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| SIGNED OFF BY | Interim Head of Finance and Assets |
| AUTHOR | Sanjay Sharma, Finance Manager, Management & Commercial Accounting Pat Main Interim Head of Finance & Assets |
| TELEPHONE | Tel: 01737 276840 / 276063 |
| EMAIL | sanjay.sharma@reigate-banstead.gov.uk pat.main@reigate-banstead.gov.uk |
| TO | Executive |
| DATE | Thursday, 30 January 2020 |
| EXECUTIVE MEMBER | Portfolio Holder for Finance |

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

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| SUBJECT: | BUDGET 2020/21 and CAPITAL PROGRAMME 2020/21 to 2024/25 |
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RECOMMENDATIONS:

That Executive recommend to Council:

- (i) A Revenue budget requirement of £24.460 million for 2020/21 as set out in this report and supported by the Updated Medium-Term Financial Plan at Annex 1, which includes:
 - Revenue Budget Growth Proposals of £0.074 million (at Annex 1.1) in addition to the £2.12 million (net) that was previously reported in the November 2019 Budget report; and
 - An advance payment of £6.204 million for the secondary element of the employer's Local Government Pension Scheme contribution for 2020/21 to 2023/24;
- (ii) An increase in Reigate & Banstead's Band D Council Tax of £5.00 (2.20%);
- (iii) The planned use of £5.671 million (net) from the General Fund Balance; comprising:
 - Drawing £1.256 million from the General Fund Balance to support the 2020/21 Revenue Budget; and
 - Drawing £6.204 million from Reserves to fund the cost of the advance payment of the employer's secondary pension contribution for the three-year period to 2022/23

- Transferring the £1.789 million allocation of New Homes Bonus funding for 2020/21 into Reserves.
- (iv) The recommended re-allocation of funds between Earmarked Reserves in 2020/21 as detailed in this report and at Annex 2;
- (v) The latest Medium-Term Financial Plan at Annex 2
- (vi) A Capital Programme of £176.328 million for 2020/21 to 2024/25 as set out in this report and at Annex 3, including additional Capital Programme Growth Proposals of £82.655 million, supported by the Capital Strategy for 2020/21 at Annex 3;
- (vii) The Chief Finance Officer's report on the robustness of the Budget estimates and adequacy of Reserves.

That Executive authorise:

- (viii) The Chief Finance Officer to make any necessary final technical adjustments to the budget and Council Tax arising from final budget refinements or changes to Government funding.

REASONS FOR RECOMMENDATIONS:

To ensure that the Council continues to plan and manage its resources well, deliver high standards of service and meet the aims and objectives of its Five-Year Plan for 2020-2025 and supporting Strategies.

EXECUTIVE SUMMARY:

This report sets out the recommended Revenue Budget and a £5.00 (2.20% per annum) increase in Council Tax for 2020/21. It also presents the recommended Capital Programme for 2020/21 to 2024/25.

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

STATUTORY POWERS

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

FINANCIAL CONTEXT

4. The purpose of this report is to:
 - Set out the recommended Revenue Budget and Council Tax for 2020/21 following scrutiny of the draft budget proposals and the provisional Local Government Funding Settlement announcement of 20 December 2019
 - Set out the proposed Capital Programme for 2020/21 to 2023/24
 - Receive a commentary on the budget and adequacy of reserves from the Chief Finance Officer, in accordance with the Local Government Act 2003.

Government Funding

5. The provisional Local Government Funding Settlement announcement was in line with expectations and confirmed that the 2020/21 local government finance settlement is for one year only. It is based on the Spending Round 2019 funding levels, with individual authority allocations based upon Spending Review 2015 and subsequent funding announcements. The provisional settlement confirms previous announcements in the Technical Consultation in October; the key points are summarised below:
 - Council Tax – as previously announced at Spending Round 2019, the council tax referendum limit will be 2% for local authorities (with social care authorities allowed an additional 2% social care precept). The provisional settlement confirmed districts will be allowed to apply the higher of the referendum limit or £5.00.
 - Business Rates (NNDR) Retention – the three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff / Top Up amounts) have all increased by 1.63%, in line with the September 2019 CPI inflation figure.
 - Revenue Support Grant - as outlined in the technical consultation, RSG (for those authorities that still receive RSG) has increased in line with the Business Rates Retention system (+1.63%). This Council no longer receives RSG.
 - Top Up/Tariff Adjustments ('Negative RSG' grant) – as in previous years, the government has decided to eliminate the negative RSG amounts. This means that the Council benefits from a further delay in this reduction in resources.
 - New Homes Bonus - the 2020/21 allocations will be paid with the legacy payments due from previous years (2017/18 to 2019/20). As previously announced, there will be no legacy payments for the 2020/21 in-year allocations. The deadweight of 0.4% has been maintained, with an additional

£7m added from departmental resources (total funding of £907m). The Council's New Homes Bonus grant allocations from previous years are held in an earmarked reserve (details below).

