



<b>REPORT OF:</b>	DIRECTOR OF FINANCE & ORGANISATION (CFO)
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<b>TO:</b>	EXECUTIVE
<b>DATE:</b>	24 JANUARY 2019
<b>EXECUTIVE MEMBER:</b>	COUNCILLOR T SCHOFIELD

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

<b>SUBJECT:</b>	<b>BUDGET 2019/20 &amp; CAPITAL PROGRAMME 2019 to 2024</b>
<b>RECOMMENDATIONS:</b>	
<p>(i) a budget of £16.294m including the savings and growth reported, a provision for a pay award and an increase in Band D Council Tax of 2.99% (or £6.61) be approved</p> <p>(ii) the statement of the Chief Finance Officer (at Annex 1) be noted</p> <p>(iii) the Chief Finance Officer be authorised to make any necessary technical adjustments to the budget and Council Tax demand proposed to Council arising from final budget refinements or changes to government funding.</p> <p>(iv) that the Capital Programme (at Annex 2) be approved</p>	
<b>REASONS FOR RECOMMENDATIONS:</b>	
<p>The Council is required to set a budget by 11 March each year. This report supports this obligation.</p>	
<b>EXECUTIVE SUMMARY:</b>	
<p>This report proposes a budget and a 2.99% or £6.61 increase in Council Tax for 2019/20. It identifies the sources of funding for the budget and includes the proposed Capital Programme.</p>	

Recommendations (i), (ii) and (iv) are subject to approval by the Council and the Executive has authority to approve recommendation (iii).

## **STATUTORY POWERS**

1. The Local Government Act 1992 places a requirement on Councils to set the following year's Council Tax by 11 March each year. The Local Government Act 1972, as part of proper financial management, requires a Council to set the associated annual budget requirement. This report is part of that process.
2. Section 65 of the Local Government Finance Act 1992 requires the Council to consult representatives of those subject to non-domestic rates in the Borough about its proposals for expenditure for each financial year.

## **ISSUES**

### **Process**

3. The purpose of this report is to propose a budget and Council Tax level for 2019/20 and for the Executive to receive a commentary on the budget by Council's designated Chief Finance Officer, in accordance with the Local Government Act 2003.
4. It also provides an update on additional information relating to:
  - The provisional Settlement Announcement of 13 December 2019; and
  - The Capital Programme 2019/20 to 2023/24 proposals.
5. The Provisional Settlement announcement included a significant change to previous proposals, which has now been taken into account in the final base budget proposals for 2019/20.
6. The forecast national £153m budget pressure relating to 'Negative RSG' for 2019/20 will be funded by the Government, through a reduction in its share of business rates. This means that the Council's budget forecast for 2019/20 will be £1.543 million better than the November budget assumptions. Therefore we will be able to fund the majority of the 2019/20 budget from sustainable sources, without drawing on reserves. This is a 'one-off' benefit and is not forecast to continue beyond 2019/20.
7. It also presents a budget growth opportunity to establish a permanent budget of £0.250m to fund new posts that may be required as a result of team restructures during 2019/20. It is intended that this arrangement will continue in future years and will be built into Medium Term Financial Plan and budget projections going forward.

8. The details are set out in the table below.

<b>PROPOSED 2019/20 BUDGET REQUIREMENT</b> As Reported to Executive November 2018		<b>PROVISIONAL SETTLEMENT DECEMBER 2018</b>	<b>CHANGE</b>
	£m	£m	£m
Reduction in Retained Business Rates	1.48	(0.063)	(1.543)
Salary Change Forecast	0.61	0.61	
Budget Growth <i>comprised of:</i>	2.62	2.87	0.25
<i>Loss of income</i>	0.79	0.79	
<i>Service improvements</i>	0.75	0.75	
<i>Transfer of CPDF-funded salaries into revenue budget</i>	1.08	1.08	
<i>New Posts Fund</i>	0	0.25	0.25
Budget Savings <i>comprised of:</i>	(1.22)	(1.22)	-
<i>Efficiency measures</i>	(0.44)	(0.44)	
<i>Income generation</i>	(0.78)	(0.78)	
<b>Total increased budget requirement</b>	<b>£3.490m</b>	<b>£2.197m</b>	<b>(£1.293m)</b>
<b>PROPOSED FUNDING SOURCES FOR 2019/20 BUDGET REQUIREMENT</b>			
<b>Sustainable Sources</b>			
Council Tax Demand increase at 2.99% (estimate)	(0.57)	(£0.57)	
Property Investment	(0.96)	(£0.96)	
Revenue Resources Released from Budget review	(0.50)	(£0.50)	
<b>Total from sustainable funding sources</b>	<b>(£2.030m)</b>	<b>(£2.030m)</b>	<b>-</b>
<b>Reserves (One off funding sources)</b>			
Government Funding Reduction Reserve	(0.46)	-	0.46
Business Rates Equalisation Reserve	(1.00)	-	1.00
Other earmarked reserves and General Fund	0	(0.167)	(0.167)
<b>Total From (negative) / To (positive) Reserves</b>	<b>(£1.460m)</b>	<b>(£0.167m)</b>	<b>£1.293m</b>
<b>Total Required to Fund Increased Budget Requirement</b>	<b>(£3.490m)</b>	<b>(£2.197m)</b>	<b>£1.293m</b>

9. Other announcements that are relevant to this Council included:

- A £180m balance on the national Business Rates Levy Account is being distributed based on need.

