

MEDIUM TERM FINANCIAL PLAN

2020/21 to 2024/25

July 2019

Introduction

1. Medium Term Financial Plan Objectives
2. Medium Term Financial Plan Priorities
3. Medium Term Financial Plan Context
4. Corporate Plan Priorities
5. Budget-Setting Priorities 2020/21
6. The Revenue Budget
7. Council Tax
8. Business Rates (National Non-Domestic Rates)
9. New Homes Bonus
10. Revenue Reserves
11. Medium Term Financial Plan Forecast 2020/21 onwards
12. Capital Investment Strategy
13. Treasury Management & The Prudential Code
14. Medium Term Financial Plan Risks & Sensitivities
15. Budget Equalities Impact Assessments
16. Budget Scrutiny
17. Consultation
18. Service & Financial Planning Timetable 2020/21
19. Conclusion

APPENDICES

1. Revenue Budget 2019/20
2. Capital Programme 2019/20 to 2023/24

- 3.1 Draft Reserves Policy
- 3.2 Revenue Reserve Balances at 31 March 2019

- 4. Draft Fees & Charges Policy
- 5. Strategic Financial Risks
- 6. Service & Financial Planning Timetable 2020/21

GLOSSARY

Introduction

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

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

The new CIPFA Financial Management Code (the Code) will be implemented in 2020. The Code does not prescribe the financial management processes that local authorities should adopt but it does require them to demonstrate that they satisfy the principles of good financial management, taking into account the authority's size, responsibilities and circumstances. CIPFA explain that good financial management has to be proportionate to the risks posed by the twin pressures of scarce resources and rising demand.

The Code introduces an overarching framework of assurance which builds on existing best practice, but which, for the first time, sets explicit standards for financial management in local government.

With regard to Medium Term Financial Planning, the Code sets out the following requirements:

- The authority has carried out a credible and transparent Financial Resilience Assessment
- The authority has a Long Term Financial Strategy for financial sustainability.
- The authority has a Capital Investment Strategy aligned to its long term financial strategy
- The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities
- The authority has a rolling multi-year Medium Term Financial Plan
- The authority has sustainable service plans that are consistent with its long term financial strategy and the medium term financial plan

This MTFP demonstrates how Reigate and Banstead Borough Council meets these standards.

In November 2018 the Executive approved the previous version of the MTFP which was based on the objectives of the Corporate Plan at that time. It set out the latest resource projections and estimates of expenditure. This document refreshes and updates the MTFP in anticipation of service & financial planning for 2020/21.

The annual service & financial planning budget reports later this year will set out the detailed actions required to deliver a balanced budget for 2020/21 onwards that is consistent with the direction and objectives set out in this MTFP.

1. Medium Term Financial Plan Objectives

The objectives of this MTFP are to help us:

- Provide a robust financial framework to assist our decision-making processes
- Manage council finances within the context of a forward-looking service & financial planning framework
- Prioritise resources to align spending plans with our vision and strategic objectives and resident priorities
- Recognise the ongoing funding challenges that will need to be addressed through changes to how services are delivered, realising new sources of income and delivery of cashable budget savings, or a combination of all three
- Maintain council tax resource levels
- Maintain a balanced budget and continue to strengthen that position
- Maintain the General Fund reserve at a minimum of 15% of the annual net Revenue Budget to cover significant unforeseen expenditure
- Maintain Earmarked Revenue Reserves for specific purposes, consistent with achieving our priorities and managing risks. The use of Earmarked Revenue Reserves will be in line with the draft Reserves Policy at Appendix 3.1 and will be reviewed annually
- Help confirm the affordable level of capital investment required to support our strategic and financial priorities while remaining within prudential borrowing limits
- Ensure that fees and charges are set at an appropriate level and that they take into account comparative levels of charge and ability to pay, in line with the draft Policy at Appendix 4
- Demonstrate probity, prudence and strong financial control
- Manage financial risks
- Continually review budgets to ensure resources are targeted on key objectives
- Continue to improve our approach to commissioning and procurement to ensure value for money for local taxpayers
- Support new ways to ensure financial sustainability and maximise income to deliver our priorities. This includes the development of commercial projects to capture both revenue income and capital growth opportunities.
- Pursue opportunities for securing external funding
- Support opportunities for working in collaboration with partners where this will support our priorities and improve service value for money.

2. Medium Term Financial Plan Priorities

In considering future budget projections, it is recognised that there are unknowns which could impact upon forecasts. The MTFP is not a static document but rather one that is constantly evolving as the environment around it changes. Some of the key risks and sensitivities which need to be monitored are set out below.

- **Economic conditions.** The impact of the economic cycle will need to be considered particularly in relation to business growth, inflationary pressures and interest rate movements. The impact of changes and any impact on public finances will need to be fully evaluated on the financial model.
- **Impact of Brexit.** While the Government has underwritten EU funding agreed prior to the 2016 Autumn Statement, the impact of the UK's departure from the EU is one that remains unclear and may impact both politically and economically.
- **Government Finance Legislation.** There are key pieces of Government legislation which will impact upon the future financial position of the Council. In particular the impact of the localisation of business rates and any additional responsibilities will need to be fully evaluated as well as the Governments current Fair Funding Review of local Government finance which is due to be introduced in 2020.
- **Other Government Legislation.** There are a significant number of political initiatives particularly in relation to localisation and the role of local Government. These will need to be assessed for their relevance to Reigate and Banstead and the impact on future finances.
- **Buoyancy of Income Streams.** These will be sensitive to changes in consumer confidence and the economy so will need to be closely monitored.
- **Strategic Investments:** The Council is looking to continue to pursue developments that produce financial returns while at the same time supporting the delivery of housing and regeneration priorities.
- **Commercial Ventures:** The Council will seek to take advantage of commercial opportunities wherever possible to cover costs and to review our fees and charges in order to maximise income in line with corporate objectives.
- **A Financial Review** of the historic budget outturn position and of our base budget to ensure maximum value is obtained from those resources already allocated – effectively to ensure financial discipline and good housekeeping are maintained.
- **Using Reserves** in a sustainable and prudent manner to support the Council's strategies and priorities. This will be supported by the Reserves Policy which is appended as a draft at Appendix 3.1. It is recognised that reserves can only

be used on a 'one off' basis. However, they can play an important part in supporting initiatives or investments which can deliver future benefits.

- To maintain the Council's financial standing it is important that it continues its proactive approach to **Service & Financial Planning** and ensures that budget plans are deliverable and that investments are focussed on securing our financial health.

3. Medium Term Financial Plan Context

Service & financial planning takes place within the context of the national economic and public expenditure plans; this MTFP has been formulated within the context of the current UK economic position, continued reductions on local government funding and political uncertainty surrounding the shape of Brexit.

In response to this financial challenge, local government has innovated, streamlined services and increased productivity. The Government's plans to devolve more responsibilities through the localisation of business rates are still intended to take effect from April 2020, however the detail as to whether councils will be required to take on additional responsibilities remains unclear. The devolution of business rates is intended to be fiscally neutral but how this will work in practice is currently being developed alongside the Fair Funding Review. These changes will bring both risks and opportunities and are still intended to be implemented for the 2020/21 financial year

The Economy and Public Spending

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

Economic growth in the UK and globally has slowed since the Budget in October, leading us to revise down our near-term GDP forecast. But tax receipts have performed better than we expected in the final months of 2018-19 and we judge that much of this buoyancy will endure. Together with downward pressure on debt interest spending from lower market interest rates, this delivers a modest medium-term improvement in the public finances.

The Chancellor has banked most of it in lower borrowing, but has spent some on higher planned public services spending. Of the six forecasts we have produced since the EU referendum, four have shown an improved outlook for the public finances and two have shown deterioration – but each one has been accompanied by some fiscal giveaway.

- *Public sector net borrowing (PSNB) in April was £5.8 billion, just £33 million lower than last year. This was despite a £0.8 billion boost to receipts from a special dividend paid by RBS.*
- *We expect a small rise in borrowing in 2019-20. This reflects both the income tax giveaways announced in Budget 2018 and higher departmental spending (on the NHS in particular).*

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

- *Central government receipts (excluding PSNB-neutral transfers related to 'quantitative easing') were up 3.2 per cent in April, above our full-year forecast of a 2.6 per cent rise (on a like-for-like basis).*

- *Central government spending (excluding PSNB-neutral grants to local authorities) was up 3.5 per cent, close to our full-year forecast of a 3.4 per cent rise (on a like-for-like basis).*
- *Net debt was 1.6 per cent of GDP lower in April 2019 compared with a year earlier.*
- *PSNB for 2018-19 was revised down by £1.1 billion to £23.5 billion, and is now just £0.7 billion above our March forecast. This figure remains provisional. Outturns typically take several months to settle down and revisions can be significant.*

Interest Rates

The base rate remains at 0.75% (June 2019). Average forecasts continue to predict a sustained increase; however Brexit continues to create uncertainty.