Medium Term Financial Planning

6. The Council has been planning for the loss of Government funding, with the objective to become financially self-sufficient going forward. In order to achieve self-sufficiency the Council needs to continue to find budget efficiencies whilst also generating new sustainable sources of additional income.
7. An updated Medium Term Financial Plan (MTFP) was approved in July 2019 and sets out the financial direction of the Council over the medium term to ensure that the Council plans and manages its resources effectively. It also sets out the priorities that have been taken into account when preparing the budget for 2020/21:
 - 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.
8. MTFP forecasts indicate a budget gap of £2.2 million for service budgets in 2020/21 before taking into account savings opportunities in Central Budgets and additional income from council tax. The forecast budget gap increases to £4.3 million for 2021/22 onwards, the primary cause of the increase being anticipated Government funding reductions. Further work is now in progress to update MTFP forecasts to support service & financial planning for 2020/21 onwards. The outcome will be reported to Executive in summer 2020.
9. Many of the measures, as detailed in this report, that are being used to balance the budget for 2020/21 are one-off cost reductions, including calling on reserves to address the residual budget gap.
10. Going forward, sustainable solutions that reduce costs or increase income on a permanent basis will have to be identified for 2021/22 onwards. These are likely to include:
 - Pursuing commercial investments to generate new income streams – after taking into account the costs of associated borrowing

- Considering options for asset sales to realise capital receipts and reduce or avoid new borrowing costs
- Carrying out fees and charges benchmarking across all services
- Planning for 2021/22 staff pay negotiations; and
- Reviewing in-year budget monitoring forecasts to identify new opportunities for savings and efficiencies.

Commercial Strategy

11. While service efficiencies and council tax increases are important, their contribution to addressing the financial challenges faced by the Council is limited. It is therefore important that the Council also becomes an increasingly commercial organisation. This means generating new net income streams to support service delivery. This requires investment – and will have an element of commercial risk – but it will also enable the Council to develop and grow into a self-sustaining organisation. This will be supported by the developing Commercial Strategy and associated plans.
12. The Commercial Ventures Executive Sub-Committee, supported by other Members, has been working to develop the Council's commercial agenda. Going forward this will include consideration of the scale and appropriate type of investments, the geographic area of any investment activities, and opportunities for partnership working. It is intended that the future Commercial Strategy to be reported for consideration by the Sub-Committee during Spring 2020.
13. The latest Capital Investment Strategy is attached at Annex 3 and sets out how the Council plans to invest to generate income through its capital and commercial investments, within the bounds of the regulatory frameworks that govern council borrowing and investments. Further work is planned progress to update Capital Strategy forecasts to support service & financial planning for 2020/21 onwards. The outcome will be reported to Executive in summer 2020.

2020/21 Revenue Budget Summary

14. The table below summarises the final Revenue Budget for 2020/21

| Table 1: BUDGET SUMMARY 2020/21 | Budget 2020/21 £m |
|---|----------------------------------|
| 1. Net Cost of Services | 14.276 |
| 2. Central Budgets | 3.980m |
| 3. Advance Payment of Employer's Pension Contribution | 6.204m |
| NET EXPENDITURE 2020/21 including ADVANCE PENSION CONTRIBUTION | 24.460 |
| 4. Council Tax | 14.100 |
| 5. National Non-Domestic Rates | 2.900 |
| 6. New Homes Bonus – 2020/21 allocation from Central Government | 1.789 |
| 7. Net Contribution (to)/from Reserves: | 5.671 |

| Table 1: BUDGET SUMMARY 2020/21 | Budget 2020/21 £m |
|--|-------------------------|
| <ul style="list-style-type: none"> • New Homes Bonus – 2020/21 allocation paid into Reserves – (£1.789m) • Use of funds from the General Fund Balance and Pension Reserve to fund the advance Employer's Pension Contribution of £6.204m • Use of funds from the General Fund Balance to support the 2020/21 Revenue Budget £1.256m¹ | |
| NET SOURCES OF INCOME 2020/21 | 24.460 |

NOTE

1. The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2020/21. Over recent years the budget outturn has been an underspend position with no requirement to call on Reserves.

The Revenue Budget comprises five ‘building blocks’ as follows:

- **Net Cost of Services:** These are the direct costs incurred in delivering services through the three Directorates, net of specific income generated by them.
- **Central Budgets:** These are costs incurred and income received that are not service-specific, eg. Pension Fund deficit contributions and treasury management costs and income.
Also included in this block is the Headroom Contingency budget.
For 2020/21 this includes the one-off advance payment of the employer’s three-year secondary pension contribution of £6.204 million.
- **Sources of Funding:** These income budgets are general, non-service specific income sources. They include other grant funding from Central Government and our share of Non-Domestic Rate income.
For 2020/21 it includes the continued impact (benefit) of the one-off elimination of ‘Negative Revenue Support Grant’ that was announced by the Government in September 2019.
- **Council Tax:** After the budget requirement has been established for the other blocks then the amount required by this Council from council tax can be calculated; known as the ‘Demand on the Collection Fund’
- **Contributions (to)/from Reserves:** This relates to use of Earmarked Revenue Reserves, which have been allocated to fund specific purposes. For example, the use of Reserves to fund the one-off advance pension contribution. The impact of the use of Reserves is a reduction in the total income demand on council taxpayers. It also refers to the use of funds from the General Fund Balance to support the annual revenue budget (£1.256 million in 2020/21).

