED OFF BY	Interim Head of Finance
AUTHOR	David Brown, Finance Manager, Management & Commercial Accounting Pat Main Interim Head of Finance
TELEPHONE	Tel: 01737 276680 / 276063
EMAIL	david.brown@reigate-banstead.gov.uk pat.main@reigate-banstead.gov.uk
TO	Executive
DATE	Thursday, 27 January 2022
EXECUTIVE MEMBER	Portfolio Holder for Finance

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

SUBJECT:	BUDGET 2022/23 and CAPITAL PROGRAMME 2022/23 to 2026/27
RECOMMENDATIONS:	
That Executive recommend to Council:	
(i) The latest Medium-Term Financial Plan forecast at Annex 1	
(ii) A Revenue budget requirement of £19.980 million for 2022/23, as set out in this report and at Annex 2, which reflects: <ul style="list-style-type: none"> • Service budget savings of (£0.430) million (net); including additional savings of (£0.315 million) at Annex 2; • Service budget growth for Government funding reductions of £0.115 million; • Service budget growth for parking income losses of £1.100 million; plus • Central budget growth of £1.800 million. 	
(iii) An increase in Reigate & Banstead's Band D Council Tax of £5.00 (2.11%) and a final taxbase of 62,274 Band D equivalents;	
(iv) The forecast for Revenue Reserves (Annex 3) and the recommended use of £1.777 million from Reserves in 2022/23 comprising:	

- £0.115 million from the Government Funding Risks Reserve to fund reduced housing benefit subsidy; and
- £0.350 million from the Pensions Reserve to fund 2022/23 employer pension contributions; and
- £1.100 million from the COVID-19 Risks Reserve to fund reduced income from parking fees; and
- £0.212 million from the General Fund Balance to support the 2022/23 Revenue Budget;

(v) A Capital Programme of £45.297 million for 2022/23 to 2026/27 as set out in this report and at Annexes 4.1 and 4.2, including net Capital Programme Growth Proposals of £4.993 million.

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

That Executive authorise:

(vii) 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.

That Executive note:

(viii) Plans to submit IT Strategy investment proposals for approval by Executive.

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 (2.11% per annum) increase in Council Tax for 2022/23. It also presents the recommended Capital Programme for 2022/23 to 2026/27.

Recommendations (i) to (vi) are subject to approval by the Council. The Executive has authority to approve recommendations (vii) and (viii).

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. Local Council Tax Support Scheme allowances and premiums will be increased on 1 April in line with other national increases contained within the Housing Benefit Regulations 2006 and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012; the Scheme is also scheduled for review during 2022/23.

FINANCIAL CONTEXT

6. The purpose of this report is to:
 - Set out the recommended Revenue Budget and Council Tax for 2022/23 following scrutiny of the draft budget proposals and the provisional Local Government Funding Settlement announcement on 17 December 2021;
 - Set out the proposed Capital Programme for 2022/23 to 2026/27; and
 - 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

7. The 2022/23 Provisional Local Government Finance Settlement was published in December 2021. As expected, it is for one year only and is based on Spending Review 2021 (SR21) funding levels that were announced in November. Once again, the emphasis was on providing stability by rolling forward key elements of 2021/22 funding alongside extra cash for priority areas, such as social care. The approach is designed to maximise the scope for manoeuvre in implementing finance reform in later years by keeping open options for years 2 and 3 of the SR21 period. The main points are set out below:
 - **Council Tax** – the council tax referendum limit will be 2% for lower tier authorities; it was confirmed that districts will be allowed to apply increases of the higher of the referendum limit or £5.
 - **Business Rates Retention** – the business rates multiplier has once again been frozen instead of increasing in line with inflation. Therefore, the three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) remain at 2020/21 levels. However, the Under-Indexing Multiplier Grant has been increased to ensure that local authorities' shares of

NNDR income is not impacted (although the indexing basis is now RPI instead of CPI).

- **Top Up/Tariff Adjustments ('Negative RSG')** – as in previous years, the Government has eliminated the negative RSG impacts for another year.
- **Lower Tier Services Grant** – this un-ringfenced lower tier services grant of £111m has been retained. The purpose is to ensure that no authority has a total Core Spending Power less than in 2021/22. Distribution is based on 2013/14 Settlement Funding Assessment formulae.
- **New Homes Bonus** - 2022/23 allocations were announced and will be paid with the legacy payments due from 2019/20. As previously announced, there will be no legacy payments for the new 2022/23 in-year allocations. The 'deadweight' of 0.4% has been maintained.
- **Rough Sleepers and Troubled Families Programmes** - no announcements were made
- **Homelessness Prevention** – £315.8 million Homelessness Prevention Grant for 2022/23 was announced on 21 December; this includes £5.8 million to fund new burdens following implementation of changes in the Domestic Abuse Act.
- **COVID-19 Funding** – as expected no further announcements were made
- **Local Government Funding Reform** – the only announcement regarding funding reform was as follows:

“Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000.

Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes”.

MEDIUM TERM FINANCIAL PLANNING

8. The Council has been planning for the loss of Government funding, with the objective to become financially self-sufficient going forward. It is also now addressing the reduction of income from car parking following the pandemic. In order to achieve self-sufficiency the Council needs to continue to find budget efficiencies whilst also generating new sustainable sources of additional income.
9. An updated Medium Term Financial Plan (MTFP) was approved in July 2021 and forecasts were refreshed in November 2021. The MTFP 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 2022/23:
 - To ensure resources are aligned with the 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.
10. The latest MTFP forecasts are set out at Annex 1 and indicate a budget gap of £2.403 million for service budgets in 2023/24, rising to £4.123 million by 2026/27. Further work will commence to update MTFP forecasts to support service & financial planning for 2023/24 onwards. The outcome will be reported to Executive in summer 2022.
11. Many of the measures, as detailed in this report, that are being used to balance the budget for 2022/23 are one-off cost reductions, including calling on reserves to address the residual budget gap.

Financial Sustainability Plan

12. 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 2023/24 onwards.
13. A Financial Sustainability Plan is being developed, focussing on four key areas:
- | | |
|-----------------------------|---|
| Income Generation | <ul style="list-style-type: none"> • Pursuing opportunities to generate new income streams. • Optimising fees and charges. • Implementation of the Commercial Strategy. |
| Use of Assets | <ul style="list-style-type: none"> • Making effective use of existing assets, including the repurposing and sale of surplus properties. |
| Prioritisation of Resources | <ul style="list-style-type: none"> • Reviewing in-year budget monitoring forecasts to identify new opportunities for savings and efficiencies. • Reviewing the level of service provided and focussing resources on priority services. • Managing pay costs and making effective use of staff resources. |
| Achieving Value for Money | <ul style="list-style-type: none"> • Actively pursuing options to share with other councils to realise efficiency savings. • Identification of invest to save opportunities – including investment in technology and assets to reduce operational costs. |
14. The Corporate Governance Group (comprising statutory officers and Directors) will oversee progress in the identification and delivery of initiatives in the Plan while delivery of individual projects will be managed within existing project management Boards.

15. Progress will be reported to the Leader and Deputy Leader on a regular basis and to the Executive, Overview & Scrutiny and individual Portfolioholders as part of quarterly performance reporting.