Table 1	June 2019	Dec 2019	June 2020	Dec 2020
Forecast Interest Rates	%	%	%	%
Forecast Bank Rate	0.75%	0.75%	1.0%	1.25%

Source: *Link Asset Management June 2019*

Inflation

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

Table 2	2019/20	2020/21	2021/22	2022/23	2024/25
Forecast Inflation (CPI)	%	%	%	%	£%
Forecast CPI	1.9%	2.0%	1.9%	1.9%	2.0%

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

Economic Growth

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

Table 3	2019/20	2020/21	2021/22	2022/23	2024/25
Forecast Growth	%	%	%	%	£%
Forecast GDP Change	1.4%	1.5%	1.7%	1.7%	1.8%

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

Context: Potential implications of the national economic situation for local government

- It may be harder to collect sums due, for example for council tax and business rates. Despite these increasing pressures, to date our performance on income collection remains consistently strong.

- Increased demand for services to assist residents falling into hardship.
- Suppliers and contractors being at risk of liquidation, potentially affecting delivery of services.
- Cost inflation pressures may be greater than assumed.
- Brexit may have impacts on our supply chain eg. price increases, impacts on operational delivery of capital schemes, supplier workforce impacts.

Local Government Funding

The local government sector has been one of the areas hardest hit by the Government's deficit reduction plan. For Reigate and Banstead Government Revenue Support Grant reduced from £1.6 million in 2014/15 to nil by 2017/18.

Over recent years the framework for local government funding has been subject to a sustained period of change and uncertainty:

- April 2011 – New Homes Bonus introduced
- April 2013 - Business Rates Retention introduced
- October 2015 – 100% BRR and Funding Review announced
- April 2016 – Government and LGA working groups set up and start meeting
- Early 2017 - Call for evidence on Fair Funding and Business Rates Retention consultation
- April 2017 – New Homes Bonus scheme changes
- May 2017 election – Business Rates Retention primary legislation falls; Fair Funding Review to continue
- Summer 2017 – announcement of move to 75% Business Rates Retention; confirmation of new Business Rates Baseline and continuation of Fair Funding Review – all for 2020/21
- July 2018 – new simplified Business Rates Reset first suggested
- December 2018 – no figures beyond 2019/20 available; indications that 'Negative Revenue Support Grant' will result in significant funding reductions for councils like Reigate & Banstead
- December 2018 – new consultations on Fair Funding Review, Business Rates Retention and confirmation of a full Reset of Business Rates growth
- Spring/Summer 2019 – likely that Spending Review¹⁹ may not go ahead; might be one year settlement only

Consultations and announcements over recent months have covered the following aspects of local government funding:

Spending Review¹⁹

- At some point in 2019, the Chancellor will need to publish the outcome of HM Treasury's forthcoming Spending Review. At a minimum, this will set

detailed departmental allocations for the 2020/21 financial year, and possibly beyond. The Chancellor is yet to confirm how much he plans to spend overall (the 'spending envelope'), but did set out some provisional spending totals in the 2018 Autumn Budget for the years up to 2023/24. These provisional totals underpin the official fiscal forecasts and therefore provide an indication of what we might expect.

Fair Funding Review

- Intended to be introduced in 2020/21 and will set new funding baselines and confirm any transitional arrangements. The Government's intention (subject to Spending Review19) was to publish indicative allocations through a further stage of formal consultation before the 2020/21 provisional local government finance settlement in December

Business Rates Growth: Reset and 'Alternative' System

- The Government's stated aim is to balance risk and reward through a system of *Resets, Safety Nets, Levies, Tier Splits* and *Pooling*. Also to simplify the system by looking again at appeals, while addressing income volatility and introducing more simplification.

New Homes Bonus:

- There remains speculation that there will be further changes to the system, for example further changes to the methodology based on a reduced funding allocation and/or the allocation of higher amounts to fewer authorities (or lower amounts to many).

Specific Grants:

- There is still an expectation that these will be rolled into the funding system when 75% business rates retention is introduced (expected as part of Spending Review19)

Council Tax:

- There is a possibility of increased freedoms (primarily for social care precepting authorities)

Local Government Funding – Current Position

In his Spring Statement 2019 the Chancellor announced:

'...Subject to an EU exit deal being agreed, the Chancellor confirmed that the government will hold a Spending Review which will conclude alongside the 2019 Budget. This will set departmental budgets, including 3-year budgets for resource spending and will include a zero-based review leading to multi-year capital investments...'

The Chancellor did not indicate what would happen to Spending Review19 if there was no Brexit deal agreed.

Options include rolling the 2019/20 funding forward to 2020/21. At the time of preparing this MTFP these plans remain unclear.

Service & Financial Planning: Government Funding Assumptions

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

- No changes to total local government funding as a result of Spending Review19
- Funding changes will go ahead as planned in 2020/21 This means that
 - Fair Funding Review will reduce our Government funding by £1.5m ('negative RSG')
 - the Reset of Business rates will reduce our funding by £0.6m
- No transitional funding arrangements
- Council taxbase growth of 1.04% per annum and council tax increases capped at a maximum of 2.99% or £5
- Funding from New Homes Bonus to continue (and to remain outside our budget calculations)

4. Corporate Plan Priorities

We are currently preparing a new Corporate Plan covering the period 2020-2025 which will set out our proposed priorities for the next five years, and will explain how we will focus our resources and deliver services to those living, working and spending time in Reigate & Banstead.

This MTFP is being developed to align with the emerging Plan vision and priorities. The new Plan is proposed to be an evolution of the current Plan. It will have its roots in the current Plan and will retain the three themes of People, Place and Organisation given the success of the Council in meeting many of the priorities under the current Plan.

The emerging draft Plan includes objectives in relation to Housing, Vulnerable People, Communities & Community Safety, Leisure & Wellbeing, Towns & Villages, Economic Prosperity, Shaping our Places, Clean & Green Spaces, Environmental Sustainability, Financial Sustainability, Commercial Activities, Operational Assets and Skills & Great People.

Differences between the proposed new Corporate Plan and the current Five Year Plan include:

- A new set of 'cross-cutting commitments' describing how the Council will deliver services, covering aspects such as communications, customer contact, partnership working and environmental sustainability
- A new 'housing' objective to do more to secure the delivery of homes that are more affordable for local people.

- Expanded objectives about communities and vulnerable people, reflecting the Council's proactive housing, family support and community development activities
- A new objective that recognises the need for the Council to support towns and villages in the borough to thrive and an updated
- objective on Shaping our Places recognising the future focus of our work in this area

To achieve our financial sustainability objective, our emerging draft Corporate Plan explains that we will:

- Ensure that our budget setting process is transparent and well-managed to deliver a balanced budget outcome each year
- Run an effective collection team to recover money owed to us
- Operate in an efficient and rigorous way across all our day-to-day financial Operations
- Publish and keep up-to-date our Capital Investment Strategy; and that we anticipate that we will need to increase Council Tax every year to reflect increasing costs, but we will review this position annually.

5. Budget-Setting Priorities 2020/21

The Priorities that will be taken into account when preparing the draft budget for 2020/21 are set out below:

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

- To consider and take advantage of **commercial opportunities** as they arise to deliver new income streams
- To maintain an adequate and prudent level of **reserves** and regularly review their planned use and allocation to support delivery of our priorities.

Value for Money

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

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

6. The Revenue Budget

Our Revenue Budget comprises five 'building blocks' as follows:

1. **Net Cost of Services:** These are the direct costs incurred in delivering services through the three Directorates, net of specific income generated by them.
2. **Corporate Budgets:** These are costs incurred and income received that are not service-specific, eg. Pension Fund deficit contributions and treasury management costs and income. Also included in this block is the Headroom Contingency budget.
3. **Contributions to/from Reserves:** This relates to our use of Earmarked Revenue Reserves, which have been allocated to fund specific purposes. For example the Corporate Plan Delivery Fund. The impact of the use of Reserves is a reduction in the total income demand on council taxpayers.
4. **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 2019/20 it includes the impact (benefit) of the one-off elimination of 'Negative Revenue Support Grant' that was announced by the Government in December 2018.
5. **Council Tax:** After the budgets requirement has been established for the other blocks then the amount required by their Council from council tax can be calculated; known as the 'Demand on the Collection Fund'.

Revenue Budget Outturn 2018/19

In February 2018 the Council set a net Revenue Budget for 2018/19 of £15.5 million. Transfers from the Corporate Plan Delivery Fund and other grants received during the year resulted in a net increase to £17.8 million.

Net expenditure for the year was £16.2 million for services, giving a favourable outturn position of £1.62 million (9% of the overall budget).

