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TO	Overview and Scrutiny Committee
DATE	Thursday, 23 January 2020
EXECUTIVE MEMBER	Portfolio Holder for Finance

KEY DECISION REQUIRED	YES
WARDS AFFECTED	(All Wards);

SUBJECT	Budget 2020/21 and Capital Programme 2020 to 2025 Proposals
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RECOMMENDATIONS
That Overview & Scrutiny Committee consider the latest budget proposals for 2020/21 onwards as set out in this report and provide any feedback on them to Executive for consideration at their meeting on 30 January 2020.
REASONS FOR RECOMMENDATIONS
This report has been requested by Overview & Scrutiny Committee to provide Members with an opportunity to consider and provide any additional feedback on the budget proposals for 2020/21 onwards.
EXECUTIVE SUMMARY

This report sets out the Central Revenue Budget 2020/21 and additional Capital Programme 2020/21 to 2024/25 proposals that will be included in the final budget report to Executive on 30 January 2020.

STATUTORY POWERS

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

BACKGROUND

4. Draft budget proposals for 2020/21 onwards were set out in a report to Executive on 7 November 2019. The report focussed primarily on growth, savings and additional income proposals for service budgets along with initial proposals for Capital Programme growth. Members of the Budget Scrutiny Panel had an opportunity to review the report at a meeting on 20 November 2019 and their feedback will be reported to Executive on 30 January.
5. The final budget report to Executive on 30 January 2020 will cover the entire Revenue Budget and Capital Programme, including information about Central revenue budgets and final Capital Programme growth proposals. This report covers these elements of the budget and has been requested by Overview & Scrutiny Committee in order to provide Members with an opportunity to consider and provide any additional feedback on them to Executive.

CENTRAL BUDGETS

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

Table 1: CENTRAL BUDGETS	Approved Budget 2019/20 £m	Proposed Budget 2020/21 £m	Net Budget Increase / Decrease £m
Contingencies	1.431	1.941	0.510
New Posts Budget	0.250	0.159 ¹	(0.091)
Insurance	0.452	0.482	0.030
External Audit	0.050	0.050	0.000
Treasury Management Budgets:			

Interest Received on Investments & Loans to Companies	(0.561)	(0.582)	(0.021)
Interest Paid on Borrowing	0.157	0.922	0.765
Minimum Revenue Provision (MRP)	0.000	0.528	0.528
Trust Funds	0.036	0.036	0.000
Employer Pension Contributions:			
Secondary (Lump Sum) Contribution	1.983	0.000 ²	(1.983)
Up-front pension lump sum payment	0.000	6.204	6.204
Other Employer Pension Costs	0.355	0.355	0.000
Apprenticeship Levy	0.064	0.069	0.005

NOTES

- 1 New posts budget – the balance on this budget will be transferred to service budgets in 2020/21 to reflect in-year use of the funds during 2019/20.
- 2 Following the 2019 revaluation the annual contribution is scheduled to increase, rising to £2.131M in 2020/21, £2.2M in 2021/22 and £2.27M in 2022/23; these increases will be avoided by making an up-front payment of £6.204m in 2020/21 (resulting in a saving of £0.397M over the three years)

7. The reasons for the recommended changes in Central Budgets in 2020/21 are detailed below:

Table 2: CENTRAL BUDGETS	Outcome of Review
Budget Contingencies	<p>The Headroom Contingency budget was originally established during budget setting in 2012/13. This budget ensures that there is capacity to address significant unplanned expenses that might arise in-year and that cannot be accommodated with existing budget allocations. The recommended budget for 2020/21 is £1.0 million – an increase of £0.164 million compared to 2018/19.</p> <p>Recommended deletion of the £0.5 million revenue budget for contributions to the Capital Programme to reflect the low level of expenditure over recent years and the detailed review of the Capital Programme that has been carried out this year meaning that there is less likely to be a requirement to call on supplementary in-year sources of funding.</p> <p>Recommended deletion of £0.100 million central budgets for severance and redundancy costs as these are no longer required; there are no significant structure changes planned.</p>