Commercial Strategy

16. 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.
17. 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 Government and CIPFA guidance, specifically 'borrowing in advance of need'.
18. While service efficiencies and council tax increases are important, their contribution to addressing the financial challenges faced by the Council is limited. In the absence of more secure central funding, it is therefore important that the Council also becomes an increasingly commercial organisation. This means maximising existing net income streams and generating new ones to support service delivery. This requires investment – and will have an element of commercial risk – but it will also be necessary to enable the Council to develop and grow into a self-sustaining organisation. As such the Council has now agreed its Commercial Strategy setting out how it will operate more commercially in a way that aligns with its local government ethos and statutory requirements placed on it.
19. The latest Capital Investment Strategy was approved in July 2020 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 2023/24 onwards. The outcome will be reported to Executive in summer 2021.
20. The Commercial Ventures Executive Sub-Committee, supported by other Executive Members, has been working to develop the Council's commercial agenda. This has included (and will continue to include) consideration of the scale and appropriate type of investments, the geographic area of any investment activities, and the opportunities for partnership working. Commercial activity will necessarily be an accompaniment to the Council's primary purpose of supporting the borough and its residents, through helping investments in social and environmental benefits to be financially self-sustaining or surplus generating.
21. The current MTFP financial model includes indicative forecasts for income from newly-constructed commercial units at the Cromwell Road and Marketfield Way developments. These are based on an early assessment of the level of rental income net of landlord overheads; they will be updated in future MTFP reports as these developments are handed over and tenancies are signed. Forecasts for other commercial elements of projects will be included when individual business cases have been approved and delivery timescales are confirmed.

COVID-19 Pandemic

22. During 2020/21 the pandemic impacted on:
- Expenditure budgets – significant unbudgeted costs were incurred to deliver the Council's emergency response to the pandemic.
 - Income budgets – there were material shortfalls in income receipts across many services compared to budget
 - Collection fund recovery performance – council tax and business rates income receipts were 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.
 - Financial responsibilities – local authorities were asked to take on new responsibilities at short notice to support Government in distributing new reliefs, grants and benefits.
23. While most of these impacts have now reduced it is evident that car parking income is unlikely to return to pre-pandemic levels in the near future, therefore income budgets have had to be updated for 2022/23 to reflect the revised forecasts.

IT Strategy

24. As reported in the November Service & Financial Planning report, the Council's IT Strategy has been reviewed to ensure that the IT infrastructure and systems continue to support delivery of strategic and operational plans. It will be necessary to take action over the coming five-year period to invest in priority areas:
- Improved Disaster Recovery capability;
 - Improved Cyber defences;
 - Replacement Telephony infrastructure;
 - Improved remote access infrastructure;
 - Customer Relationship Management system development; and
 - IT estate maintenance.
25. Much of the forecast investment reflects cyclical costs that fall due over the next five years along with the new requirement for enhanced resilience to protect Council networks and systems against increased risks of cyber-attack. The recommended approach will be based on an inter-related package of works that would cost more over the medium term to implement if not carried out in parallel.
26. Proposed solutions for addressing these IT Resilience risks have been developed and proposals will be brought forward for decision in a separate report to the Executive in March.
27. The funding approach will include making use of capital receipts to resource some of the costs (under the Government's scheme for 'flexible use of capital receipts') and making use of Government grant funding (where eligible).
28. Indicative forecasts for the costs of this investment over the medium term are set out below to help illustrate the potential scale of investment required. In part these estimates reflect the fact that it has been some years since the IT Strategy was last reviewed; also the heightened level of risks that are now faced across all business sectors.

29. For 2022/23, the forecast in-year spend will be via a call on Earmarked Reserves. A Reserve will be established for this purpose. Thereafter the forecast annual costs will be taken into account in the annual Medium Term Financial Planning and Service & Financial Planning processes, to be addressed by the budget saving, efficiency and income-generation activities that are to be delivered through the Financial Sustainability Plan.

Table 1: INDICATIVE COST OF INVESTMENT IN IT RESILIENCE (at January 2022)	Forecast 2022/23 £m	Forecast 2023/24 £m	Forecast 2024/25 £m	Forecast 2025/26 £m	Forecast 2026/27 £m
Project / Implementation Costs	0.263	-	-	-	0.150
Operating Costs	0.269	0.269	0.205	0.288	0.288

2022/23 REVENUE BUDGET

30. The Revenue Budget comprises five 'building blocks' as follows:

- **Net Cost of Services:** These are the direct costs incurred in delivering services, 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;
- **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 2022/23 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. 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.

31. The table below summarises the final Revenue Budget for 2022/23

Table 2: BUDGET SUMMARY 2022/23	Budget 2021/22 £m	Budget 2022/23 £m
1. Net Cost of Services	16.240	17.025
2. Central Budgets	1.155	2.955
NET EXPENDITURE 2022/23	17.395	19.980
3. Council Tax	14.365	15.222
4. National Non-Domestic Rates (NNDR)	1.819	1.710
5. Other Un-ringfenced Grants		
• Lower Tier Services Grant	0.394	0.107
• COVID-19 Tax Income Guarantee Grant	0.150	-
• COVID-19 Local Council Tax Support Grant	0.190	-
• Services Grant	-	0.164
• New Homes Bonus Grant	-	1.000
6. Grants Transferred to Reserves:		
• Homelessness Prevention	0.668	0.668
• Transfer to Reserves	(0.638)	(0.668)
7. Call on Earmarked Reserves:		
• Government Funding Risks Reserve	0.104	0.115
• Commercial Risks Reserve	0.138	-
• Pension Reserve	-	0.350
• COVID-19 Risks Reserve ¹	-	1.100
Use of funds from the General Fund Balance to support the 2022/23 Revenue Budget ²	0.235	0.212
NET SOURCES OF INCOME 2022/23	17.395	19.980

NOTE

1. The call on the COVID-19 Risks Reserve during 2021/22 was reported separately when the 2021/22 budget was approved because at that time the scale of the ongoing budget impacts of the pandemic had not been confirmed and the call on the Reserve was unquantified. The actual call on the Reserve has been reported as part of in-year budget monitoring. The 2022/23 budget includes the budget on Service Budgets and the compensating call on the Reserve.
2. The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2022/23.

2022/23 Service Budget Proposals

32. Service budget proposals are summarised below:

Table 3: SERVICE BUDGET PROPOSALS	Approved Budget 2021/22 £m	Proposed Budget 2022/23 £m	Net Service Budget Increase / (Decrease) £m
ORGANISATION			
Communications / Customer Service	1.101	1.086	(0.015)
Finance	1.327	1.327	-
ICT	1.767	1.767	-
Legal & Governance	2.204	2.243	0.039
Organisational Development & HR	0.786	0.786	-
Corporate Policy, Projects & Performance (inc environmental sustainability)	0.432	0.432	-
Property / Commercial	(1.352)	(1.232)	0.120
PLACE			
Economic Prosperity	0.354	0.274	(0.080)
Neighbourhood Operations	3.657	4.997	1.340
Place Delivery	0.355	0.355	-
Planning	0.728	0.653	(0.075)
PEOPLE			
Community Development	1.447	1.197	(0.250)
Housing	0.999	0.999	-
Revenues, Benefits & Fraud	0.628	0.718	0.090
Wellbeing & Intervention	0.608	0.484	(0.124)
SENIOR MANAGEMENT TEAM	1.199	0.939	(0.260)
TOTAL	16.240	17.025	0.785

33. Net Service savings, additional income and growth proposals of £0.001 million were approved in the Service & Financial Planning 2022/23 report to Executive on 18 November 2021, plus car parking income losses from carparking of £1.100 million.
34. Additional net Service savings and growth proposals totalling £0.316 million are detailed at Annex 2.
35. In total they result a net increase in Service budgets of £0.859 million:

Table 4: SERVICE BUDGET PROPOSALS FOR 2022/23	£m	£m
Budget Movements:		
Net Reduction in Staff Costs ¹	(0.215)	
Net Reduction in Other Operating Costs	(0.215)	
Net Reduction in Parking Income	1.100	
Net Reduction in Government Funding (DWP Subsidy and Admin Grants)	0.115	

Table 4: SERVICE BUDGET PROPOSALS FOR 2022/23	£m	£m
NET SERVICE BUDGET GROWTH		0.785

NOTE 1: provision for the annual staff pay award and other contractual pay increases are reported as part of Central budgets.