The most significant Revenue Budget variances for 2018/19 were reported throughout the year and are summarised below:

- Income receipts greater than budget - volumes of paper, food and domestic recycling were all above budget leading to over-recovery of income. In addition, the numbers of garden waste subscribers continued to increase. This resulted in £588k higher than expected income.
- Development Services - £257k over-recovery of income was due to greater volumes of planning fees than was anticipated in the budget.
- Property and Facilities - £182k over-recovery of income generated through new rental streams from commercial property purchases during the year.
- Government funding lower than budget - £120k lower benefit subsidy than budgeted.
- Expenditure lower than budget - delay in investing in our property portfolio, resulted in the predicted borrowing of funds being deferred, resulting in £292k lower annual borrowing costs compared to budget.
- Senior Management Team - £260k budget saving caused by vacant posts and lower than originally-expected interim management costs.
- Place Delivery - some authorised posts remained vacant during the year leading to a net £164k budget saving.
- Expenditure greater than budget - £160k overspend compared to budget caused by a reliance on locum legal staff and external advice to deliver the service.

The service & financial planning process for 2020/21 will include an assessment of whether any budgets require realignment to reflect historic outturn trends.

Revenue Budget Summary 2019/20

The Revenue Budget for 2019/20 was approved in February 2019. In summary it comprises:

Table 4 Budget Summary 2019/20	£m
1. Net Cost of Services	12.854
2. Corporate Budgets:	3.441
NET EXPENDITURE	£16.295m
3. Net Contributions to/from Reserves:	(0.245)
4. Sources of Funding	(2.347)
5. Council Tax Requirement	(13.703)
NET SOURCES OF INCOME	£16.295m

Further details are provided at Appendix 1.

‘Headroom’ Contingency Budget

The Headroom Contingency Budget was originally established during budget setting in 2012/13 to ‘mitigate the reduction in Central Government revenue funding’.

It is appropriate to retain an adequate level of contingency in the Revenue Budget as well as holding reserves. When assessing the level of contingency required the following are examples of the factors that need to be considered:

- Budget risks (eg. delays or non-delivery of new income streams)
- Unexpected pressures on relatively volatile and/or demand led budgets
- Likelihood of incurring unexpected costs (eg. an uninsured loss, litigation costs)
- New pressures as a consequence of the uncertain economic climate

A reduction in the Headroom Contingency Budget was approved during the 2019/20 budget setting process.

	£
Headroom Contingency Budget 2018/19	1,335,800
Reduction: Reduction approved during 2019/20 service & financial planning	-500,000
Headroom Contingency Budget 2019/20 onwards	835,800

The level of Headroom Contingency will be reviewed and reported each year as part of the service & financial planning process.

7. Council Tax

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

Although this is a significant funding source, it remains subject to restrictions by Government. The Localism Act included a requirement to hold a local referendum if any council tax increase is deemed 'excessive' and this level is currently set at 3%.

MTFP forecasts are currently based on an assumed council tax increase of 2.99% per annum; this will be subject to a political decision in February 2020, dependant on circumstances at that time.

The forecast amount of council tax to be collected takes into account local decisions on discounts, exemptions and reliefs and the local council tax support scheme.

Council Tax 2019/20

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

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

Council Tax Options 2020/21

Each 1% increase in Council Tax generates £137,000 additional income for this borough. The maximum 2.99% increase would yield £2.9m additional income

8. Business Rates (National Non-Domestic Rates)

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

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

The Government is currently undertaking a review of how business rates will operate going forward and has stated its intentions to achieve 75% localisation of business rates from 2020.

The full impact of this will only become clear later during 2019/20 as proposals are developed. This adds a further element of uncertainty to the projected position and suggests caution is needed in any future projections.

9. New Homes Bonus

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

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

The Government has set out its intention to end New Homes Bonus as part of the Fair Funding Review in 2020. The intention is to replace this mechanism with a different means of incentivising and rewarding housing growth. The detail remains unclear.

To date we have set aside this funding in an Earmarked Reserve which may be used for any purpose. Details at Appendix 3.2.

10. Revenue Reserves

The Council holds Reserves to provide protection against financial risks. Our current level of reserves provides a relatively secure financial base compared to many authorities; it is important to ensure an appropriate balance between securing the financial position of the Council and investing in delivery of services.

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

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.

Our draft Reserves Policy is set out at Appendix 3.1 with details of revenue reserve balances held at 31 March 2019 at Appendix 3.2. The draft Policy will be reviewed during service & financial planning over the summer with the aim of presenting the final Policy and recommended use of reserves in 2020/21 onwards as part of the November budget report. This will include an assessment of the adequacy and allocation of current reserves and the associated risks and opportunities.

General Fund Balance

The General Fund Balance Reserve is held to manage the impact of any unexpected events/emergencies. The Section 151 Officer is required to review the level of the General Fund Balance annually in relation to the overall financial position of the Council. CIPFA guidance on Local Authority Reserves and Balances (2003) and the Local Government Act of 2003 do not recommend a specific value or budget %.

The Council's Section 151 Officer advised in the November 2018 budget report that a working balance of £2.6m is considered the minimum level required. This represents 15% of the net budget for 2019/20. This minimum level will be reviewed again as part of 2020/21 service & financial planning.

Other Revenue Reserves

A reserve has been established to account separately for New Homes Bonus income. There are no restrictions on the use of these funds.

Earmarked Revenue Reserves

Earmarked Revenue Reserves may be used as part of a planned process to balance the budget in order to avoid short term actions which may not be in the best interests of the Council. They also allow funds to be set aside for specific purposes, often spanning more than one financial year.

Opportunity Cost of Holding Reserves

The opportunity cost of holding reserves has to be considered. Unused balances are used to either reduce temporary borrowing or are invested to generate income. In measuring the opportunity cost of holding reserves, consideration needs to be taken of the interest earned. The opportunity cost of holding reserves is therefore a judgment whether the 'worth' of expenditure foregone is more than the income generated. Given the current economic climate it is a balanced judgement as to whether to invest / spend reserves or to retain them.

Assessing the Adequacy of Reserves

The Chartered Institute of Public Finance and Accountancy (CIPFA) state that the Institute 'does not accept a case for introducing a statutory minimum level of reserves, even in exceptional circumstances'. It does however confirm that authorities should make their own judgment on such matters, taking into account all relevant local circumstances on the advice of their Chief Finance Officer.

The Local Government Act 2003 requires the Chief Finance Officer to formally report on the adequacy of the proposed financial reserves. To arrive at assessing the adequacy of reserves a number of issues need to be addressed:

- What are the strategic, operational and financial risks facing the Council?
- Does the Council comply with the requirements to ensure that there is an adequate system of internal control?
- Are the key financial assumptions in formulating the Council's budget robust and reasonable?
- Does the Council have adequate financial management and cash flow arrangements?

In addition there are a number of questions an authority can ask to demonstrate that it is managing its affairs satisfactorily:

- What is the track record of the Council in its budgetary and financial management?
- What is the Council's record regarding council tax collection?
- What is the Council's capacity to manage in-year budgetary pressures?
- What is the strength of the Council's financial reporting?
- What are the procedures to deal with under and over spends during and at the year end?
- In the case of Earmarked Revenue Reserves, will there be expected calls on the reserves that prompted the setting up of the reserves in the first place?

Finally, there is a need to look at the assumptions made in setting the budget, not just for the coming year but also under the MTFP. The budgetary assumptions cover:

- Inflation and interest rate projections.
- Estimate and timings of capital receipts.
- Treatment of planned efficiency savings.
- Financial risks involved in major funding arrangements.

11. Medium Term Financial Plan Forecast 2020/21 onwards

An early review of Medium Term Financial Plan budget forecasts have identified a number of new budget pressures that will need to be addressed through service & financial planning in 2020/21 onwards.

They include:

- The potentially significant impacts on available resources of Government funding reductions, including the Fair Funding Review (£1.5 million) and Business Rates Reset (£600k)
- Revenue and capital budget growth to deliver priorities in the new Corporate Plan – details to be confirmed during service & financial planning
- Budgeting for the costs of approved borrowing to fund planned Capital Programme commitments
- Making budget provision for future pay and pensions increases

The service & financial planning process over the summer will focus on quantifying the impacts of these potential pressures as the details are confirmed; also identifying the new sources of income that are to be delivered to help address them. The outcome will be reported in the autumn.