2024/25	£m	£m	£m	£m	£m	£m
ORGANISATION SERVICES:						
Strategic Property	(0.318)	0.425	0.661	0.455	0.745	1.969
IT Services	-	-	-	-	-	-
Organisational Development	0.030	0.010	0.010	0.010	0.010	0.070
PEOPLE SERVICES:						
Housing	10.234	10.000	10.000	0.000	0.000	30.234
Wellbeing & Intervention	0.100	0.000	0.000	0.000	0.000	0.100
Community Partnerships	(0.020)	(0.020)	(0.020)	(0.020)	0.000	(0.080)
PLACE SERVICES:						
Neighbourhood Operations	-	-	-	-	-	-
Place Delivery	0.362	0.000	0.000	0.000	0.000	0.362
Economic Prosperity	-	-	-	-	-	-
CORPORATE:						
Investment in corporate priorities that also realise new income-generating opportunities	50.000	-	-	-	-	-
TOTAL ADDITIONAL CAPITAL PROGRAMME GROWTH	60.388	10.415	10.651	0.445	0.755	82.655

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

Table 12: OTHER CAPITAL GROWTH PROPOSALS	
Service Area	Additional Capital Growth Proposals
ORGANISATION SERVICES	
Strategic Property	<ul style="list-style-type: none"> Investment in building maintenance for the Council's tenanted and commercial properties including leisure centres, pavilions and infrastructure assets – scheme details to be confirmed following condition surveys that are being commissioned Re-profiling of some elements of the November 2019 growth proposals following further assessments of priorities

Table 12: OTHER CAPITAL GROWTH PROPOSALS	
Service Area	Additional Capital Growth Proposals
Organisational Development	<ul style="list-style-type: none"> Investment in IT facilities to support the development and adaptability of the Council's workforce to meet changing service needs
PEOPLE SERVICES:	
Wellbeing & Intervention	<ul style="list-style-type: none"> Initial capital funding allocation of £0.100m to support future development of facilities at the Harlequin theatre over the next five years – this is a provisional figure, details to be articulated through more detailed Business Cases following agreement of new Vision and Objectives for the facility
Housing Delivery Strategy	<ul style="list-style-type: none"> Investment of £30 million over the three years 2020/21 to 2022/23, funded in part through the allocation of resources equivalent to the value of New Homes Bonus receipts. Updated funding allocation for the Lee Street Bungalows scheme to reflect the updated specification.
PLACE SERVICES:	
Place Delivery	<ul style="list-style-type: none"> Preston Regeneration – confirmation of ongoing capital investment requirements – to be funded through a CIL allocation as part of the Strategic Infrastructure Plan (SIP).
CORPORATE	
Commercial Investment Strategy	<ul style="list-style-type: none"> Allocation of capital funding for investment in corporate priorities that also realise new income-generating opportunities. Following the allocation of £25m in the 2019/20 Capital Programme a further £50m is recommended for investment in 2020/21 onwards, funded through prudential borrowing.

10. For new capital schemes that draw on capital sums that are not attributed to a specific project or programme there will be a requirement for further reports to Executive and/or to the Commercial Ventures Executive Sub-Committee as business cases are finalised, the outcome of tendering is known and costs are confirmed, or where there is a significant cost variance compared to the original capital allocation. At that stage funds will be allocated to individual schemes.

OPTIONS

11. Members of Overview & Scrutiny Committee are invited to consider the information presented in this report and provide feedback for consideration by executive at their meeting on 30 January 2020.

LEGAL IMPLICATIONS

12. Service & financial planning: There are no direct legal implications arising from the recommendations in this report subject to the Council adopting a balanced budget for

2020/21 by 11 March 2020 to meet the requirements of the Local Government Finance Act 1992.