Deletion of Vacant Funded Posts

36. Review work has now been completed and the outcome is to confirm that 0.4 FTE (net) posts are to be deleted to achieve a service budget total saving of £0.215 million.

Grant-Funded Posts

37. An area for future consideration as part of budget-setting in 2023/24 relates to posts that are currently funded through calling on the Homelessness Prevention grant that is held in an Earmarked Reserve. They comprise:

- Housing 5.0 FTE £0.163 million
- Wellbeing & Intervention. 2.0 FTE £0.067 million
- Revenues, Benefits & Fraud 2.0 FTE £0.060 million

38. The 2022/23 Homelessness Prevention grant allocation of £0.668 million was confirmed in December 2021 along with £0.011 million of new burdens funding This will be transferred to an earmarked Reserve until called upon to fund related expenditure. While there is currently sufficient grant funding available for these posts to continue in 2022/23 there remains a risk that the grant may cease in 2023/24 and a decision will be required whether to continue to fund these posts through the Revenue budget as part of next years' service & financial planning process.

Senior Management Structure

39. During 2021/22 the new senior Management Structure was approved and has resulted in £0.250 million in budget savings. The final budget savings arising from the restructure are dependent on the outcome of the grade review that is currently in progress.

Income from Fees & Charges

40. The Fees & Charges Policy was approved by Executive in November 2021 and is being implemented with the intention that the full benefits can be realised when all fees and charges will have been reviewed in line with the Policy.
41. As part of service and financial planning, Heads of Service have been requested to review the charges for discretionary services provided by their teams to ensure that the Council's fees and charges policy is being consistently applied. This includes, for instance, ensuring that charges are in support of policy objectives and that, where appropriate, they are subject to an annual inflationary uplift.
42. The ongoing review into fees and charges has identified several discretionary services that may offer scope for income growth, through both increasing charges in line with inflation and expanding the current customer base.

Central Budget Proposals 2022/23

43. 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. Overall there is a net budget increase of £1.800 million compared to 2021/22 reflecting increased borrowing costs to fund the approved Capital Programme (£0.400 million) ,

the budgeted sum for pay (£0.800 million) and employer’s national insurance (£0.250 million) and employer Pension contributions (£0.350 million).

Table 5: CENTRAL BUDGETS	Approved Budget 2021/22 £m	Proposed Budget 2022/23 £m	Net Budget Increase / (Decrease) £m
Insurance	0.465	0.465	-
Treasury Management			
o Interest Received on Investments and Company Loans			
o Interest Paid on Borrowing	0.289	0.689	0.400
o Minimum Revenue Provision			
o Interest Paid to Trust Funds and Treasury transaction costs			
Employer Pension Costs ¹	0.000	0.350	0.350
External Audit Fees	0.053	0.053	-
Budget for Staff Salary Increases ²	-	1.050	1.050
Preceptor Grants	0.038	0.038	-
Apprenticeship Levy ³	0.075	0.075	-
Central Recruitment Expenses	0.040	0.040	
Visa Sponsorship Budget	0.005	0.005	-
Central Training Budget	0.082	0.082	-
Internal Audit Fees	0.059	0.059	
Central Contingencies	0.049	0.049	
Central Budgets	1.155	2.955	1.800

NOTES:

1. Compensated Added Years Pension Contributions – to be funded from the Pension Reserve
2. To be transferred from Central to Service budgets in April 2021 to reflect allocation of the pay increase across services
3. To be confirmed when final salary costs are confirmed

44. Proposed changes in Central Budgets in 2022/23 were set out in the November budget report; the final updates are detailed below:

Table 6: CENTRAL BUDGETS	Outcome of Review
Staff Salary Increases	Capacity of £0.800 million has been included in the budget for forecast contractual pay increases and the annual cost of living offer for 2022/23 This budget is held centrally and, when the pay award has been confirmed, will be allocated to services ready for the start of the new financial year. Provision has also been made for the 1.25% (£0.250m) increase in employer national insurance contributions from April 2022. This is part-funded by the Services Grant (£0.164m)
Treasury Management	This Budget has been reviewed in detail to ensure that it reflects: <ul style="list-style-type: none"> • Forecast interest on balances. Interest rates have started to rise following the recent Bank of England decision to increase the base rate however the range of institutions that are available to place investments remains limited (in line with the Treasury Management Strategy) to ensure security of funds. The forecast also reflects the continued use of cash balances wherever possible for short-term funding of the capital programme instead of taking out external loans.

Table 6: CENTRAL BUDGETS	Outcome of Review
	<ul style="list-style-type: none"> • Forecast borrowing costs (interest and Minimum Revenue Provision for loan repayment) in line with the proposed Capital Programme and Treasury Management Strategy. The forecast reflects planned spend profiles and the continued use of cash balances for short-term funding of the capital programme instead of taking out external loans. It also reflects application of the MRP Policy in the Treasury Management Strategy. The impacts of the Government's proposed changes to MRP regulations (announced in December 2021) have not yet been assessed but will have to be considered for budget-setting in future (assuming they go ahead). • Forecast interest on loans to the Council's companies. The forecast reflects current loans at January 2021; the budget implications of any new loans will be considered when the decision is made to advance them. • No provision has been made for the costs of borrowing for investment in projects to support delivery of the Commercial Strategy; these costs will be assessed when individual business cases are submitted for approval. <p>Overall there will be forecast to be a net increase of £0.400 million in treasury management costs compared to 2021/22, reflecting current Capital Programme investment plans.</p>
Pensions	<p>As explained in the November 2021 budget report; there is no longer a requirement to budget for employer secondary pension payments because the full three year's contributions were paid up from in April 2020.</p> <p>There is an ongoing requirement to fund Compensated Added Years payments of £0.350 million per annum; this will be funded from the Pension Reserve.</p> <p>Going forward it will also be necessary to consider making provision in the MTFP for funding the next forward payment which will be due in April 2023 following the 2022 Fund revaluation.</p>
Insurance	The final budget forecast is expected to be confirmed in February 2022; no significant increases are expected

Revenue Budget Funding 2022/23

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

Table 7: REVENUE BUDGET FUNDING	Budget 2022/23 £m
Council Tax	15.222
National Non-Domestic Rates	1.710
Other Un-ringfenced Grants:	

Table 7: REVENUE BUDGET FUNDING	Budget 2022/23 £m
• Lower Tier Services Grant	0.107
• Services Grant	0.164
• New Homes Bonus Grant	1.000
Call on Earmarked Reserves:	
• Government Funding Risks Reserve	0.115
• Pension Reserve	0.350
• COVID-19 Risks Reserve ¹	1.100
Use of funds from the General Fund Balance to support the 2022/23 Revenue Budget	0.212
TOTAL	19.980

NOTE

1. The call on the COVID-19 Risks Reserve during 2021/22 was reported separately when the 2021/22 budget was approved because at that time the scale of the ongoing budget impacts of the pandemic had not been confirmed and the call on the Reserve was unquantified. The actual call on the Reserve has been reported as part of in-year budget monitoring. The 2022/23 budget includes the budget on Service Budgets and the compensating call on the Reserve.