Revenue Budget-Setting Assumptions 2020/21

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

Council Tax	<ul style="list-style-type: none">• To increase by the referendum limit• Plus an increase due to growth in the taxbase of 1% per annum• The impacts of local discounts, exemptions and the local council tax support scheme will be taken into account when preparing income forecasts.
Government Funding	<ul style="list-style-type: none">• Fair Funding Review is expected to reduce our Government funding by £1.5m ('negative RSG')
Retained	<ul style="list-style-type: none">• The Reset of Business Rates is expected to reduce our

Business Rates Income	funding by £0.6m
Fees & Charges	<ul style="list-style-type: none"> • A draft Fees & Charges Policy is attached at Appendix 4. For budgeting purposes it is assumed that fees and charges will increase in line with the Policy. • The Policy will be reviewed during service & financial planning over the summer with the aim of presenting the final Policy and recommended use of reserves in 2020/21 onwards as part of the November budget report.
Investment Income and Borrowing	<ul style="list-style-type: none"> • Investments and borrowing will be forecast in line with forecast balances (reserves) and capital investment plans
Pay Inflation	<ul style="list-style-type: none"> • As a minimum all Council pay scales are now at or above the Real Living Wage • An allowance for a pay award will be included in the draft budget, in addition to forecast contractual pay increases. • This provides the option for pay rises but the specific rate of increase will be subject to established consultation processes. An objective is to seek to negotiate a multi-year pay award for 2020/21 onwards.
Employer Pension Costs	<ul style="list-style-type: none"> • The latest actuarial review of the Surrey Local Government Pension Fund was as at 31 March 2016; the outcome has been profiled into the budget for the three years to 2019/20. • The 2016 valuation confirmed that the Fund's total assets, which at 31 March 2016 were valued at £3,892 million, were sufficient to meet 83% of liabilities (ie. the present value of promised retirement benefits) accrued up to that date. The resulting total Fund deficit at the 2016 valuation was £679 million. • Each employer has a contribution requirement set at the valuation, with the aim of achieving full funding within an agreed time horizon and probability measure, as set out in the Fund's Funding Strategy Statement. Individual employers' contributions for April 2017 to March 2020 were set in accordance with this requirement. For Reigate & Banstead this is based on a 15% payroll oncost charge plus a £1.963m lump sum annual deficit payment. • The next actuarial review will be at 31 March 2019 and any budget implications will be built into budgets for 2020/21 onwards. The outcome of the revaluation will be reported by the Pension Fund later this year. • National consultation is currently in progress regarding moving to a four-year revaluation cycle going forward.

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

12. Capital Investment Strategy

Our Outline Capital Investment Strategy was approved in April 2019 and sets out a framework for funding and investment decisions in respect of capital assets, in the context of our vision and priorities and available financial resources.

The Capital Investment Strategy demonstrates that we take capital expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. It sets out the long-term context in which capital expenditure and investment decisions are made, and takes into account to both risk and reward and impact on the achievement of priority outcomes.

When setting its capital programme, each authority must have regard to:

- Our service objectives – the capital spending plans should be consistent with the Corporate Plan
- Stewardship of our assets – as demonstrated by our asset management planning approach
- The value for money offered by our investment plans – as demonstrated by the appraisal of the options
- The prudence and sustainability of our investment plans – their implications for external borrowing
- The affordability of capital investment plans – the implications for the council tax; and
- The practicality of capital expenditure plans – whether the forward plan is achievable.

Decisions on the Capital Programme have an impact on the Revenue Budget, in relation to:

- The revenue costs of financing capital, including prudential borrowing; and
- The ongoing running costs and/or income generated by new capital assets such as buildings.

Capital investment decisions therefore 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.

Our revenue and capital budgets are integrated with the financial impact of the proposed Capital Programme, being reflected in the Revenue Budget estimates.

We will only invest where capital spending plans are affordable, prudent and sustainable. The key constraint on capital investment is the scope to afford the financial implications in terms of acceptable council tax levels.

As supported by the Capital Investment Strategy, the Council's capital investment plans over the next 5 years are set out in the Capital Programme. The efficient and effective use of capital resources, including sound asset management, is fundamental to achieving our long- and medium-term aims and objectives. It is also critical to achieving the delivery of the required savings and income across the Council to secure a balanced budget.

Medium Term Capital Programme

While Revenue Budget expenditure is concerned with the day-to-day running of services our Capital Programme is concerned with investment in the assets required to deliver services or delivery new income streams. The Medium Term Capital Programme sets out how capital resources will be used to achieve our vision and corporate priorities.

The Council must have an affordable Capital Programme; affordability is assessed against business cases taking into account the level of future resources required to support project delivery and ongoing asset maintenance.

The strategic objectives of our Capital Programme can be summarised as follows:

- To maintain a five year rolling Capital Programme which remains within the approved affordable, sustainable and prudential limits.
- To ensure capital resources are aligned with our strategic vision and corporate priorities by ensuring all schemes are prioritised according to the Council's prioritisation methodology
- To identify opportunities for investment in new schemes that result in capital growth and/or new revenue income streams
- To maximise available resources by actively seeking external funding to support Council priorities and disposing of surplus assets.
- To use internal resources alongside external resources where appropriate to support the Capital Programme and minimise any borrowing costs.

Capital Programme 2019/20 to 2023/24

The Council forecasts its Capital Programme over a 5 year period and the latest position is set out in the report to Executive in January 2019.

Table 7 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
FINANCE & ORGANISATION:						
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
PEOPLE SERVICES:						
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
PLACE SERVICES:						
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
TOTAL EXPENDITURE	45,714.50	20,826.80	29,409.60	27,901.50	18,073.50	2,973.50

Table 8 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
TOTAL GROWTH	0.0	25,100.0	700.0	700.0	0.0	0.0
TOTAL CAPITAL PROGRAMME INCLUDING GROWTH ASSUMPTIONS	45,714.47	45,926.76	30,109.60	28,601.50	18,073.50	2,973.50

Details at Appendix 2.

New Capital Investment 2019/20

£25m has been allocated in the above Capital Programme to fund new capital investments in 2019/20 onwards to support delivery of the Corporate Plan, Housing Strategy and Investment Strategy.

The Commercial Ventures Executive Sub-Committee has authority to approve new capital schemes and commercial investments funded from this allocation.

Capital Programme Funding

The approved Capital Programme will be funded as follows:

Table 9 Capital Programme Funding	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget £000	Projected £000	Projected £000	Projected £000	Projected £000	Projected £000
Capital Reserves	21,824.8	2,416.9	0.0	4,378.2	0.0	0.0
Capital Receipts from sale of assets	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
TOTAL CAPITAL FUNDING	45,714.50	45,926.80	30,109.60	28,601.50	18,073.50	2,973.50

The key funding sources for the capital programme are described below:

- | | |
|---------------------------------------|---|
| Capital Reserves and Capital Receipts | <ul style="list-style-type: none">• These comprise capital receipts from previous years that are being used to fund new capital investment. Capital receipts are the proceeds from the sale of an asset, usually property. At the end of March 2019 the residual balance of capital receipts was £626k.• An element of funding for the Capital Programme going forward is based on use of forecast new capital receipts generated from schemes that are currently in progress. |
| Capital Grants & Contributions | <ul style="list-style-type: none">• Capital contributions include developers' contributions (Section 106) committed as part of the planning process. They often must be used for a specific purpose. At 31 March the balance of contributions available amounted to £16.0m• Examples of significant Capital Grants include the Disabled Facilities Grant, currently £965k per annum. |
| Prudential Borrowing | <ul style="list-style-type: none">• The Prudential System of Local Government Capital Finance, as updated in February 2018, allows local authorities to borrow as long as their capital spending plans are affordable, prudent and sustainable.• In order for borrowing to be considered prudent, affordable and sustainable there must be a long-term source of revenue funding to meet the costs of borrowing. Ideally this will come from revenue budget savings or from additional income generated directly from the capital project.• Prudential Borrowing will be undertaken to support our priorities where there is a business case for it to do so and there are sufficient monies to meet in full the implications of capital expenditure, both borrowing and running costs. |
| Revenue Budget Contributions | <ul style="list-style-type: none">• Capital expenditure can be financed directly from revenue. There are no limitations on this, other than one of affordability. The 2019/20 budget includes an allocation of £500k for this purpose. |

13. Treasury Management & The Prudential Code

CIPFA defines treasury management as:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

We are required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management function is to ensure that this cash flow is adequately planned, with cash being available when needed. Surplus monies are invested with low risk counterparties in line with our risk appetite, ensuring adequate security and liquidity before considering investment return.

The second main function of treasury management is funding our Capital Programme. Our capital investment plans provide a guide to borrowing need, essentially for longer-term cash flow planning purposes, to ensure that we can meet our capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. We anticipate taking on long-term borrowing for the first time during 2019/20.

The contribution that the treasury management function makes is important, as the balance of debt and investment operations ensure liquidity and/or ability to meet budget commitments as they fall due, both on day-to-day revenue-funded activity and for larger capital projects. The treasury function balances interest costs of debt and investment income arising from cash deposits which in turn affect available resources. Cash balances generally result from our reserves and balances, therefore it is important to ensure adequate security of the sums invested, as a loss of principal will in effect result in a call on the General Fund Balance.

Our company investments are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

The Prudential Code

CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the 'Prudential Code') provides the framework for councils' capital investments. The key feature of the prudential system is that councils should determine the level of their capital investment – and how much they borrow to finance that investment – based on their own assessment of what they can afford, not just for the current year but also for future years.