2020/21 Service Budget Proposals

15. Service budget proposals are summarised below:

| Table 2: SERVICE BUDGET PROPOSALS | Approved Budget 2019/20 £m | Proposed Budget 2020/21 £m | Net Service Budget Increase / Decrease £m |
|--|-------------------------------------|-------------------------------------|---|
| ORGANISATION | | | |
| Organisational Development | 0.625 | 0.852 | 0.226 |

| Table 2: SERVICE BUDGET PROPOSALS | Approved Budget 2019/20 | Proposed Budget 2020/21 | Net Service Budget Increase / Decrease |
|--|-------------------------|-------------------------|--|
| | £m | £m | £m |
| Finance | 1.098 | 1.123 | 0.025 |
| Projects & Performance | 1.739 | 1.859 | 0.120 |
| Legal & Governance (including Assets) | (0.061) | 0.232 | 0.293 |
| IT | 1.477 | 1.784 | 0.307 |
| | | | |
| PLACE | | | |
| Planning | 0.730 | 0.755 | 0.025 |
| Economic Prosperity | 0.278 | 0.398 | 0.120 |
| Place Delivery | 0.230 | 0.275 | 0.045 |
| Neighbourhood Operations | 2.858 | 3.110 | 0.252 |
| | | | |
| PEOPLE | | | |
| Community Partnerships | 1.260 | 1.583 | 0.323 |
| Communications & Customer Contact | 0.740 | 0.851 | 0.111 |
| Wellbeing & Intervention | 0.189 | 0.443 | 0.254 |
| Housing, Revenues, Benefits & Fraud | 0.915 | 1.012 | 0.096 |
| | | | |
| TOTAL | 12.078 | 14.276 | 2.198 |

16. Service savings, additional income and growth proposals were detailed in the Service & Financial Planning 2020/21 report to Executive on 7 November 2019 and additional growth proposals totalling £0.074 million are detailed at Annex 1. They result in the following net budget movements:

| Table 3 : SERVICE BUDGET PROPOSALS FOR 2020/21 | £m | £m |
|---|---------|--------------|
| | £m | £m |
| Budget Movements: | | |
| Net Increase in Staff Costs | 1.391 | |
| Net Increase in Other Running Costs | 1.494 | |
| Net Change in Income | (0.686) | |
| NET SERVICE BUDGET GROWTH | | 2.198 |

Income from Fees & Charges

17. The Fees & Charges Policy was approved by Executive on 7 November 2019 and is now being implemented with the intention that the full benefits can be realised in 2021/22 onwards when all fees and charges will have been reviewed in line with the Policy.

Income from Commercial Activities

18. The Medium Term Financial Plan includes the objective of:

- To consider and take advantage of **commercial opportunities** as they arise to deliver new income streams.
19. Delivery of this objective requires the allocation of additional funds in the Capital Programme to purchase assets and make investments that will generate new income streams as well as supporting delivery of corporate objectives. These investments will be financed through prudential borrowing therefore provision has to be made in the revenue budget for the costs of repaying that debt. It will also be necessary to ensure that borrowing for this purpose complies with MHCLG and CIPFA guidance, specifically 'borrowing in advance of need'.

Example Investment Returns

20. Following the significant increase in PWLB borrowing costs, that was announced in October 2019, in order to generate £2.1 million additional net income to the revenue budget (for example) would require borrowing and re-investment in income-generating assets of circa £93.5 million [based on prevailing PWLB rates at the time of preparing this report].

Commercial Investment 2020/21

21. The proposed level of new investment in commercial activities for 2020/21 onwards is £50.000 million. This will allow the authority to move towards implementation of its emerging Commercial Strategy while building the required capacity and skills. As explained above, over the medium term the scale of investment required will have to increase if the full budget challenge is to be addressed through commercial activities. Investment opportunities and decisions on whether to pursue them will continue to be overseen by the Commercial Ventures Executive Sub-Committee. All investments that require external loan funding will take into account guidance on 'borrowing in advance of need'.

Central Budget Proposals 2020/21

22. 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 4: CENTRAL BUDGETS | Approved Budget 20/19/20 £m | Proposed Budget 2020/21 £m | Net Budget Increase / (Decrease) £m |
|---|-----------------------------------|----------------------------------|--|
| Budget Contingencies | 1.431 | 1.941 | 0.511 |
| New Posts Budget | 0.250 | 0.159 ¹ | -0.091 |
| Insurance | 0.452 | 0.482 | 0.030 |
| External Audit Fees | 0.050 | 0.050 | 0.000 ² |
| Treasury Management | -0.404 | 0.340 | 0.744 |
| Minimum Revenue Provision | 0.000 | 0.528 | 0.528 |
| Employer Secondary Pension Contribution | 2.338 | 0.375 | -1.963 |
| Apprenticeship Levy | 0.064 | 0.069 | 0.005 |
| Trust Funds | 0.036 | 0.036 | 0.000 |
| Central Budgets | 4.217 | 3.980 | -0.237 |
| Advance Payment of Employers Pension Contribution | 0.000 | 6.204 | 6.204 |

| | | | |
|-------|-------|--------|-------|
| | | | |
| Total | 4.217 | 10.184 | 5.967 |

NOTE

1. Residual budget to be transferred from Central to Service budgets to reflect allocation of the budget during 2019/20.
2. 2020/21 audit fees were subject to confirmation at the time of preparing this report