We will benefit from additional income in 2019/20 of £36k.

- Council Tax referendum limits will remain as previously indicated;

This was reflected in the proposed 2.99% council tax increase reported in the November 2018 budget report.

- For 2019/20 there are no changes to the New Homes Bonus 'deadweight';

The Council's New Homes Bonus allocation will therefore be in line with expectations (£1.993 million in 2019/20).

- Surrey was not selected to be one of the new 75% Business Rates pilots;

No additional income was assumed to be received as a result of being part of a pilot in 2019/20

10. In addition the Government published two new consultation papers on the Fair Funding Review and future arrangements for Business Rates Retention. The outcome of these consultations is expected to be announced in early autumn 2019 and will determine the arrangements for local Government funding in 2020/21 onwards.

11. The next report on the agenda sets out the formal resolutions that the Council will need to adopt in order to set the Council Tax for 2019/20. The Budget, Council Tax and Capital Programme recommendations will be presented to the Council on 7 February 2019.

### **Savings & Growth**

12. The Council continues to deliver service to a high standard, with all key service targets being met. Savings of £1.2m for 2019/20 have been proposed whilst maintaining our standard of services.

13. In November the Executive received and approved for consultation proposals which identified growth of £2.6m (net £1.4m). In addition to this, a new permanent fund is to be established of £0.250m within the budget, to fund new staff posts in year. It is now recommended that this growth be accepted.

### **Business Rates Retention**

14. The level of Business Rates we are permitted to retain for use in 2019/20 has also been confirmed as £0.8m.

## **Council Tax**

15. In order to manage the reductions in government funding whilst maintaining quality services the Council is adopting a commercial approach to funding. Nevertheless, the Medium Term Financial Plan forecasts that Council Tax increases will still be required.
16. For these reasons the budget is based on a recommended 2.99% (or £6.61) increase in 2019/20. This would increase a Band D charge from £220.85 to £227.46 - an increase of 12 pence per week for Borough Council services.

## **Budget**

17. The net budget for 2019/20 will be £16.294m.

## **Capital Programme**

18. The Council's capital investment plans over the next five years are set out in the Capital Programme. The efficient and effective use of capital resources, including sound asset management, is fundamental to the Council achieving its long and medium-term aims and objectives. It is also critical to achieving the delivery of the required savings across the Council and providing optimum services.
19. Any capital investment decisions will have implications for the revenue budget. The revenue costs over the lifetime of each proposed capital project are considered when the project is being developed to ensure that the impact can be incorporated within our financial plans and to demonstrate that the capital investment is affordable.
20. The Prudential System of Local Government Capital Finance has operated since 2004 and allows local authorities to borrow so long as their capital spending plans are affordable, prudent and sustainable. In order for borrowing to meet these criteria there must be a long-term source of revenue funding to meet the costs. Ideally this will come from revenue savings or from additional income generated directly from the capital scheme.
21. Updates to the Prudential Code for Capital Finance and the CIPFA Treasury Management Code were released in during 2017 and 2018. The impact of these changes has been reviewed and is being implemented. This includes the new requirement to develop a Capital Investment Strategy that considers capital investments held for treasury management purposes as well as investment in property and commercial companies. The Council's Investment Strategy will be reported to Executive in March and Full Council in April 2019, at the same time as the annual Treasury Management Strategy Statement.
22. The Capital Programme for 2019/20, as set out below (detail at Annex 2), includes some initial assumptions about capital growth during the year and the resources that are available to fund it. New capital schemes will be reported to Executive for approval during the year as investment opportunities are identified. The current assumption that this expenditure will be funded within existing resources, including previously-approved borrowing limits.
23. The forecast Capital Programme beyond 2019/20 is also summarised below (detail at Annex 2). This is based on previously-approved capital schemes and funding. As explained above, it is anticipated that the forecast capital programme for 2019/20 to 2023/24 will be reviewed during 2019/20 as the new Corporate Plan and Capital

Investment and Housing Strategies are developed. At that stage recommendations will be made regarding further growth and funding requirements to support delivery of corporate priorities.