The statutory basis for the prudential system is set out in the Local Government Act 2003, which:

- Confirms councils' power to borrow – which in the medium term must only be for capital purposes, while short-term borrowing can be for cash flow purposes
- Makes it clear that, as previously, councils may not mortgage assets
- Places a duty on councils not to exceed their prudential borrowing limits, or any national limits imposed by central government
- Places a duty on councils to determine – and review – their own borrowing limits in accordance with the Prudential Code
- Gives the Government a reserve power to impose borrowing limits that would override councils' own borrowing limits for national economic reasons

- Makes it clear that credit arrangements should be treated as borrowing under the prudential system
- Confirms that councils may invest both for the prudential management of their financial affairs and for purposes relevant to their functions.

Following two consultations intended to take into account the changing landscape for local government following the sustained period of reduced public spending and the developing localism agenda, the Prudential Code was updated in December 2017. One of the main changes was to introduce the requirement to publish a Capital Investment Strategy.

14. Medium Term Financial Plan Risks & Sensitivities

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

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

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

Operational Risk Register – Budget-Setting

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

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

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

Perceived Risk	Impact	Likelihood	Preventative Action
Failure to remain up to date with changes in relevant legislation, regulations and guidance	High	Low	Ensure that all relevant information is taken into account when producing MTFP and budget forecasts.

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

Sensitivity Analysis

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

Table 10 Sensitivity	Change	Estimated annual impact £000
Business Rates Income	+/- 1%	£8k
Staff Costs	+/- 1%	£190k
Non-Pay Costs	+/- 1%	£80k
Council Tax/Taxbase	+/- 1%	£138k

MTFP and Budget Monitoring and Review

The updated MTFP position will be reported as part of the draft budget report in November.

The processes and procedures relating to the monitoring of the Revenue Budget and Capital Programme are set out in the Council's Financial Procedure Rules.

15. Budget Equalities Impact Assessments

The annual service & financial planning reports include information about the implications of budget proposals. Where new service changes, projects or policies are proposed, equalities impact assessments will be carried out by the responsible officers. Changes that affect Council staff will be discussed directly with individuals affected and with their representatives.

16. Budget Scrutiny

The annual draft budget proposals are considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee in December and the conclusions and recommendations of the Panel and the Committee are reported to the Executive for consideration when the final budget proposals are presented to them in January.

17. Consultation

The MTFP is published on the Council's website.

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

18. Service & Financial Planning Process and Timetable 2020/21

As explained above, this MTFP represents an overarching view of our finances and looks to anticipate future demands and pressures so that we can take timely decisions to secure financial sustainability.

The MTFP is supported by a number of key documents which contribute to management of the overall financial position. These are:

Revenue Budget Report	<p>Produced on an annual basis – draft in November and final in the following January. It sets out the plan for setting and managing a balanced budget for the following financial year.</p> <p>It is here the detailed decisions on revenue and capital expenditure are presented, including proposed budget savings and growth. The recommended Budget is supported by operational budget detail that forms the basis for in-year budget monitoring and management.</p>
Capital Programme	<p>Sets out capital expenditure plans over the medium term. This is aligned with the Revenue Budget where it results in costs of borrowing and income streams.</p>
Capital Investment Strategy	<p>First introduced for 2019/20. Updated on an annual basis and sets out the framework for investing in capital assets over the medium term. Objectives:</p> <ul style="list-style-type: none">• Ensure capital expenditure contributes to the achievement of the Council’s organisational strategy• Set a Capital Programme which is affordable and sustainable• Maximise the use of assets• Provide a clear framework for decision making and prioritisation relating to capital expenditure• Establish a corporate approach to the review of asset utilisation

Treasury Management Investment Strategy.	Sets out the approach to managing the cash available to the Council and how to maximise its value. Also sets out the Council's investment and borrowing arrangements and controls.
Reserves Policy	Sets out the reasons for holding reserves and how they will be used, including financial limits where appropriate. The draft Policy is attached at Appendix 3.1.
Fees & Charges Policy.	Sets out a corporate view of the fees and charges levied by the Council for consideration each year. The draft Policy is attached at Appendix 4.
Annual Council Tax Report	Approved by Full Council in February each year

Service & Financial Planning Objectives

The objectives for service & financial planning each year are to:

- Help Members determine budget priorities and their timing
- Forecast the changes in demand for services and match demand with likely resources
- Assess the likely implications of changes in legislation on resources
- Model the future costs of alternative policies; and
- Provide a framework for programming activities by individual services.

Service & Financial Planning Timetable

The timetable for Service & Financial Planning 2020/21 is set out at Appendix 6.

19. Conclusion

This MTFP presents a summary of the key financial processes and policies that help us forecast the likely financial position we will be facing over coming years.

It is the Council's primary financial planning tool and will form the basis for ongoing discussions throughout service & financial planning for 2020/21.

APPENDICES

1. Revenue Budget 2019/20
2. Capital Programme 2019/20 to 2023/24
- 3.1 Draft Reserves Policy
- 3.2 Revenue Reserve Balances at 31 March 2019
4. Draft Fees & Charges Policy
5. Strategic Financial Risks
6. Service & Financial Planning Timetable 2020/21

REVENUE BUDGET 2019/20

	2019/20 Budget £000	2019/20 Budget £000
ORGANISATION		
Projects & Performance	1,889,400	
Organisational Development	692,900	
ICT	1,476,700	
Legal & Governance	1,884,500	
Finance	1,715,300	
Property	(1,937,000)	
PEOPLE		
Housing	989,700	
Revenues, Benefits & Fraud	(74,300)	
Wellbeing & intervention	188,600	
Community Partnerships	1,244,950	
Communications	740,100	
PLACE		
Planning	730,000	
Place Delivery	169,500	
Economic Prosperity	277,600	
Neighbourhood Operations	2,865,950	
1. NET COST OF SERVICES		12,853,900
Headroom Contingency Budget	835,800	
Pension Fund Deficit Contribution	1,963,000	
Other Pension Contributions	375,000	
Redundancy & Severance Costs	100,000	
New Posts Budget (new for 2019/20)	250,000	
Revenue Budget Contribution to Capital Expenditure	500,000	
Other Central Items	(245,000)	
Grants to Town & Parish Councils	57,500	
Subsidy Grants to Tenants	55,000	
Treasury Management – Interest Payments	157,000	
Treasury Management – Interest Receipts	(607,600)	

2. TOTAL CORPORATE BUDGETS		3,440,700
NET EXPENDITURE (1 + 2)		16,294,600
3. NET CONTRIBUTIONS TO/(FROM) RESERVES		(245,000)
Business Rates	(882,000)	
Elimination of 'Negative RSG' (one-off for 2019/20)	(1,465,000)	
4. SOURCES OF FUNDING		(2,347,000)
5. COUNCIL TAX REQUIREMENT		(13,702,600)
NET SOURCES OF INCOME (3 + 4 + 5)		(16,294,600)

Net Cost of Services: These are the direct costs incurred by the Council in delivering services through the three Directorates, less any specific income generated.

Corporate Budgets: These are costs incurred and income received by the Council that are not service-specific, e.g. Pension Fund deficit contributions and treasury management costs and income. Also included in this heading is the Headroom Contingency.

Contributions to/from Reserves: The impact of the use of Reserves is a reduction in the total income demand on council taxpayers.

Sources of Funding: These income budgets are general, non-service specific income sources. They include our share of Non-Domestic Rate income. For 2019/20 it includes the impact (benefit) of the one-off elimination of 'Negative Revenue Support Grant' that was announced by the Government in December 2018.