23. The proposed changes in Central Budgets in 2020/21 are detailed below:

| Table 5 : 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 £1.000 million – an increase of £0.164 million compared to 2018/19.</p> <p>Recommended deletion of the £0.500 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> <p>Capacity of £0.733 million has been included in the budget for forecast contractual pay increases and the negotiated annual cost of living increase of 2.3%. This budget is held centrally and, now that the pay award has been agreed, will be allocated to services ready for the start of the new financial year.</p> <p>Miscellaneous Income budgets of (£0.263) million are recommended for deletion; no specific income source was identified when this budget was set, and none has been identified subsequently.</p> |
| New Posts Budget | This budget was established during 2019/20 budget setting to create additional flexibility to accommodate mid-year staffing changes. After reviewing options, it is recommended that the budget is deleted and replaced with an equivalent increase in the New Posts Reserve that was created at the end of 2018/19 to accommodate in-year staffing changes. This will ensure continued flexibility going forward without placing avoidable pressures on revenue budget funds. |
| Insurance | Budget increased for agreed premium and service fee increases. |
| External Audit Fees | Budget to be increased in line with Public Sector Audit Appointments (PSAA) notified audit contract fees. |
| Treasury Management | <p>Budget has been reviewed to ensure that it reflects:</p> <ul style="list-style-type: none"> • Forecast interest on balances • Forecast borrowing costs (interest and Minimum Revenue • Provision for loan repayment) in line with the proposed Capital Programme and Treasury Management Strategy |

| Table 5 : CENTRAL BUDGETS | Outcome of Review |
|----------------------------------|---|
| Employer Pension Contribution | <p>This budget has been updated to reflect the outcome of the 2019 Pension Fund Revaluation and the funding options offered to employers by the Fund.</p> <p>The recommended approach is:</p> <ul style="list-style-type: none"> • To maintain the primary employer contribution rate at 15% of salaries. This has been factored into the 2020/21 base budget. • To pay the secondary employer rate as an advance lump sum of £6.204 million funded from the earmarked reserve set aside for this purpose plus a contribution from General Fund Reserves at the beginning of 2020/21. This represents a saving of £0.397 million compared to payment in three annual instalments from 2020/21 to 2023/24. |
| Apprenticeship Levy | Budget increased in line with forecast total salary costs for 2020/21. |

Revenue Budget Funding 2020/21

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

| Table 6: REVENUE BUDGET FUNDING | Budget 2020/21 £m |
|---|-------------------------|
| National Non-Domestic Rates | 2.900 |
| Council Tax | 14.100 |
| New Homes Bonus – these funds are transferred to a Reserve | 1.789 |
| Net Contribution (to)/from Reserves: | 5.671 |
| <ul style="list-style-type: none"> • New Homes Bonus – 2020/21 allocation paid into Reserves – (£1.789m) • Use of funds from the General Fund Balance and Pension Reserve to fund the advance Employer's Pension Contribution £6.204m • Use of funds from the General Fund Balance to support the 2020/21 Revenue Budget £1.256m | |
| TOTAL | 24.460 |

25. Work is now complete to update the Funding forecasts that have been taken into account when arriving at the final budget proposals for 2020/21. Factors taken into account include:

- | | |
|-----------------|--|
| New Homes Bonus | <ul style="list-style-type: none"> • Includes updated forecasts for New Homes Bonus based on the December 2019 Provisional Settlement announcement. These funds are transferred to a Reserve. |
|-----------------|--|

| | |
|----------------------------------|---|
| NNDR | <ul style="list-style-type: none"> Includes continued funding for ‘negative RSG’, as confirmed in the December 2019 Provisional Settlement announcement. |
| Council Tax | <ul style="list-style-type: none"> The forecast level of Council Tax income for 2020/21 based on a £5.00 Band D equivalent increase and the forecast tax base. |
| Contributions (To)/From Reserves | <ul style="list-style-type: none"> Includes the net contribution of £1.256m that will be required from the General Fund Balance to address the forecast remaining Revenue Budget gap in 2020/21 and the £6.204 million advance payment of the employer secondary pension contribution. Also, the transfer to Reserves of the 2020/21 New Homes Bonus Allocation. |

Retained Business Rates Income and Negative RSG Grant

26. The Provisional Settlement confirmed that this Council’s share of retained business rates will be £2.900 million, an increase of £0.100 million (2%) compared to 2019/20.
27. As explained above, in 2021/22, the Council will see further significant decline in Government funding support as retained business rates receipts are cut from £2.900 million to £2.500 million, a reduction of £0.400 million. In addition, the ‘Negative RSG Grant’ of £1.500 million will end in 2021/22, resulting in a potential total funding reduction of £1.900 million. It is not yet clear how these reductions will be implemented but are assuming this will be clearer when the outcome of the delayed Fair Funding Review and Business Rates Reset are announced during 2020.