46. Work is now complete to update the Funding forecasts that have been taken into account when arriving at the final budget proposals for 2021/22. Factors taken into account include:

- | | |
|----------------------------------|--|
| NNDR | <ul style="list-style-type: none"> Includes continued funding for 'negative RSG', as confirmed in the November 2021 Spending Review and December Provisional Settlement. |
| Council Tax | <ul style="list-style-type: none"> The 2022/23 increase is based on a £5.00 Band D equivalent increase and the forecast tax base (as detailed below). |
| New Homes Bonus | <ul style="list-style-type: none"> Includes updated forecasts for New Homes Bonus based on the December 2021 Provisional Settlement announcement, comprising £0.325 million for 'legacy' payments from previous years' allocations plus a £1.169 million allocation for 2022/23. £0.495 million will be transferred to the COVID-19 Risks Reserve to help fund forecast parking income losses. The remaining grant will be used to help fund the annual budget. |
| Contributions (To)/From Reserves | <ul style="list-style-type: none"> Includes the net contribution of £0.212 million that will be required from the General Fund Balance to address the forecast remaining Revenue Budget gap in 2022/23. Also includes calls on other earmarked Reserves for specific purposes as detailed in the table. |

COUNCIL TAX 2022/23

47. In setting the Council Tax Requirement for 2022/23 the Council must give consideration to the three elements that make up the overall requirement:

- the precept amount;
- the Taxbase; and
- the outcome of the previous year's cash collection.

48. The Government sets a cap each year which has the effect of limiting the annual increase to the tax base before a referendum is required. This was confirmed with the Provisional Local Government Funding Settlement Announcement in December 2021 as being the higher of 1.99% or £5.00 for lower tier councils.

Taxbase

49. When considering the taxbase the Council has no authority over the banding of new builds, that is decided by the Valuation Office Agency, but as the planning authority it is responsible for ensuring an adequate supply of housing to meet the needs of the local population and is therefore in a position to approve and promote applications to build new homes.
50. The Taxbase increase reported to Council in December 2021 is unchanged and the recommendation is to adopt an increase in the council tax base from 60,720 to £62,274 properties representing a taxbase increase of £1,554.70 (2.56%) compared to 2021/22.

Council Precept

51. The recommendation is to set an annual precept increase for Reigate & Banstead Borough Council for 2022/23 of £5.00 taking the Council precept to £242.46. This represents an increase of 2.11% compared to 2021/22.
52. This increase will yield an additional £0.681million in income, comprising an increase of £0.369 million from the increase in the tax base and £0.311 million from £5 Band D increase.

Collection Fund Outturn

53. Another factor that has to be taken into account when forecasting council tax income for 2022/23 is the cash surplus or deficit that is brought forward on the Collection Fund from previous years. This is the difference between the actual amount of cash collected compared to the target collection rate that was forecast for that year during budget setting.
54. In 2020/21 there was an overall deficit on the Collection Fund carried forward of £1.167m and it is anticipated that there will be an overall projected surplus (cash surplus) of £2.191 million for 2021/22. Therefore at the end of 2021/22 the collection fund is anticipated to have a net surplus of £1.024m. This will be shared by the preceptors in line with their share of the precept, which means that Reigate and Banstead will have a surplus of an estimated £0.122 million.
55. Historically the authority has had a very strong performance record, consistently recovering 99.7% (0.3% shortfall) of income due. Recovery performance was impacted for a period due to the COVID-19 pandemic but the forecast for 2022/23 has been restored to pre-pandemic levels to reflect the forecast recovery position. Failure to achieve this level of recovery would however give rise to a Collection Fund deficit for 2022/23 and have to be taken into account when setting the budget for 2023/24.

Council Tax Requirement 2022/23

56. Based on the above recommendations the Council Tax Requirement for 2022/23, (compared with 2021/22) is set out below.

Table 8: COUNCIL TAX REQUIREMENT 2022/23	2021/22	2022/23	Movement	Impact : Increase/Decrease
Taxbase Band D Equivalents Forecast at October 2020	65,238.30	65,955.00	716.70	Positive : Increase

Table 8: COUNCIL TAX REQUIREMENT 2022/23	2021/22	2022/23	Movement	Impact : Increase/Decrease
Forecast Growth in New Homes in 2022/23	750.24	519.00	(231.24)	Adverse : Decrease
	1.15%	0.79%	(0.36%)	
Allowance for Increase in Non-Collection in 2022/23	(652.38)	(187.00)	465.38	Positive : Decrease
	(1.00%)	(0.28%)	0.72%	
Reduction in Band D equivalents due to increased demand for the Local Concessionary Support Scheme	(4,616.16)	(4,012.3)	603.86	Positive : Decrease
	(7.08%)	(6.08%)	0.99%	
Forecast Average Band D Taxbase 2022/23	60,720.00	62,274.70	1,554.70	Positive : Increase
Council Tax Band D	237.46	242.46	5.00	
Council Tax Requirement	14,418,571	15,099,124	680,553	
Forecast share of Collection Surplus/ (deficit) brought forward from 2020/21	(54,021)	122,800	176,821	
Net Council Tax Income for this Council	14,364,550	15,221,924	857,374	

Council Tax Policy

57. No policy changes are recommended for 2022/23.
58. Local Council Tax Support Scheme allowances and premiums will be increased on 1 April in line with other national increases contained within the Housing Benefit Regulations 2006 and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2022; the Scheme is also scheduled for review during 2022/23.

Precepting Authorities

59. 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:

Table 9: ANALYSIS OF DRAFT COUNCIL TAX BY PRECEPTOR		
	£000	% share
	£	%
Surrey County Council ¹	94,767.78	73.59%
Surrey Police & Crime Commissioner ¹	18,406.53	14.29%
Reigate & Banstead Borough Council	15,099.12	11.72%
Horley Town Council	464.79	0.36%
Salfords & Sidlow Parish Council	42.62	0.03%
	128,780.84	100.00%

Table 10: ANALYSIS OF DRAFT COUNCIL TAX CHANGES BY PRECEPTOR				
Authority	2021/22	2022/23	Increase¹	
			£	%
Surrey County Council ¹	1,549.08	1,626.39	77.31	4.99%
Surrey Police & Crime Commissioner ¹	285.57	295.57	10.00	3.50%
Reigate & Banstead Borough Council	237.46	242.46	5.00	2.11%
Horley Town Council	41.51	43.17	1.66	4.00%
Salfords & Sidlow Parish Council	29.72	29.72	0.00	0.00%
	2,143.34	2,237.31	93.97	4.38%

NOTE:

1. Subject to confirmation by Surrey County Council on 8 February and the PCC on 4 February 2022.

RETAINED BUSINESS RATES (NNDR)

60. The Council collects Business Rates ('National Non-Domestic Rates' or 'NNDR') on an agency basis for Government. Of the total NNDR collectable, this Council retains 40% of the benefits with 10% paid to the County and 50% to the Government.
61. For 2022/23 the Council's NNDR Baseline income (before adjustments) will be £20.86 million out of a total estimated income of £52.16 million.
62. The key factors that determine this income stream are outside this Council's control:
 - The NNDR 'multiplier' (pence in the pound of rateable value) which is set by Government; and
 - The rateable value of a property which is set by the Valuation Office Agency.
63. Therefore the only decision to be taken by this Council each year is in terms of determining a forecast for income during the year, being:
 - The estimate of projected growth / decline in the NNDR Baseline as a result of business failure, property conversions or new builds.
64. The local government funding regime then requires a number of adjustments to arrive at the actual sum to be retained. The Provisional Settlement in December confirmed that this Council's Tariff (the additional sum retained by Government) means that of the £20.87 million Baseline sum we must return an additional £19.49 million to the Government and retain just £1.37 million.
65. There are then three further adjustments for section 31 grants, multiplier gap adjustments and levy payments which collectively add a further £1.34m to the NNDR contribution to the Council funds in the year 2022/23
66. The next adjustment relates to 'Negative Revenue Support Grant (RSG)' whereby the Government has previously announced its intention to recoup a notional 'over-funding' of authorities like Reigate & Banstead. In its 2020/21 Settlement the Government indicated that Negative RSG has 'been addressed' through its inclusion in the overall local government funding baseline and will therefore not be adjusted in future years. If correct this authority will avoid the previously-predicted reduction of c£0.737 million in NNDR 2022/23 and future years. For now the MTFP assumption is that Negative RSG may yet have an impact but not until at least 2024/25.

COVID-19 2021/22 Implications

67. The NNDR position during 2021/22 was been further complicated by the significant Section 31 grants provided by Government to offset the additional reliefs granted to businesses during the year.
68. During 2021/22, the Government paid Section 31 grant funding to billing authorities like Reigate & Banstead to cover this deficit, as it had had to honour payments to major preceptors and Government despite an in-year collection shortfall.
69. In cash terms far more money was therefore paid over to the precepting bodies (County and Government) than received. This 'deficit' was carried forward to 2022/23 when it would usually all fall due in that year. As for Council Tax the government has chosen to use a statutory instrument to spread the cost of this loss over three years, according to a specified formula that means that most of the losses are being recovered in 2022/23, with smaller recoveries in 2023/24 and 2024/25.
70. The additional Section 31 grants received during 2021/22 were therefore set aside in an earmarked reserve at year-end to fund the largest element of the NNDR loss in 2022/23, of which Reigate's portion is expected to be £4.408 million.
71. The net deficit repayable by the Council in 2022/23 after calling on these reserves is therefore estimated to be £1.003 million.
72. In summary this means that the total contribution from NNDR to this Council in 2022/23 will be £1.710 million

Table 11: NNDR ANALYSIS	2021/22	2022/23
	£m	£m
Gross NNDR Income 2020/21	51.923	
<u>Plus</u> Forecast Growth 2021/22	0.239	
Gross NNDR Income 2021/22	52.162	52.162
<u>Plus</u> Forecast Growth 2022/23		0
Gross NNDR Income 2022/23		52.162
<u>Less</u> Government share (50%)	(26.081)	(26.081)
<u>Less</u> Surrey County Council share (10%)	(5.216)	(5.216)
Forecast Gross NNDR Income - Reigate & Banstead share (40%)	20.865	20.865
<u>Less</u> Tariff due to Government	(19.494)	(19.494)
Forecast Net NNDR Income - Reigate & Banstead after Tariff	1.371	1.371
<u>Plus</u> Section 31 Grant for Reliefs	1.505	1.154
<u>Plus</u> Multiplier gap/Inflation adjustment	0.116	0.258
<u>Plus</u> Levy Payment from Government	(0.245)	(0.070)
Forecast NNDR Income - Reigate & Banstead	2.746	2.713
Forecast Net Share of 2020/21 Deficit to be funded after using the Reserve set aside for this purpose (0.926) Forecast NNDR Income 2021/22 - Reigate & Banstead 1.819	(0.926)	(1.003)

Table 11: NNDR ANALYSIS	2021/22	2022/23
	£m	£m
Forecast NNDR Income - Reigate & Banstead	1.819	1.710

73. The 2022/23 budget is therefore based on a total of £1.710 million income from NNDR, a reduction of £0.109 million compared to the 2021/22 expected level. These forecasts will be subject to in-year monitoring as more up to date information is received.

USE OF RESERVES

74. As set out above, there is a requirement to draw £0.212 million from the General Fund Balance to address the forecast remaining Revenue Budget gap in 2022/23. 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 2022/23 is reported after 31 March 2023. Recent years have reported an underspend position at year-end however this was largely because the revenue budget included central contingency sums that have subsequently been removed.

75. Forecast balances on Revenue Reserves at 1 April 2022 are summarised below and detailed at Annex 3.

Table 12: RESERVES SUMMARY	Forecast Balance ¹ at 1 April 2022 £m
General Fund Balance	3.000
Other Earmarked Reserves	34.867
TOTAL	37.867

NOTE

1. Final balance depends on draw down of funds from Earmarked Reserves during the remainder of 2021/22

76. The Policy on the use of Reserves was approved by Executive in November 2021.

77. 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.

78. 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.

79. 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.

80. 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.

81. The Council has set a minimum level of unallocated General Fund reserves of 15% of the net revenue budget (£19.980 million), which equates to £3.000 million (for 2022/23). The forecast unallocated balance on the General Fund at 31 March 2020 is consistent with this limit.
82. Other areas that have been considered as part of the review of Reserves include:

Table 13: RESERVES REVIEW OUTCOME	
Reserve	Recommendations
General Fund Balance	<ul style="list-style-type: none"> Maintain balance in line with 15% of net revenue budget - £3.000 million
Government Funding Reduction Risks Reserve	<ul style="list-style-type: none"> To help mitigate future reductions in Government funding pending delivery of new sustainable income streams. Includes funds set aside for Business Rates deficit recovery pressures.
COVID-19 Risks Reserve	<ul style="list-style-type: none"> Funds set aside to help fund ongoing funding risks, in particular in relating to income losses following the pandemic, until alternative sources of funding are identified or budget efficiencies are achieved. Comprising the forecast unspent balance of funding allocated in 2021/22 and the allocation additional funds from New Homes Bonus to help offset forecast parking income losses in 2022/23
Commercial Risks & Volatility Reserve	<ul style="list-style-type: none"> To help address risks of failure to meet income targets from commercial ventures while remedial action is taken.
Housing Delivery Strategy Reserve	<ul style="list-style-type: none"> To fund new housing developments in support of the Housing Delivery Strategy
Corporate Plan Delivery Fund Reserve	<ul style="list-style-type: none"> To provide time-limited funding to deliver key priorities, Corporate Plan objectives and invest-to-save initiatives, including investment in new technology.
Insurance Reserve	<ul style="list-style-type: none"> To fund any significant uninsured losses.
New Posts Reserve	<ul style="list-style-type: none"> To allow new posts to be created in-year in anticipation of a subsequent budget growth proposal.
Homelessness Prevention Reserve	<ul style="list-style-type: none"> To account separately for the funding set aside for homelessness prevention.
Feasibility Studies (Capital Schemes) Reserve	<ul style="list-style-type: none"> To ensure sufficient funding is available to prepare business cases for new initiatives designed to deliver additional sources of funding.
Feasibility Studies (Infrastructure Initiatives) Reserve	<ul style="list-style-type: none"> To fund this Council's collective funding of Surrey-wide infrastructure feasibility studies so that bids can be made for full project funding when bidding rounds become available.