CAPITAL PROGRAMME 2019/20 to 2023/24						
APPROVED CAPITAL PROGRAMME	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget	Projected	Projected	Projected	Projected	Projected
	£000	£000	£000	£000	£000	£000
<b>FINANCE &amp; ORGANISATION:</b>						
Strategic Property	38,363.0	50.0	50.0	76.0	76.0	76.0
IT Services	139.3	275.0	100.0	300.0	275.0	275.0
Organisational Development	181.0	30.0	30.0	30.0	30.0	30.0
<b>PEOPLE SERVICES:</b>						
Housing	1,549.1	1,495.1	1,115.0	1,115.0	1,115.0	1,115.0
Wellbeing & Intervention	245.0	145.0	145.0	145.0	145.0	145.0
Community Partnerships	29.5	25.0	25.0	25.0	25.0	25.0
<b>PLACE SERVICES:</b>						
Neighbourhood Operations	1,323.4	1,742.0	3,661.0	2,927.5	1,307.5	1,307.5
Place Delivery	3,884.2	17,064.7	24,283.6	23,283.0	15,100.0	0.0
<b>TOTAL EXPENDITURE</b>	<b>45,714.50</b>	<b>20,826.80</b>	<b>29,409.60</b>	<b>27,901.50</b>	<b>18,073.50</b>	<b>2,973.50</b>

CAPITAL PROGRAMME GROWTH ASSUMPTIONS	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget	Projected	Projected	Projected	Projected	Projected
	£000	£000	£000	£000	£000	£000
Merstham Recreation Ground	0.0	100.0	700.0	700.0	0.0	0.0
Anticipated investment in new capital schemes in 2019/20 onwards to support delivery of the Corporate Plan, Housing Strategy and Investment Strategy. Subject to further review as these plans are developed.	0.0	25,000.0	0.0	0.0	0.0	0.0
<b>TOTAL GROWTH</b>	<b>0.0</b>	<b>25,100.0</b>	<b>700.0</b>	<b>700.0</b>	<b>0.0</b>	<b>0.0</b>

<b>TOTAL CAPITAL PROGRAMME INCLUDING GROWTH ASSUMPTIONS</b>	<b>45,714.47</b>	<b>45,926.76</b>	<b>30,109.60</b>	<b>28,601.50</b>	<b>18,073.50</b>	<b>2,973.50</b>
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FUNDED BY	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget	Projected	Projected	Projected	Projected	Projected
	£0	£0	£0	£0	£0	£0
Capital Reserves	21,824.8	2,416.9	0.0	4,378.2	0.0	0.0
Capital Receipts	290.3	462.0	17,333.4	11,569.5	15,575.5	475.5
Capital Grants & Contributions	3,599.4	3,047.9	2,776.2	2,653.8	2,498.0	2,498.0
Previously-Approved Borrowing	20,000	40,000	10,000	10,000	0.0	0.0
<b>TOTAL CAPITAL FUNDING</b>	<b>45,714.50</b>	<b>45,926.80</b>	<b>30,109.60</b>	<b>28,601.50</b>	<b>18,073.50</b>	<b>2,973.50</b>

### Function & Human Resource Plans

24. Business Plans for each function have been prepared for 2019/20 and are available via the relevant Portfolio Holder. These are used for planning and performance management purposes and incorporate detailed action plans which address:
- key outcomes and milestones
  - contributions to Corporate Plan priorities and projects.
25. Detailed Human Resource Plans - by function - are confidential and are available on request from the Head of HR. These set out the staffing resources required to deliver the services provided by each function.
26. Changes to staffing levels as a result of the budget setting process are shown in these Plans. The overall position (expressed as full-time equivalent staff [or FTEs]) is as follows:

FTEs as at April 2018	483.0
Proposed FTEs as at April 2019	485.1
<b>Net Change (FTEs)</b>	<b>+2.1</b>

### Pay Award

27. In recognition of the continuing commitment of staff, the 2019/20 budget includes provision for a pay award.
28. Negotiations with employee representatives are in progress. A provisional settlement of 2.0% has been allowed for in the budget proposal.

### OPTIONS

29. 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 2019/20 which in turn would require changes to the formal resolutions to full Council in February.

### LEGAL IMPLICATIONS

30. It is a legal requirement that the Council set a balanced budget which it can deliver. The statement from the Chief Finance Officer (CFO) on the 2019/20 budget, attached at Annex 1, is required to give this assurance.

## **FINANCIAL IMPLICATIONS**

31. These are addressed throughout the report.

## **EQUALITIES IMPLICATIONS**

32. This report provides a summary of the service and financial planning activities of the Council. Where individual changes, projects or policies are being developed, equalities impact assessments will be carried out by the responsible officer(s).
33. Changes for staff have been discussed directly with individuals affected and with their representatives.

## **RISK MANAGEMENT CONSIDERATIONS**

34. These are addressed throughout the report and in Annex 1.

## **CONSULTATION**

35. Budget proposals were circulated to the business community via the monthly Business e-bulletin (which has in excess of 1,500 recipients). At the time of writing no responses to the budget proposals have been received.
36. Savings and growth proposals were considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee on 6 December 2018. The conclusions and recommendations of the Panel and the Committee are reported separately to this meeting of the Executive.

## **POLICY FRAMEWORK**

37. Approval of the annual Revenue Budget, determination of the Council Tax and approval of the Capital Programme are functions of the full Council under the Council's constitution (Article 4.12).
38. The budget reflects the priorities in the Council's 5 Year Plan 2015 to 2020 and puts in place resources to deliver these priorities.

**Background Papers:**            [Service & Financial Planning 2019/20](#)  
   [Executive 8 November 2018](#)