Use of Reserves

28. There is a requirement to draw £1.256 million from the General Fund Balance to address the forecast remaining Revenue Budget gap in 2020/21. The extent of the final call on reserves will depend on the outcome of in-year budget management and will be confirmed when the outturn position for 2020/21 is reported after 31 March 2021. Recent years have reported an underspend position at year-end which is not unexpected given the revenue budget includes central contingency sums that are only called upon in exceptional circumstances
29. Forecast balances on Revenue Reserves at 31 March 2020 are summarised below and detailed at Annex 2.1.

| Table 7 : RESERVES SUMMARY | Forecast Balance ¹ at 31 March 2020 £m |
|-----------------------------------|---|
| General Fund Balance | 12.550 |
| Other Earmarked Reserves | 23.000 |
| TOTAL | £35.550M |

NOTE

1. Final balance depends on draw down of funds from Earmarked Reserves during the remainder of 2019/20.

30. A Policy on the use of Reserves was approved by Executive in November 2019.
31. The Council holds Reserves to provide protection against financial risks. The current level of reserves provides a relatively secure financial base compared to many authorities; it is important to ensure an appropriate balance between securing the financial position of the Council and investing in delivery of services.

32. 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.
33. 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.
34. The legal requirement for the Council to agree a balanced budget means that Council may be required to draw on its reserves to address any shortfall between forecast expenditure and forecast income.
35. The Council has set a minimum level of unallocated General Fund reserves of 15% of the net revenue budget, which equates to £2.740 million (for 19/20). The forecast unallocated balance on the General Fund at 31 March 2020 of £12.550 million, is significantly in excess of this. The ongoing requirement to retain this level of surplus resources in the General Fund reserve has been reviewed.
36. Other areas that have been considered as part of the review of Reserves include:

Table 8 : RESERVES REVIEW OUTCOME

| Reserve | Recommendations |
|---|--|
| General Fund Balance | <ul style="list-style-type: none"> • Reduce balance to a sum that is more representative of the minimum requirement - £3.000 million |
| Government Funding Reduction Risks Reserve | <ul style="list-style-type: none"> • Retain this reserve to address continued risks of reductions in Government Funding |
| Commercial Risks & Volatility Reserve | <ul style="list-style-type: none"> • New Reserve to set aside funds to address risks of failure to meet income targets from new commercial ventures while remedial action is taken. |
| Feasibility Studies (Commercial Ventures) Reserve | <ul style="list-style-type: none"> • It is recommended that this Reserve is set at £0.500 million to ensure sufficient funding is available to prepare business cases for new initiatives designed to deliver additional sources of funding. |
| New Homes Bonus Reserve | <ul style="list-style-type: none"> • It is recommended that a sum equivalent to these resources is earmarked to fund implementation of the Housing Delivery Strategy. • The reserve balance at 31 March 2019 was £17.063 million. This will be increased by the 2020/21 allocation of £1.789 million including the legacy sums due for previous years. |
| Corporate Plan Delivery Fund Reserve | <ul style="list-style-type: none"> • It is recommended that this Reserve is set at £1.600 million to reflect anticipated demand for resources to deliver new initiatives during 2020/21. |
| Business Rate Reduction Reserve | <ul style="list-style-type: none"> • There will be a requirement to draw on this Reserve to fund an increase in the Business Rates Appeals provision at year end to ensure that the provision |

Table 8 : RESERVES REVIEW OUTCOME

| Reserve | Recommendations |
|--|---|
| | reflects the assessed likelihood of successful appeals. The sum required will be confirmed during closedown 2019/20. |
| Superannuation (Pension) Reserve | <ul style="list-style-type: none">The current balance on this Reserve will be used to contribute to the advance payment of the employer secondary rate contribution following the 2019 pension fund revaluation. |
| Insurance Reserve | <ul style="list-style-type: none">Established to fund any significant uninsured losses. Balance to be reviewed at year-end to reflect level of risk. |
| New Posts Reserve | <ul style="list-style-type: none">It is recommended that this Reserve is set at £0.750 million to reflect the proposal to delete the New Posts revenue budget. |
| Environmental Sustainability Reserve | <ul style="list-style-type: none">New Reserve for initiatives that will support delivery of the Council's Environmental Sustainability Strategy that is currently in development |
| Feasibility Studies (Infrastructure Initiatives) Reserve | <ul style="list-style-type: none">New Reserve to fund the Council's contribution to councils in Surrey collectively funding the development of infrastructure feasibility studies so that bids can be made for full project funding when bidding rounds become available.Establishing a collective fund will ensure there are dedicated resources to develop a robust pipeline of schemes. The fund will have a gearing ratio of 1:1.86. For every £1 which this Council invests in the fund we will receive £1.86 for scheme development due to investment from Surrey County Council and the LEP. The fund will develop projects that cross boundaries both within and outside Surrey. |
| Economic Development Initiatives Reserve | <ul style="list-style-type: none">New Reserve funded from the resources received as a result of participating in the 2018/19 Surrey Business Rates Pool.To date c£0.200 million has been allocated to raise awareness amongst local people of quality local employment opportunitiesThe remaining balance (c£0.400 million) will held in the Reserve to fund ongoing initiatives in this area.Actual values will be confirmed as part of closedown 2019/20. |
| Homelessness Prevention Reserve | <ul style="list-style-type: none">Established to account separately for the funding set aside for homelessness prevention. No changes proposed |
| Business Support Scheme Reserve | <ul style="list-style-type: none">Established to account separately for the allocation of funding to help flood-affected business. No changes proposed |

Table 8 : RESERVES REVIEW OUTCOME

| Reserve | Recommendations |
|----------------------------------|---|
| High Street Innovation Reserve | <ul style="list-style-type: none">Established to account separately for the funding of this initiative prior to it being used. No changes proposed. |
| Neighbourhood Investment Reserve | <ul style="list-style-type: none">The residual (small) unspent balance on this reserve has been transferred to the General Fund Balance now that the initiative is concluded. |

37. A summary of the outcome of the review and the updated Reserves allocations for 2020/21 onwards is set out at Annex 2.2.