Table 13: RESERVES REVIEW OUTCOME	
Reserve	Recommendations
Environmental Sustainability Reserve	<ul style="list-style-type: none"> To fund initiatives that will support delivery of the Council's Environmental Sustainability Strategy.
Economic Development Initiatives Reserve	<ul style="list-style-type: none"> To fund raising awareness amongst local people of quality local employment opportunities and other economic development initiatives.
Housing Repossession Prevention Reserve	<ul style="list-style-type: none"> New – established as part of budget-setting for 2022/23 to fund costs that were previously capitalised where capitalisation is no longer an option
Contaminated Land Investigation Works Reserve	<ul style="list-style-type: none"> New – established as part of budget-setting for 2022/23 to fund costs that were previously capitalised where capitalisation is no longer an option
IT Strategy Reserve	<ul style="list-style-type: none"> New – established as part of budget-setting for 2022/23 to help fund implementation of the new IT Strategy (subject to approval of the Strategy in March 2022).

FORECAST BUDGET GAP AT JANUARY 2022

83. The forecast budget gap over the next five years is set out below. Further details are provided in the MTFP at Annex 1 (Appendix 2).

Table 14: MEDIUM TERM REVENUE BUDGET FORECAST (at January 2021)	Approved Budget 2021/22	Forecast Budget 2022/23	Forecast Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26	Forecast Budget 2026/27
	£m	£m	£m	£m	£m	£m
FORECAST GAP	Balanced	Balanced	2.403	2.633	3.373	4.123
Annual Increase in Gap	-	Balanced	2.403	0.230	0.740	0.750
Gap as % of 2022/23 budget requirement	-	n/a	13.8%	15.1%	19.4%	23.7%

CAPITAL PROGRAMME 2022/23 ONWARDS

2022/23 to 2026/27 Capital Programme

84. The Capital Programme 2022/23 to 2026/27 is summarised below and detailed at Annex 4.2.

Table 15: CAPITAL PROGRAMME 2022/23 to 2026/27	2022/23 Projected £M	2023/24 Projected £M	2024/25 Projected £M	2025/26 Projected £M	2026/27 Projected £M	TOTAL £M
ORGANISATION						
Strategic Property	1.636	1.352	1.246	0.028	1.536	5.799

Table 15: CAPITAL PROGRAMME 2022/23 to 2026/27	2022/23 Projected £M	2023/24 Projected £M	2024/25 Projected £M	2025/26 Projected £M	2026/27 Projected £M	TOTAL £M
Corporate Resources	0.200	0.260	0.250	0.200	0.200	1.110
Organisational Development	0.250	0.250	0.250	-	-	0.750
PEOPLE SERVICES						
Housing	11.325	1.325	1.325	1.325	1.362	16.662
Wellbeing & Intervention	0.100	0.100	0.100	0.100	0.100	0.500
Community Partnerships	0.030	-	-	-	-	0.030
PLACE SERVICES						
Neighbourhood Operations	1.542	0.774	0.891	0.929	0.913	5.047
Place Delivery	15.100	-	-	-	-	15.100
Economic Prosperity	0.100	0.100	0.100	-	-	0.300
CORPORATE						
Commercial Investment	-	-	-	-	-	0.000
TOTAL CAPITAL EXPENDITURE	30.283	4.161	4.162	2.581	4.111	45.297

Capital Programme Growth/Savings 2022/23 Onwards

85. Total Capital Programme growth and savings across all services for the period 2022/23 to 2026/27 is summarised below. Details at Annex 4.1:

Table 16: TOTAL CAPITAL PROGRAMME GROWTH 2022/23 to 2026/27	2022/23 Projected £M	2023/24 Projected £M	2024/25 Projected £M	2025/26 Projected £M	2026/27 Projected £M	TOTAL £M
ORGANISATION	(0.207)	(0.157)	(0.147)	0.168	1.736	1.393
PEOPLE SERVICES	(0.100)	(0.100)	(0.100)	1.264	1.462	2.426
PLACE SERVICES	0.493	(0.683)	(0.139)	0.590	0.913	1.174
CORPORATE	-	-	-	-	-	-
TOTAL CAPITAL PROGRAMME GROWTH	0.186	(0.940)	(0.386)	2.022	4.110	4.993

86. The reasons for these latest growth and savings proposals are set out below:

Table 17: CAPITAL GROWTH/SAVINGS PROPOSALS	
ORGANISATION SERVICES	
Building Maintenance – Support Costs	<ul style="list-style-type: none"> 2022/23 to 2025/26 forecast reduced following review of future resource requirements; 2026/27 forecasts added

Table 17: CAPITAL GROWTH/SAVINGS PROPOSALS	
Building Maintenance - Capitalised Staff Costs	<ul style="list-style-type: none"> Forecast to be £140k across the next five years.
IT Replacement Programme	<ul style="list-style-type: none"> Reduced allocation of £235k to reflect the outcome of the IT Strategy Review and consequent substitution of capital expenditure with revenue funding to reflect the nature of costs to be incurred £140k growth for network data replacement.
IT Disaster Recovery	<ul style="list-style-type: none"> Reduced allocation of £50k to reflect substitution of capital expenditure with revenue costs due to the type of expenditure that will now be required.
Workplace Facilities	<ul style="list-style-type: none"> Reduced allocation of £30k to reflect substitution of capital expenditure with revenue costs due to the type of expenditure that will now be required
PEOPLE SERVICES	
Grant-Funded Schemes	<ul style="list-style-type: none"> Growth of £1.3m to support the continued 2025/26 rolling budget for Disabled Facilities Grant, Home Improvement Agency and Handy Person Scheme
Housing Repossession Prevention	<ul style="list-style-type: none"> Reduced allocation of £90k to reflect substitution of capital expenditure with a revenue Reserve to reflect the type of expenditure incurred
Housing Temporary/Emergency Accommodation – Capital Repairs & Maintenance	<ul style="list-style-type: none"> Growth of £37k – for ongoing maintenance of Housing’s temporary and emergency accommodation units
Harlequin Maintenance	<ul style="list-style-type: none"> Reduced allocation of £160k – costs will be funded within the corporate property maintenance budget
CCTV	<ul style="list-style-type: none"> Savings of £60k arising from the new CCTV contract
Vehicles & Plant Programme	<ul style="list-style-type: none"> No growth for the period to 2025/26. £562k required in 2026/27 to support the continued rolling investment programme.
Neighbourhood Operations	<ul style="list-style-type: none"> Growth of £702k to support the continued 2025/26 & 2026/27 rolling budget for play area improvement, Air Quality Management equipment, parks & countryside, infrastructure & fencing and flood prevention.
Contaminated Land - Investigation Work	<ul style="list-style-type: none"> Reduced allocation of £90k to reflect substitution of capital expenditure with an earmarked revenue Reserve to reflect the type of expenditure incurred

87. For the majority of new capital schemes there is expected to be a requirement for further reports to the relevant Board (and consultation with the Portfolioholder for significant projects) 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 original forecasts.
88. Capital Rolling Programme requirements beyond 2026/27 will be reviewed as part of service & financial planning for 2023/24.
89. Sources of funding for Capital Programme are explained below. The specific sums allocated to fund the approved Capital Programme will be updated when the Treasury Management Strategy for 2022/23 is reported to Executive in March:

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 fully-utilised to invest in the capital programme.
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 forecast 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.
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. A review of historic allocations of Section 106 funds to the Capital Programme was completed during year-end closedown for 2019/20 to confirm that the funds allocated reconcile to Planning team records.
Earmarked Reserves – Housing Delivery Strategy	<ul style="list-style-type: none"> £19.079 million has been set aside to help fund implementation of the Housing Delivery Strategy.
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.