FINANCIAL IMPLICATIONS

13. These are addressed throughout the report.

EQUALITIES IMPLICATIONS

14. An Equalities Impact Assessment of service planning proposals has been undertaken and is provided as a background paper to this report.
15. This is based on the best information available at the time of writing; however it is important to note that where individual changes, projects or policies are being developed, equalities impact assessments will need to be carried out by the responsible officer(s) and considered by the decision maker(s).
16. A large proportion of the growth sought is staff costs and increased operating costs. Some growth is sought to progress with service reviews, changes or expansion. The Equalities Impact Assessment concludes that a number of these have the potential to deliver positive benefits for those with protected characteristics, and these opportunities should be explored further as work on these specific projects continues.
17. It will however be important that equalities considerations are properly as this work is taken forward, for example:
 - Proposals for channel shift could have a negative impact for those who find it difficult to access online services. This potential negative impact can be mitigated by ensuring that that assistance or alternative forms of contact are available.
 - In identifying a vision for the long term operation and maintenance of the Council's community centres and a new business plan for the Harlequin Theatre, it will be important that consultation is undertaken with user groups and those with protected characteristics, and that a detailed equalities impact assessment is carried out to ensure the needs of protected characteristic groups are properly considered.
 - Changes to the physical environment due to regeneration / construction works could impact on those with mobility difficulties or physical or other disabilities. This potential negative impact can be mitigated by applying sensitive construction practices and clear communication in advance of and during construction activities.

COMMUNICATION IMPLICATIONS

18. The Council continues to offer value for money for Council residents – in 2020/21, the average household will pay just £4.47 per week to the Borough Council in Council Tax, which pays for the wide range of services that the Council delivers, including household waste and recycling collections, street cleaning, greenspaces maintenance, leisure and community centres, and statutory and regulatory services such as licencing, environmental health and planning.
19. Central to Council's communications and engagement strategy is not only to promote the good work that the Council does and the great services it provides, but also to make sure that our annual service and financial planning process reflects what our residents and businesses need. The development of the new Five-Year Corporate Plan has been

supported by extensive consultation with residents and other partners to ensure that our priorities remain relevant up to 2025.

20. Service and financial plans are aimed at minimising risks and ensuring that the Council continues to deliver great services whilst managing budgets and other resources well. The Medium Term Financial Plan and Capital Investment Strategy include analyses of forecast budget risks and the mitigating action that is planned.
21. The Council has strong risk management arrangements in place to ensure that any risks are identified and managed, with regular performance reports provided to the Overview & Scrutiny Committee and the Executive.
22. The risks relating to the long-term financial sustainability of the Council remain on the strategic risk register, and as such controls and mitigating actions are regularly reviewed. Property investment, which is a key aspect of securing our long-term financial sustainability and can be affected by wider macro-economic circumstances, is a strategic financial risk for which controls are in place and mitigating actions being implemented.
23. Other strategic risks, which the Council recognises need to be managed relate to partner organisation's decisions in relation to future funding and recycling credits.

HUMAN RESOURCE IMPLICATIONS

24. Service & financial planning: delivery of significant savings in previous years resulted in staffing reductions and a substantial reduction in the salary budget. Continuing to make these kinds of efficiencies is no longer sustainable without impacting on the quality of service delivery. Conversely, the Council will need to grow in the future if the Council is to succeed in our ambitious approach to becoming self-sufficient. The Council will need the capacity and skills to enable the organisation to diversify and to become more commercial, whilst also expanding our service provision.

CONSULTATION

25. Consultation has been carried out in line with the Council's budget and policy framework. This includes consideration by the Overview & Scrutiny Committee.
26. The Overview & Scrutiny Committee established a Budget Scrutiny Panel to support this work. The Panel met on 20 November. The Panel's report was considered by the Overview & Scrutiny Committee on 17 December. The Overview & Scrutiny Committee is now invited to consider the Central Budget and additional Capital Programme proposals as detailed in this report and provide any feedback to the Executive at their meeting on 30 January 2020.
27. Section 65 of the Local Government Finance Act 1992 requires the Council to consult representatives of those subject to non-domestic rates in the borough about its proposals for expenditure for each financial year. This is being done through activities coordinated by the Economic Prosperity Team, including business networking events and using the Council's business e-newsletter.

POLICY FRAMEWORK

28. Service & financial planning: the budget proposals within this report form part of the

Council's budget and policy framework. The annual budget is developed to ensure that the Council can deliver the Corporate Five-Year Plan and services to residents and businesses.

Background Papers:

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

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

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

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

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