Council Tax 2020/21

38. The referendum cap was confirmed with the Provisional Local Government Funding Settlement Announcement in December, being the higher of 1.99% or £5.00 for district councils. £5.00 (2.20%) is to this Council's advantage as it yields a higher level of income. This is therefore the recommended increase
39. Every 1% additional council tax income generates £0.137 million income for this Council.
40. A Council Tax increase of £5.00 will increase a Band D charge from £227.46 to £232.46, an increase of 10 pence per week. The total income from council tax for this council will increase to £14.100 million
41. As reported to Executive in December 2019, the impacts of the forecast increase in the taxbase and collection performance for 2020/21 is 885.8 Band D equivalent properties, an increase of 1.5% compared to 2019/20. This is forecast to yield an additional £0.201 million increase in this Council's share of the sums collected.
42. As usual at this stage in the budget cycle, the provision for business rates appeals in the Collection Fund has been reviewed and the outcome is a requirement to plan to increase the provision to bring it in line with the level of income expected and likelihood of successful appeals. The Council's share of the provision will be funded through drawing on the earmarked reserve that has been set aside for this purpose and making provision in the Medium Term Financial Plan for future years' contributions.

Council Tax Policy

43. In line with the other Surrey districts, for 2020/21 onwards a new local discount was approved in November 2019, comprising a 100% discount to care leavers up to the age of 25. This is forecast to reduce total council tax yields by £35k.
44. Changes to council charges on empty homes were also approved during 2019/20 and will come into effect in 2020/21:
- Homes that have been empty and substantially unfurnished for more than two years and less than five years will be charged a Council Tax long term empty premium equivalent to 100% of the Council Tax in addition to their current Council Tax.
 - Homes that have been empty and substantially unfurnished for five years and more will be charged a Council Tax long term empty premium equivalent to 200% of the Council Tax.
45. As these changes help deliver a county-wide initiative to reduce the number of empty

properties throughout Surrey, the County Council is proposing to reallocate its share of the increased funding that results from changes in Empty Homes policies. Under this commitment the Boroughs and Districts will receive reallocated funding where agreed conditions are met. The County council has stated that it plans to agree details of the distribution arrangement in the coming months.

Council Tax Precepts

46. Details of the proposed council tax precepts for Surrey are set out in a separate report on this agenda. In summary the proposals are as follows:

| Table 9: ANALYSIS OF COUNCIL TAX BY PRECEPTOR | | |
|--|------------------|-------------|
| Authority | £000 | % share |
| Surrey County Council ¹ | 92,393.7 | 74.94% |
| Surrey Police & Crime Commissioner ¹ | 16,245.6 | 13.18% |
| Reigate & Banstead BC | 14,210.0 | 11.53% |
| Horley Town Council | 404.7 | 0.33% |
| Salfords & Sidlow Parish Council | 38.5 | 0.03% |
| | 123,292.5 | 100% |

| Table 10: ANALYSIS OF COUNCIL TAX CHANGES BY PRECEPTOR | | | | |
|---|----------|----------|----------|--------------------|
| Authority | 2020/21 | 2019/20 | Increase | |
| | | | £ | % |
| Surrey County Council | 1,511.46 | 1,453.50 | 57.96 | 3.99% ¹ |
| Surrey Police & Crime Commissioner | 265.76 | 260.57 | 5.19 | 1.99% ¹ |
| Reigate & Banstead Borough Council | 232.46 | 227.46 | 5.00 | 2.20% |
| Horley Town Council | 39.71 | 37.86 | 1.84 | 4.85% |
| Salfords & Sidlow Parish Council | 27.18 | 22.18 | 5.00 | 22.54% |

NOTE:

1. Actual increases are subject to formal confirmation in February 2020 by precepting bodies

CAPITAL PROGRAMME 2020/21 ONWARDS

47. A comprehensive review of the Programme has been undertaken. The growth proposals in this report demonstrate the extent of the Council's investment ambitions as well as its commitment to address historic asset maintenance challenges.