Council Tax: This income is also a general and non-service specific source of income. Only when budgets have been established for the other 'building blocks' can the amount required from council tax be calculated; known as the 'Demand on the Collection Fund'

CAPITAL PROGRAMME 2019/20 to 2023/24

CAPITAL PROGRAMME 2019-2024 - DETAILS

FINANCE & ORGANISATION

STRATEGIC PROPERTY	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Park Farm	50.0	0.0	0.0	0.0	0.0	0.0
London Road	3,734.5	0.0	0.0	0.0	0.0	0.0
Reading Arch Road	1,125.0	0.0	0.0	0.0	0.0	0.0
Albert Road North	1,003.0	0.0	0.0	0.0	0.0	0.0
Regent House	16,378.0	0.0	0.0	0.0	0.0	0.0
Units 1-5 Redhill Distribution Centre	15,989.5	0.0	0.0	0.0	0.0	0.0
Rolling Programmes:						
Commercial Investment Properties	83.0	50.0	50.0	76.0	76.0	76.0
	38,363.0	50.0	50.0	76.0	76.0	76.0

IT SERVICES	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Rolling Programmes:						
ICT Replacement Programme	69.3	275.0	100.0	300.0	275.0	275.0
Disaster Recovery Systems Upgrade	70.0	0.0	0.0	0.0	0.0	0.0
	139.3	275.0	100.0	300.0	275.0	275.0

ORGANISATIONAL DEVELOPMENT	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Replacement Photocopiers/Printers	70.0	0.0	0.0	0.0	0.0	0.0
Rolling Programmes:	0.0	0.0	0.0	0.0	0.0	0.0
Great Workplace	111.0	30.0	30.0	30.0	30.0	30.0
	181.0	30.0	30.0	30.0	30.0	30.0

PEOPLE SERVICES

HOUSING	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Grant Funded						
Flexible Homlessness Support (Grant Funded)	191.0	0.0	0.0	0.0	0.0	0.0
Disabled Facilities Grant	750.0	965.0	965.0	965.0	965.0	965.0
Repossession Prevention Fund	57.5	30.0	30.0	30.0	30.0	30.0
Home Improvement Agency (Part Grant Funded)	132.0	120.0	120.0	120.0	120.0	120.0
Housing Development						
64 Massetts Road	368.6	0.0	0.0	0.0	0.0	0.0
Lee Street Bungalows	50.0	380.1	0.0	0.0	0.0	0.0
	1,549.1	1,495.1	1,115.0	1,115.0	1,115.0	1,115.0

WELLBEING & INTERVENTION	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000	£000
Rolling Programmes:						
Leisure Centres	48.5	30.0	30.0	30.0	30.0	30.0
Existing Pavilions Programme	45.0	30.0	30.0	30.0	30.0	30.0
Harlequin Property Maintenance	90.5	40.0	40.0	40.0	40.0	40.0
Harlequin Facilities Maintenance	41.0	25.0	25.0	25.0	25.0	25.0
Capital Grants	20.0	20.0	20.0	20.0	20.0	20.0
	245.0	145.0	145.0	145.0	145.0	145.0

COMMUNITY PARTNERSHIPS	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000	£000
Rolling Programme:						
Day Centres Programme	29.5	25.0	25.0	25.0	25.0	25.0
	29.5	25.0	25.0	25.0	25.0	25.0

PLACE SERVICES

NEIGHBOURHOOD OPERATIONS	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Refuse Vehicle Replacement	0.0	720.0	1,620.0	1,620.0	0.0	0.0
Rolling Programmes:						
Earlswood Depot/Park Farm Depot	10.0	10.0	10.0	20.0	20.0	20.0
Vehicles & Plant Programme	610.0	582.0	1,542.0	846.0	846.0	846.0
Air Quality Monitoring Equipment	83.6	48.0	108.0	40.0	40.0	40.0
Contaminated Land - Investigation work	60.0	30.0	30.0	30.0	30.0	30.0
Land Flood Prevention Programme	6.0	6.0	6.0	10.5	10.5	10.5
Play Areas Improvement Programme	218.0	222.0	226.0	230.0	230.0	230.0
Park & Countryside - Infrastructure & Fencing	45.0	45.0	45.0	45.0	45.0	45.0
Priory Park Maintenance	37.4	5.0	0.0	0.0	0.0	0.0
Car Parks Capital Works Programme	154.0	30.0	30.0	30.0	30.0	30.0
Public Conveniences	11.0	5.0	5.0	4.0	4.0	4.0
Cemeteries & Chapel	20.0	0.0	0.0	10.0	10.0	10.0
Allotments	22.0	4.0	4.0	2.0	2.0	2.0
CCTV Rolling Programme	31.4	30.0	30.0	30.0	30.0	30.0
Infrastructure (Walls etc.)	15.0	5.0	5.0	10.0	10.0	10.0
	1,323.4	1,742.0	3,661.0	2,927.5	1,307.5	1,307.5

PLACE DELIVERY	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000	£000
Merstham Regeneration	54.0	0.0	0.0	0.0	0.0	0.0
Preston Regeneration	249.9	418.5				
Redhill Public Realm Improvements	20.0	24.8				
Marketfield Way Redevelopment	2,430.3	6192.1	18,858.6	23,212.0	15,100.0	0.0
Cromwell Road Redevelopment	720.0	5,707.3	3,680.0	0.0	0.0	0.0
Pitwood Park	300.0	4,332.0	1,745.0	71.0	0.0	0.0
Horley Public Realm Improvements - Phase 3	110.0	390.0	0.0	0.0	0.0	0.0
	3,884.2	17,064.7	24,283.6	23,283.0	15,100.0	0.0

DRAFT RESERVES POLICY

Introduction

The establishment, monitoring and review of the levels of reserves and balances are an important element of the Council's financial management systems and financial standing.

The Chief Finance Officer (Section 151 Officer) is required by law to formally report to the Council their opinion on the adequacy of the Council's reserves. Irrespective of this, a well-managed authority is clear about the reserves it needs now and in the future to support its service aspirations, while at the same time delivering value for money within a climate of significant resource pressure and economic/social risk.

This Policy does not cover non-distributable reserves required to support financial accounting transactions e.g. the Revaluation Reserve, Capital Adjustment Account and Pension Reserve. (Non-distributable reserves are those that cannot be used for revenue or capital purposes.)

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

Such reserves are generally referred to as Earmarked Revenue Reserves.

What are Reserves?

There is no clear definition of reserves even though reference is made to reserves in legislation. The Chartered Institute of Public Finance and Accountancy (CIPFA) states 'amounts set aside for purposes falling outside the definition of provisions should be considered as reserves.' Provisions are required for any liabilities of uncertain timing or amount that have been incurred.

Generally there are two types of reserves, those that are available to meet revenue or in some cases capital expenditure (Usable) and those that are not available to finance revenue or capital expenditure (Unusable). Useable reserves result from events that have allowed monies to be set aside, surpluses or decisions causing anticipated expenditure to have been postponed or cancelled. They can be spent or earmarked at the discretion of the Council.

The Council must manage its reserves in accordance with its strategic longer term planning process.

Policy principles:

- The General Fund Balance will be maintained at a minimum of 15% of the net Revenue Budget to cover any major unforeseen expenditure.
- Earmarked revenue reserves will be maintained for specific purposes that are consistent with achieving Corporate Plan priorities and/or where they are required to account separately for Government funding streams.
- Reserves must only be used to fund one-off expenditure.
- Recurring expenses may only be funded from reserves if plans are in place to fund the ongoing costs and replenish the reserve within 12 months.
- Unplanned revenue income receipts will be held in a reserve pending future decisions as to their use.
- We aim to balance the Revenue Budget over the period of the MTFP without reliance on the use of reserves

July 2019

REVENUE RESERVE BALANCES AT 31 MARCH 2019

	Balance at 31.3.19 £m	Purpose
General Fund Balance	£12.547m	Acts as a buffer against unpredicted budget pressures. The minimum level required is £2.6m

Other Revenue Reserves	Balance at 31.3.19 £m	Purpose
New Homes Bonus Reserve	£17.086m	Established to account separately for New Homes Bonus income. No restrictions on use.

Earmarked Revenue Reserves	Balance at 31.3.19 £m	Purpose
Government Funding Reduction Reserve	2.019	Established at the end of 2017/18 for the purpose of mitigating the planned reduction in Government funding.
Superannuation Reserve	1.507	Established to 'smooth' any sudden increases in employer pension costs.
Corporate Plan Delivery Fund (CPDF)	1.206	Provides time-limited funding to deliver key priorities, Corporate Plan objectives and invest-to-save initiatives.
Business Rates Equalisation Reserve	1.000	Established to mitigate the impact of any fluctuations in retained business rates income resulting from, for instance, a back-dated rating appeal or a major employer leaving the area.
Insurance Reserve	0.550	Provides cover against uninsured losses.
New Posts	0.500	Established at the end of 2018/19 to provide initial funding for new permanent posts created during the year to support delivery of new corporate initiatives. Thereafter the intention is to build these posts into the approved budget in 2020/21 onwards.
Homelessness Prevention	0.407	Established to account separately for the funding set aside for homelessness prevention.
Growth Points Reserve	0.286	Established to account separately for Growth Points funding.
Feasibility Studies	0.250	Established at the end of 2018/19 to set aside funds for feasibility studies, to be managed by the new Commercial Ventures Sub-Committee.
Business Support	0.147	Established to account separately for the allocation of

Earmarked Revenue Reserves	Balance at 31.3.19 £m	Purpose
Scheme		funding to help flood-affected business.
Neighbourhood Improvement Reserve	0.044	Established to account separately for the funding set aside for neighbourhood improvement projects.
High Street Innovation Reserve	0.040	Established to account separately for the funding of this initiative prior to it being used.
Total Earmarked Revenue Reserves:	£7.956M	

DRAFT FEES & CHARGES POLICY

Our Medium Term Financial Plan (MTFP) sets out our financial objectives to support delivery of the Corporate Plan. These plans remain challenging in the context of an uncertain economic future, on-going austerity measures, significant reductions in funding from Government and the move towards more locally-generated income streams.