Flexible Use of Capital Receipts

90. Subject to approval of the updated IT Strategy (planned for March 2022), it is anticipated that a proportion of available capital receipts will be allocated for investment in projects to support delivery of the Strategy over the next five years. Further details will be provided in the planned IT Strategy report to Executive. This funding approach would be delivered through the Government's scheme for use of capital receipts to fund transformation initiatives.

Capital Programme – Brought-Forward Allocations from 2021/22

91. Any previously-approved unspent Capital Programme resources (due to project slippage) will be carried forward to 2022/23. At Quarter 2 2021/22 the forecast carry-forward was £23.770 million.

2022/23 to 2026/27 Capital Programme

92. The Capital Programme 2022/23 to 2026/27 is summarised below and detailed at Annex 4.2.

Table 19: CAPITAL PROGRAMME 2022/23 to 2026/27	2021/22 Projected Carry-Forwards £M	2022/23 to 2026/27 Capital Programme £M	TOTAL Capital Programme 2022/23 to 2026/27 £M
ORGANISATION			
Strategic Property	3.050	5.799	8.849
Corporate Resources	0.300	1.110	1.410
Organisational Development	0.000	0.750	0.750
PEOPLE SERVICES			
Housing	20.420	16.662	37.082
Wellbeing & Intervention	0.000	0.500	0.500
Community Partnerships	0.000	0.030	0.030
PLACE SERVICES			
Neighbourhood Operations	0.000	5.047	5.047
Place Delivery	0.000	15.100	15.100
Economic Prosperity	0.000	0.300	0.300
TOTAL CAPITAL EXPENDITURE	23.770	45.297	69.067

Capital Programme – Commercial Investment Plans

93. In previous years £63.980 million was included in the approved Capital Programme for investment in regeneration schemes and assets that would generate new sources of revenue budget income. It is increasingly challenging to develop business cases for this type of scheme due to a combination of factors that include tighter Government controls over ‘borrowing for yield’, increasing cost pressures that make development appraisals unviable and the need to ensure that borrowing costs are affordable.
94. These allocations have been excluded from the Capital Programme (and borrowing) forecasts for 2022/23 onwards until individual business cases are brought forward for consideration.

Capital Programme – Revenue Budget Implications

95. As explained above, the Council no longer has significant unrestricted 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.
96. Treasury management budgets have been updated to reflect the costs of borrowing for the approved Capital Programme for 2022/23 onwards net of interest on forecast balances. Details will be confirmed in the Treasury Management Strategy for 2022/23 that is reported to Executive and Full Council for approval in March/April.

97. The costs of operating and maintaining new assets must also be factored into future revenue budget forecasts as they come into use.

STATEMENT OF THE CHIEF FINANCE OFFICER (CFO)

98. 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.

99. The information set out in this budget report and the supporting Medium-Term Financial Plan Summary 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 COVID-19 and Brexit
- track proposed changes and volatility of Government funding
- deliver a balanced budget beyond 2022/23
- continue to deliver value for money to local taxpayers;
- 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

100. The Council's position at March 2021 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>.

Table 20: CIPFA RESILIENCE INDEX INDICATORS at March 2020¹	This Council's Relative Risk Compared to Similar Councils	This Council's Prospects over the Medium Term
Reserves Sustainability – increase in reserves over recent years	Medium	Planned use of previously un-allocated 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

Table 20: CIPFA RESILIENCE INDEX INDICATORS at March 2020¹	This Council's Relative Risk Compared to Similar Councils	This Council's Prospects over the Medium Term
		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	Increasing	This risk is expected to increase as Government funding reduces and the ongoing impacts of the COVID-19 pandemic on income budgets are confirmed.

Note

1. Latest published results

CIPFA Financial Management Code

101. The Chartered Institute of Public Finance (CIPFA) Financial Management Code ('the FM Code') was published in October 2019. It is intended to support good financial management and stability and applies to all local authorities, including police, fire and other bodies.
102. The detailed requirements were set out in the MTFP that was approved in July 2021. In summary the FM Code is based on a series of principles and standards to provide the foundation for authorities to manage their short, medium and long-term finances, maintain resilience to meet demands and manage unexpected financial shocks. It does this by aiming to:
 - Support self-regulation in the local authority sector, by setting out non-prescriptive framework within which Councils can operate;
 - To promote a move away from short-termism, to longer term strategic financial planning;
 - To reinforce the role of the whole leadership team in ensuring financial sustainability and good governance.
103. Authorities have been required to adopt the requirements of the FM Code with effect from 1 April 2021.
104. Compliance with the FM Code will help provide further assurances on the supporting information that is relied on to produce annual budget estimates, MTFP forecasts and in-year monitoring reports.
105. The latest assessment of this Council's compliance with the requirements of the Code was included in the Medium Term Financial Plan report to Executive in July 2021.

Robustness of Reserves

106. As highlighted in the Service and Financial Planning report to Executive in November 2021 and in this Budget report both general and earmarked reserves remain relatively healthy. The planned use of reserves in 2022/23 year is appropriate as the Council

addresses areas of financial risks and moves to a position where its finances rely less on Government grants and as it invests in delivery of its 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 the outcome of the latest review of Reserves to ensure that they remain aligned with the most significant areas of risk in the budget and delivery of corporate priorities.

Budget Proposals - Uncertainties & Risks

107. As explained in this report, the budget proposals for 2022/23 are robust. There remain a number of uncertainties and risks which are summarised in the following paragraphs.

108. COVID-19 Pandemic:

- There remains continued uncertainty about the ongoing revenue budget impacts, in particular with regard to car parking income streams that may never return to pre-2020 levels.
- The budget includes an expectation that Harlequin income will return to pre-pandemic levels. If this does not happen there may have to be a further call on the COVID-19 Risks Reserve.
- The longer-term implications for council tax and NNDR income are also unclear because the full economic impacts of the pandemic were being mitigated through the Government's short-term measures to support households and businesses until autumn 2021.

109. The Economy:

- There is still some uncertainty and a lack of confidence about the future of the economy as consequence of exit from the European Union in January 2020.
- 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).
- A reduction in the number of employers in the Borough could also have an impact on retained NNDR income.
- Cost inflation is an emerging risk, in particular with regard to fuel, energy and building costs.