2020/21 to 2024/25 Capital Programme

48. The Capital Programme 2020/21 to 2024/25 is summarised below and detailed at Annex 3.3:

| Table 11: CAPITAL PROGRAMME 2020/21 to | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | |
|--|---------|---------|---------|---------|---------|--|
| | | | | | | |

| 2024/25 | Projected | Projected | Projected | Projected | Projected | TOTAL |
|----------------------------------|---------------|---------------|---------------|--------------|--------------|----------------|
| | £m | £m | £m | £m | £m | £m |
| ORGANISATION SERVICES: | | | | | | |
| Strategic Property | 4.385 | 1.332 | 1.658 | 1.374 | 1.258 | 10.007 |
| IT Services | 0.225 | 0.425 | 0.375 | 0.385 | 0.325 | 1.735 |
| Organisational Development | 0.280 | 0.260 | 0.260 | 0.260 | 0.260 | 1.320 |
| PEOPLE SERVICES: | | | | | | |
| Housing | 16.990 | 11.405 | 11.334 | 1.334 | 1.334 | 42.400 |
| Wellbeing & Intervention | 0.140 | 0.040 | 0.040 | 0.040 | 0.040 | 0.300 |
| Community Partnerships | 0.030 | 0.030 | 0.030 | 0.030 | 0.030 | 0.150 |
| PLACE SERVICES: | | | | | | |
| Neighbourhood Operations | 3.927 | 2.822 | 1.202 | 1.202 | 1.202 | 10.353 |
| Place Delivery | 20.021 | 24.442 | 15.100 | 0.000 | 0.000 | 59.563 |
| Economic Prosperity | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | 0.500 |
| CORPORATE: | | | | | | |
| Commercial Investment Strategy | 50.000 | 0.000 | 0.000 | 0.000 | 0.000 | 50.000 |
| TOTAL CAPITAL EXPENDITURE | 96.100 | 40.856 | 30.099 | 4.725 | 4.549 | 176.328 |

Capital Programme Growth 2020/21 Onwards

49. Capital Programme Growth across all services for the period 2020/21 to 2024/25 is summarised below:

| Table 12: TOTAL CAPITAL PROGRAMME GROWTH 2020/21 to 2024/25 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | |
|---|---------------|---------------|---------------|--------------|--------------|---------------|
| | Projected | Projected | Projected | Projected | Projected | TOTAL |
| | £m | £m | £m | £m | £m | £m |
| ORGANISATION SERVICES: | 4.531 | 1.410 | 1.711 | 1.437 | 1.055 | 10.144 |
| PEOPLE SERVICES: | 10.329 | 9.995 | 9.995 | -0.005 | 0.015 | 30.329 |
| PLACE SERVICES: | 0.962 | 0.680 | 0.150 | 0.150 | 0.150 | 2.092 |
| CORPORATE: | 50.000 | - | - | - | - | 50.000 |
| TOTAL CAPITAL PROGRAMME GROWTH | 65.822 | 12.085 | 11.856 | 1.582 | 1.220 | 92.565 |

50. Capital Programme growth proposals of £9.910 million were approved by Executive in November 2019.

51. Additional capital growth proposals totalling £82.655 million are summarised below and detailed at Annex 3.1.

| Table 13: ADDITIONAL CAPITAL PROGRAMME GROWTH 2020/21 to 2024/25 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | |
|--|---------------|---------------|---------------|--------------|--------------|---------------|
| | Projected | Projected | Projected | Projected | Projected | TOTAL |
| | £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: | | | | | | |
| Commercial Investment Strategy | 50.000 | - | - | - | - | - |
| TOTAL ADDITIONAL CAPITAL PROGRAMME GROWTH | 60.388 | 10.415 | 10.651 | 0.445 | 0.755 | 82.655 |

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

Table 14: OTHER CAPITAL GROWTH PROPOSALS

| Service Area | Additional Capital Growth Proposals |
|--------------------------------|--|
| ORGANISATION | |
| 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 commissionedRe-profiling of some elements of the November 2019 growth proposals following further assessments of priorities |
| 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 |
| Commercial Investment Strategy | <ul style="list-style-type: none">Allocation of capital funding for future investment in new development and commercial assets and activities that, in addition to local regeneration and place-shaping benefits, deliver a sustainable net income stream to the revenue budget.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. |
| 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. |

53. For the majority of new capital schemes there is expected to be a requirement for further reports to Executive or to the Commercial Ventures 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 specific funds can be allocated to individual schemes.

Capital Programme Funding

54. Sources of funding for the 2020/21 to 2024/25 Capital Programme are summarised below:

| Table 15: CAPITAL PROGRAMME FUNDING 2020/21 to 2024/25 | 2020/21 Projected £m | 2021/22 Projected £m | 2022/23 Projected £m | 2023/24 Projected £m | 2024/25 Projected £m | Total £m |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|---------------------|
| TOTAL CAPITAL EXPENDITURE 2020/21 - 2024/25 | 96.100 | 40.855 | 30.099 | 4.725 | 4.549 | 176.328 |
| FUNDED BY: | | | | | | |
| Capital Grants & Contributions | 1.843 | 1.600 | 1.187 | 1.187 | 1.187 | 7.006 |
| Capital Receipts | 8.805 | 24.488 | 26.778 | 0.000 | 0.000 | 60.072 |
| Funding equivalent to historic New Homes Bonus allocation - to support implementation of the Housing Delivery Strategy ¹ | 10.000 | 7.000 | - | - | - | 17.000 |
| Prudential Borrowing | 75.451 | 7.767 | 2.133 | 3.537 | 3.361 | 92.250 |
| TOTAL CAPITAL FUNDING 2020/21 to 2024/25 | 96.100 | 40.855 | 30.099 | 4.725 | 4.549 | 176.328 |