In the future we will need to be financially self-sufficient and less reliant on central government funding. Maximising the potential for increased income will be integral to supporting delivery of the MTFP.

Seeking opportunities for income generation is a priority for the Council, alongside broader proposals for the trading and commercialisation of some services.

This Fees & Charges Policy outlines the key principles to be considered in charging for Council services in a transparent and consistent manner.

Scope

This Policy applies to the setting and reviewing of all fees and charges for Council services, where the Council has discretion to apply a charge and discretion over the level of charge applied.

The Policy excludes:

- Charges that are determined by Central Government
- Council Tax
- Business Rates
- Property rents
- Any charges where there are legal or contractual reasons for exclusion
- Any charges levied by Trading Companies or other third parties delivering services on behalf of the Council.

Application

Directorates should refer to this Policy when reviewing current charges or proposing new charges as part of the service & financial planning process for the forthcoming financial year, and for any other in-year consideration of service charging.

Understanding the relationship between cost and charges is vital when determining charges for services and support and advice should be sought from the Finance team when applying this Policy.

Aims and Objectives

The overarching aim of the Policy is to embed a commercial approach to setting fees and charges. An aim of commercialism is to ensure the Council thinks consistently in a business-like manner and clearly articulates the costs and benefits associated with the activities it carries out.

The objectives of the Fees & Charges Policy are:

- To promote efficiency and support the commercialisation of our business in order to support the MTFP and deliver the Corporate Plan
- To minimise the draw on local taxpayers of discretionary services and promote fairness by fostering a culture where discretionary services are supported largely by users rather than the council tax payer
- To set a clear, flexible and equitable framework of standards and procedures for applying charges and fees to relevant Council services for both individuals and organisations. The level of charge will reflect the cost plus a return where this is permissible/appropriate.
- To meet the aim of being 'business like' through service areas understanding and reviewing the costs and charges for their service areas.

Charging and Trading Legislation

The legislation and case law that governs Councils' ability to charge and generate income is complex. Specific powers to charge for services are contained in a variety of local government statutes.

These include:

- Local Authorities (Goods and Services) Act 1970 – introduced powers for councils to enter into agreement with other Local Authorities and public bodies for the supply of goods and services. Any agreement may contain such terms as to payment or otherwise as the parties consider appropriate.
- Local Government Act 2003 – added further opportunities to the above. This act enables council's to trade in activities related to their functions on a commercial basis and make a profit, which may be reinvested in services, through a trading company.
- Localism Act 2011 – the General Power of Competence (GPC) introduced a power to allow councils to do anything that an individual may do. However, for the purposes of charging, this should not exceed the cost of provision of the service in question, as operating for a commercial purpose (i.e. to make a profit) must be done through a trading company.

Standard Charging Principles

Standard principles will be applied to all fees and charges (within the scope of this Policy) set by the Council. Where a service plans deviate from these principles, the basis and reason for variation will be clearly documented and approved in accordance with the Council's Constitution/scheme of delegation.

Services that have discretion over charging are encouraged to operate more commercially in order to maximise efficiency and reduce dependence on corporate funding support. The ability of services to operate in this way is dependent on services being able to set and amend their charges with a level of flexibility, including consideration of current market rates and demand for the service. The Policy will also make decision making simpler and more timely.

This Policy enables us to apply differential charging, discounting and alternative pricing structures in order to maximise commercial benefit and target service take-up. Individual service areas can vary charge rates on a case by case basis, taking into account relevant market rates and the need to maximise income and operate efficiently.

All fees and charges will:

- Demonstrate how they contribute to the achievement of corporate and service objectives
- Maximise potential income, to achieve financial objectives, unless there is an explicit policy decision to subsidise a service
- Be subject to equality impact assessment screening and consultation where appropriate
- Minimise the costs of collection
- As a minimum be increased annually from 1 April each year in line with Consumer Price Index (CPI) inflation increases (rate published for the preceding September each year)
- Be subject to a scheduled review at least every 3-5 years.

Charging Models

When introducing or reviewing a charge the Council will follow one of three models:

Charge	Definition	Application
Full Cost recovery	<p>Full Cost Recovery is defined in this Policy as the Chartered Institute of Public Finance and Accounts' (CIPFA's) 'total cost' model.</p> <p>When charging 'total cost' the Council is aiming to charge the user the full cost to the Council of providing that service. The 'total cost' to the Council is calculated following CIPFA methodology.</p> <p>The cost of the charge will include, in addition to the direct cost of providing the service, costs such as fair and appropriate proportion of the cost of premises, central services and other overheads</p>	This is the Council's 'default' charging principle.

Charge	Definition	Application
Direct Cost Plus	<p>As a minimum the Council would recover the direct cost of providing the service plus wherever possible, a contribution to overheads.</p> <p>The level of overhead contribution is an operational decision, and will be dependent upon the particular circumstances and objectives.</p>	<p>This allows flexible pricing decisions to take account of external market conditions. For instance, there are circumstances where setting charges at a level more than full cost recovery may be appropriate (e.g. when trading with other local authorities or public bodies the Council is not limited in the amounts it can charge).</p> <p>This charging model also allows charges to be set below full cost recovery to achieve a particular objective – for example entering into a new market or attracting new business. However, in line with the Standard Charging Principles, the aim will always be to recover the full cost of a service over time.</p>
Subsidised	<p>A subsidised charge requires the Council to contribute to the direct cost of the service. Where the Council is not covering the direct costs of the service, it will require a contribution from the Council. All subsidies will be subject to the approval of the Executive.</p>	<p>This model provides the Council with the option to provide a service with full or partial subsidy. The level of subsidy will be determined by reference to the nature of the service and the rationale for any subsidy for example:</p> <ul style="list-style-type: none"> • providing a public good • encouraging service take up • the user group's ability to pay. <p>The financial impact of subsidy decisions on the budget will be identified both individually and collectively, and actively managed and reviewed.</p>

Authority to Set and Vary Charges

The decision on charging levels will be based on the relevant charging method: full cost recovery, direct cost plus or subsidised.

All charging decisions must be made in accordance with the Council's Constitution (Budget and Policy Framework, Scheme of Delegation and Financial Procedure Rules) and be able to demonstrate consistency with our strategic priorities, policies and statutory obligations.

The decision to vary charges for existing chargeable services which are not subsidised is an operational decision, which will be taken by the appropriate Director/Head of Service in consultation with the Chief Finance Officer.

Policy Review

This Policy will be reviewed periodically, taking into account developing Council policies and priorities and any changes in legislation.

July 2019

EXTRACT: STRATEGIC RISK REGISTER STRATEGIC FINANCIAL RISKS

Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
SR2	<p><u>Financial Sustainability</u></p> <p>The Council receives no Revenue Support Grant from Central Government. While council tax and business rates make up a significant portion of the Council's funding, they do not cover the full extent of the Council's expenditure.</p> <p>The Council's ability to generate income from investments may be restricted by changes in regulations and codes of practice.</p> <p>The Council must therefore put in place a capital investment strategy, supported by appropriate governance structures and resources, to generate additional income to sustain service provision. The failure to generate this income will jeopardise the delivery of corporate objectives. Managing this risk well is dependent on Officers and Members remaining ambitious.</p>	<p>PM</p> <p>Portfolio Holder: Cllr Schofield</p>	<p>We will be preparing updated Medium Term Financial Plan (MTFP) Revenue Budget forecasts and a five-year Capital Programme during service & financial planning for 2020/21 onwards.</p> <p>These will be used to confirm the extent of the financial challenges faced and support strategic service & financial planning decisions.</p> <p>We will implement the actions detailed in the Outline Capital Investment Strategy that was approved by Executive in April 2019.</p> <p>This will help ensure that capital investment decisions support delivery of the Council's strategic and financial objectives.</p>	<p>We will continue to ensure that strong financial management arrangements are in place and continue to invest in skills and expertise to support delivery of the council's financial and commercial objectives while managing associated risks.</p> <p>During 2020/21, it is anticipated that new funding arrangements for local government will be introduced, This will follow on from the Fair Funding Review, Business Rates Reset and Comprehensive Spending Review, the outcomes of which and the impacts for this Council are not yet known.</p> <p>The Council is therefore expecting to be increasingly reliant on other sources of income, primarily from fees and charges and from its treasury and commercial investments.</p>	A	Treat	24.04.19	

Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
			<p>We will implement the Treasury Management Strategy 2019/20 that was approved by Executive in April 2019.</p> <p>This will ensure that treasury investments achieve target returns within approved security and liquidity limits.</p>	<p>This risk was previously managed as SR1 – ‘Long-term financial sustainability’ on the Q4 2018/19 strategic risk register.</p>				

Service & Financial Planning Timetable 2020/21

Date	Event	Purpose
15 May 2019	Management Team Away day	Consider service position and initial forecasts
6 June 2019	Executive Away day	Discuss financial position and 'direction of travel'
11 July 2019	Management Team Away day	Consider provisional savings and growth proposals
11 July 2019	Overview & Scrutiny	Medium Term Financial Plan Update
18 July 2019	Executive	
23 July 2019	Executive Away day	Discuss and agree provisional savings and growth proposals
19 September 2019	Management Team Away day	Consider provisional budget proposals
10 October 2019	Executive Away day	Agree provisional budget proposals
7 November 2019	Executive	Agree provisional budget
21 November 2019	Overview and Scrutiny Budget Scrutiny Panel	Review of provisional budget
30 January 2019	Executive	Receive Scrutiny Penal Feedback and Approve Budget proposals
13 February 2019	Full Council	Approve Council Tax

GLOSSARY OF TERMS

Actuarial Valuation

An independent report of the financial position of the Surrey Local Government Pension Fund carried out by an actuary every three years. The actuary reviews the pension fund assets and liabilities as at the date of the valuation and makes recommendations such as, employer's contribution rates and deficit recovery period, to the Council.