110. Future Government Funding:

- The future of local government funding and business rates remains uncertain and an area of concern.
- The end of New Homes Bonus payments over the coming years will have an impact on available resources.
- The Homelessness Reduction Act requires Councils to provide more support to homeless people and people at risk of becoming homeless. The Government has continued to commit ring-fenced funding towards this duty but there remains a question mark over the longer term.

111. Revenue Budget Savings:

- Following the significant budget reductions in past 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, asset investment, partnership working and providing services for other organisations.
- The increasing guidance on ‘borrowing in advance of need’ has limited many of the options that might otherwise have been considered to deliver new commercial income streams.
- The review of Fees & Charges will help identify new income generation opportunities
- Identification and implementation of Financial Sustainability Plan initiatives will have to be a priority over the next couple of years to address the forecast MTFP gap

112. Corporate Plan:

- The 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.
- 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.

113. Budget Risks:

- The latest risk assessment is detailed in the MTFP and current Strategic Financial Risks to the Council’s financial sustainability are reported at Annex 1 (Appendix 2).
- 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 future economic downturns and recent case law may impact on the value of Fund investments and liabilities.

114. Overall, the Council has made prudent budgetary provision for its commitments for the 2022/23 financial year, within the legislative framework that governs its operations and within other constraints, such as the Council’s policy framework.

OPTIONS

115. 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 2022/23 which in turn would require changes to the formal resolutions to full Council in February.

LEGAL IMPLICATIONS

116. There are no direct legal implications arising from the recommendations in this report subject to the Council adopting a balanced budget for 2022/23 by 11 March 2022 to meet the requirements of the Local Government Finance Act 1992.

FINANCIAL IMPLICATIONS

117. These are addressed throughout the report.

EQUALITIES IMPLICATIONS

118. The Council has a statutory duty to consider equality implications as part of the decision making process and demonstrate this. The Council's Corporate Equality Policy – setting out the Council's legal duties and responsibilities – is available at https://www.reigate-banstead.gov.uk/download/downloads/id/6490/corporate_equality_policy_2020.pdf

119. An initial assessment was undertaken on each of the budget changes proposed in the November Executive report to determine whether it would impact on service delivery or service users in any way. This assessment (published as a background paper) identified that a number of the proposals may potentially have an impact on residents with protected characteristics. Those proposals were:

- Council Tax increase
- Savings via introducing E-billing for Council Tax and Business Rates
- Reduction in budget reducing the frequency of Borough News (BN) publication to once per year rather than twice a year
- Withdrawal of the taxi voucher scheme budget; and
- A pause on small and medium grants to the voluntary and community sector (VCS).

120. Draft equality impact assessments for these proposals were published to accompany the budget consultation (see below for more detail about the consultation).

121. Since the draft budget proposals were published, consultation has been undertaken on the proposals, and further work has been undertaken so that the draft equality impact assessments can be finalised.

122. In addition, a small number of other budget proposals have been put forward since the November Executive report. These have also been subject to an initial assessment (included within the background paper), and it has been concluded that one of these proposals (the deletion of one Community Development Worker post) could potentially have an impact on residents with protected characteristics. This proposal is therefore also being subjected to an equality impact assessment.

123. Given that the public consultation only recently closed, final equality impact assessments for the specific proposals identified above are still in the process of being finalised, and will be published as an addendum to this report, including information about any avoidance, mitigation and monitoring measures that are proposed as a result of the assessment.

124. In relation to the proposal to withdraw the taxi voucher budget, as a result of further investigation and a review of evidence (including the results of the public consultation) it is now proposed to right-size this budget rather than to withdraw it. This means that the service will continue to be delivered in the same way and residents using the service will not be impacted.

COMMUNICATION IMPLICATIONS

125. The Council continues to offer value for money for Council residents – in 2022/23, the average household will pay just £4.66 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.
126. 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 Corporate Plan was supported by extensive consultation with residents and other partners to ensure that our priorities remain relevant up to 2025.
127. 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.
128. 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, the Audit Committee and the Executive.
129. 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. Commercial investment (where permitted), 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.
130. 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

131. The service and financial planning proposals for 2022/23 result in an increase in FTE of 3.6 FTE; offset by deletion of 4.0 FTE posts.

Table 21: STAFF ESTABLISHMENT - FTE MOVEMENTS 2021/22 to 2022/23		
STAFF ESTABLISHMENT 2021/22 (including fixed term posts)		534.0
New Posts		
Restructure of the Electoral and Democratic Services team	0.6	
Additional Waste & Recycling crew	3.0	
		3.6
Post Deletions		
Planning	(1.0)	
Community Development	(1.0)	
Management Team	(2.0)	(4.0)

Table 21: STAFF ESTABLISHMENT - FTE MOVEMENTS 2021/22 to 2022/23	
STAFF ESTABLISHMENT 2022/23	533.6
NET INCREASE / (DECREASE)	(0.4)

Pay Award

132. An increase of 1.3% for 2022/23 has been offered and can be accommodated in the budget; consultation with the recognised trade unions was underway at the time of preparing this report. The budget also includes provision for contractual pay increases, such as incremental progression subject to a satisfactory appraisal outcome.

CONSULTATION

133. Public consultation: Consultation has been carried out in line with the Constitution. The 8 week public consultation ran from 22 November 2021 until 17 January 2022. An online survey was provided, with 'free text' questions, to allow respondents to give their views in their own words. Interested parties were able to comment by email to a dedicated Council email address or via a 'Freepost' option.
134. The consultation was promoted through a press release, social media, Council e-newsletters to residents and businesses and by email to a list of approximately 350 stakeholders. Recognising that some residents may not be able to take part on-line, hard copy paper surveys were also provided in the Council's three community centres and were available on request from the Customer Contact Team. All recipients of the Council's Taxi Voucher scheme were also provided with a paper version of the survey and Freepost envelope.
135. The Council received 75 completed surveys and a further 3 representations by letter or email.
136. The results of the consultation have been taken into account in finalising the proposals within this paper, and the accompanying equality impact assessments (see above). A summary of the consultation findings is included at Annex 5.
137. Consultation with the Overview & Scrutiny Committee: The Overview & Scrutiny Committee established a Budget Scrutiny Panel to support this work. The Panel met on 1 December 2021 and their report was considered by the Overview & Scrutiny Committee on 9 December and presented to the Executive on 16 December. The Committee is also due to consider the final Budget proposals on 20 January 2022.
138. Consultation with business representatives: 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 was done as part of the public consultation exercise described above, including promotion of the consultation at business networking events and using the Council's business e-newsletter

POLICY FRAMEWORK

139. 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 Plan and services to residents and businesses.

Background Papers:

Medium Term Financial Plan 2022/23 to 2026/27, report to Executive on 22 July 2021

Capital Investment Strategy 2022/23, report to Executive on 22 July 2021

Service & Financial Planning 2022/23, report to Executive on 18 November 2021

Budget Scrutiny Panel Report, Service & Financial Planning 2022/23, report to Executive on 16 December 2021

Equality Impact Assessment: Service & Financial Planning 2022/23, January 2022.

List of Annexes:

1. Medium Term Financial Plan Summary
2. Additional Revenue Budget Growth & Savings Proposals
3. Forecast Revenue Budget Reserves at 31 March 2022
- 4.1 Capital Programme Growth Proposals
- 4.2 Capital Programme 2022/23 to 2026/27 – All Schemes
5. Draft Budget 2022/23 – Consultation Report