Baseline Funding Level

The amount of a local authority's start-up funding allocation which is provided through the local share of the estimated business rates aggregate at the outset of the scheme as forecast by the Government. It forms the baseline against which tariffs and top-ups are calculated.

Billing Authority

Reigate & Banstead Council is the Billing Authority with responsibility for calculating the amount to be raised through the council tax in this borough after taking into account the precepts levied by the major precepting authorities.

Budget Requirement

The Council's Revenue Budget after deducting funding streams such as fees and charges and any funding from reserves (excludes council tax and business rates income).

Capital Expenditure

Spend on assets that have a lasting value, for example, commercial investments including land and buildings and large items of equipment such as vehicles. This can also include indirect expenditure in the form of grants or loans to other persons or bodies.

Capital Programme

The Council's plan for future spending on capital projects such as buying land, buildings, vehicles and equipment.

Capital Receipts

Proceeds from the disposal of land or other assets and can be used to finance new capital expenditure; but cannot be used to finance revenue expenditure.

Capping

This is the power under which the Government may limit the maximum level of local authority spending or increases in the level of spending year on year, which it considers excessive. It is a tool used by the Government to restrain increases in council tax.

CIPFA

The Chartered Institute of Public Finance and Accountancy is one of the UK accountancy institutes. Uniquely, CIPFA specialises in the public sector. Consequently, CIPFA holds the responsibility for setting accounting standards for local government.

Collection Fund

A statutory account maintained by the Council recording the amounts collected from council tax and business rates and from which it pays precepts to Surrey County Council, the Police & Crime Commissioner, Towns, Parishes and the Ministry for Housing, Communities and Local Government for business rates.

Collection Fund Surplus (or Deficit)

If the Council collects more or less than it expected at the start of the financial year, the surplus or deficit is shared with the major precepting authorities, Surrey County Council and the Police & Crime Commissioner, in proportion to the respective council taxes. These surpluses or deficits have to be returned to the council taxpayer in the following year through lower or higher council taxes. If, for example, the number of properties or the allowance for discounts, exemptions or appeals vary from those used in the council tax base, a surplus or deficit will arise. From 2013/14 onwards the collection fund has included business rates income. The business rates surplus or deficit is shared with the Ministry for Housing, Communities and Local Government.

Headroom Contingency

This is money held centrally in the base budget to meet the cost of unbudgeted items of expenditure.

Council Tax Base

The council tax base for a Council is used in the calculation of council tax and is equal to the number of Band D equivalent properties. To calculate this, we count the number of properties in each band and work out an equivalent number of Band D equivalent properties. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992. They are: A 6/9, B 7/9, C 8/9, D 9/9, E 11/9, F 13/9, G 15/9 and H 18/9, so that Band A is six ninths of the 'standard' Band D, and so on.

The Council Tax Calculation

The formal calculation of council tax as presented in the Council Tax Resolution to Full Council in February each year.

CPI and RPI

The main inflation rate used in the UK is the CPI (Consumer Price Index); the Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is currently set at 2%. The CPI differs from the RPI (Retail Price Index) in that CPI excludes housing costs. Also used is RPIX, which is a variation on RPI, which excludes mortgage interest payments.

Earmarked Revenue Reserves

These balances are not a general resource but earmarked by the Council for specific purposes.

Financial Procedure Rules

These are a written code of procedures in the Council's Constitution, which provide a framework for the proper financial management of the authority. They cover rules for accounting and audit procedures, and set out administrative controls over the authorisation of payments, etc.

Financial Year

The local authority financial year commences on 1 April and finishes on the following 31 March.

General Fund

This is the main revenue fund of the local authority; day-to-day revenue budget spending on services is met from this fund.

General Fund Balance

This is the main unallocated reserve that is held to meet any unforeseen budget pressures.

Gross Domestic Product (GDP)

GDP is defined as the value of all goods and services produced within the UK economy.

Gross Expenditure

The total cost of providing Council services, before deducting income from Government or fees and charges for services.

Housing Benefit Subsidy

Local authorities determine and pay applications for housing benefit in accordance with the national scheme and receive a Subsidy grant from Government to fund the costs. The Government is moving to a national scheme of universal credit which includes an element of housing benefit.

Individual Authority Business Rates Baseline

This is derived by apportioning the billing authority business rates baseline between billing and major precepting authorities on the basis of major precepting authority shares.

'Local Share'

From April 2013, local councils have been allowed to keep a proportion of the business rates they collect from businesses in their area. In most areas, half of business rates will have to be paid over to central government (the 50% scheme), with some piloting 100% business rates retention. Billing

authorities continue to collect all of the business rates in their area on behalf of the major precepting authorities and central government. Reigate & Banstead's share of the 50% retained is 40%.

Net Expenditure

This is gross expenditure less service income, but before deduction of government grant.

National Non-Domestic Rates

Also known as 'Business Rates', National Non-Domestic Rates are collected by billing authorities including Reigate & Banstead and, up until 31 March 2013 were all paid into a central national pool, then redistributed to authorities according to resident population. From 2013/14 local authorities have retained a 'Local Share', see above, the aim of which is to provide an incentive for councils to help local businesses set up and grow.

New Homes Bonus

Under this scheme councils receive a New Homes Bonus per each new property built in the borough for the first four years following completion. Payments are based on match-funding the council tax raised on each property with an additional amount for affordable homes. It is paid in the form of an un-ring-fenced grant. Since 2017/18 the scheme excludes the first 0.4% of growth to 'sharpen the incentive'.

Prudential Borrowing

Set of rules governing local authority borrowing for funding capital projects under a professional code of practice developed by CIPFA to ensure that capital investment plans are affordable, prudent and sustainable. Local authorities generally borrow from the National Loans Fund via the Public Works Loan Board (PWLB), a statutory body operating within the UK Debt Management Office, an executive agency of the Treasury.

Reserves

We set aside resources to provide protection against difficult economic times. The level of reserves helps ensure a relatively secure financial base. It is important to carry out regular reviews to ensure an appropriate balance between securing the future financial position of the Council and investing in current delivery of services.

Revenue Expenditure

The day-to-day running cost of services provided by Council.

Safety Net

In order to prevent local authorities having to drastically cut services as a result of a significant fall in business rate income and to provide some protection against major economic shocks, the government introduced a safety net mechanism to ensure that no local authority will experience a fall in business rate income of more than 7.5% in any one year under the 50% scheme. This safety net is paid for by a Levy on what the government deems to be 'excessive growth'.

Section 151 Officer

Legally councils must appoint under section 151 of the Local Government Act 1972 a named Chief Finance Officer to provide professional financial advice. In Reigate & Banstead this is the post of Head of Finance.

Service & Financial Planning

The annual process for reviewing service priorities and preparing budget forecasts.

Settlement Funding Assessment (SFA)

A local authority's share of the local government spending control total which comprises its baseline funding level (in 2013/14 this was called the 'start-up funding allocation').

Specific Grants

As the name suggests, funding through a specific grant is provided for a specific purpose and cannot be spent on anything else e.g. Homelessness Prevention.

Spending Review

The Spending Review is an internal Government process through which the Treasury negotiates budgets for each Government department. The 2015 Spending Review set Government spending for the four financial years up to 2019/20. Spending Review19 is expected this year ready for implementation in 2020.

Tariffs and Top-Ups

Because the amount of business rates an individual authority is able to collect will vary enormously depending upon location and the characteristics of the authority, the government introduced a system of top-ups and tariffs to redistribute business rates around the country. Local councils with a relatively high level of business rates pay a tariff into a national pot which is used to pay top-ups to those local authorities with relatively low levels of business rates. Reigate & Banstead is a 'tariff' authority.

Treasury Management

The process of managing cash flows, borrowing and cash investments to support our finances. Details are set out in the Treasury Management Strategy which is approved by Executive and Full Council each year.