NOTE

1. Sum to be confirmed when 2020/21 New Homes Bonus allocations are confirmed

55. Sources of funding for the 2020/21 to 2024/25 Capital Programme are explained below:

| Table 16: CAPITAL FUNDING | |
|----------------------------------|---|
| Capital Reserves | <ul style="list-style-type: none"> Previously the Council benefitted from access to significant capital reserves following the sale of its housing stock. Over recent years these reserves have been utilised to invest in the capital programme. The remaining balance was less than £0.700 million at March 2019. |
| Capital Receipts | <ul style="list-style-type: none"> Sale of capital assets results in a capital receipt that can be used to invest in new capital assets or to repay prudential borrowing. The main source of capital receipts over the duration of this Capital programme relate to delivery of major schemes including Marketfield Way redevelopment, Pitwood Park and the Cromwell Road Housing developments. These capital receipts have been factored into forecast funding requirements. |
| Capital Grants & Contributions | <ul style="list-style-type: none"> Forecasts of the future grant funding allocation for Disabled Facilities works have been updated to reflect forecast allocations. |

Table 16: CAPITAL FUNDING

| | |
|----------------------|--|
| | <ul style="list-style-type: none">• They also include the Council's share of Section 106 and CIL funding. A review of historic allocations of Section 106 funds to the Capital Programme is planned during year-end closedown for 2019/20 to confirm that the funds allocated reconcile to Planning team records.• Funding equivalent to the historic New Homes Bonus grant allocation is to be allocated to support implementation of the Housing Delivery Strategy |
| Prudential Borrowing | <ul style="list-style-type: none">• The primary source of long-term funding for the Capital Programme is now prudential borrowing, mainly from the Public Works Loans Board (PWLB).• Loans are managed through the approved Treasury Management Strategy and policies.• Interest on borrowing is paid to the PWLB and charged to the annual revenue budget along with the Minimum Revenue Provision that is necessary to set aside funds for eventual repayment of the loan principal. These costs have to be taken into account when setting a balanced Revenue Budget.• There are increasing restrictions on the type of capital expenditure that is eligible for prudential borrowing. Borrowing to fund investment solely for commercial gain is not permitted. |

Capital Programme – Revenue Budget Implications

56. As explained above, the Council no longer has significant capital reserves, therefore, while a small number of schemes will be continued to be funded from capital grants and other contributions, the majority of the approved Capital Programme must be funded through prudential borrowing. The costs of repaying this borrowing fall on the revenue budget as treasury management costs in Central budgets.
57. Treasury management budgets have been updated to reflect the costs of borrowing for the approved Capital Programme for 2020/21 onwards net of interest on forecast balances. Details will be confirmed in the Treasury Management Strategy for 2020/21 that is reported to Executive and Full Council for approval in March/April each year.

STATEMENT OF THE CHIEF FINANCE OFFICER (CFO)

58. The Local Government Act 2003 places a duty on the Chief Finance Officer to advise the Council on the robustness of the proposed budget and the adequacy of balances and reserves supporting its budget. The Council is required to have regard to this advice when making the annual budget decisions.
59. The information set out in this budget report and the supporting Medium-Term Financial Plan and other Annexes sets out how this Council plans to:
 - assess and manage financial risks, including the risks relating to delivery of new income streams and commercial activities
 - manage increased demand for services
 - manage delivery of major capital schemes
 - monitor the financial risks relating to Brexit
 - track proposed changes and volatility of Government funding
 - deliver a balanced budget beyond 2020/21
 - continue to deliver value for money to local taxpayers;

- continue to receive an unqualified audit report on the annual statement of accounts; and
- ensure that effective scrutiny of the Budget process is carried out and responded to.

CIPFA Resilience Index

60. The Council's position at March 2019 against a range of financial measures compared to similar councils is available online through the CIPFA Financial Resilience Index at <https://www.cipfa.org/services/financial-resilience-index/financial-resilience>.

| Table 17: CIPFA RESILIENCE INDEX INDICATORS | This Council's Relative Risk Compared to Similar Councils | This Council's Prospects over the Medium Term |
|--|---|--|
| Reserves Sustainability – increase in reserves over recent years | Medium | Planned use of reserves (for example for investment in Housing) means that this position will be harder to maintain |
| Level of Reserves – compared to the annual revenue budget | Low | |
| Changes in reserves over recent years | Low | |
| Interest payable compared to recent budget | Low | Planned growth in the Capital Programme and associated borrowing means that this position will not be maintained. |
| Gross external debt | Low | |
| Fees & Charges - as % of service budgets | Higher than Average | Implementation of the new Fees & Charges Policy and planned review should improve the Council's position against this indicator if it results in new and/or increased sources of income. |
| Ratio of Council tax contribution to revenue budget | Low | Risk may increase if budget increases without the ability to levy a proportionate increase in council tax. |
| Funding growth - compared to Government baseline | Medium | This risk is expected to increase as Government funding reduces. |

Robustness of Reserves

61. As highlighted in the Service and Financial Planning report to Executive on 7 November 2019 both general and earmarked reserves remain relatively healthy. The planned use of reserves in 2020/21 year is appropriate as the Council moves to a position where its finances rely less on central government grants and it starts to invest in its Housing and Commercial Strategies. The forecast remaining level of reserves will continue to provide sufficient cover to meet commitments and provide a strong 'safety net' for unplanned events. This report includes proposals to redistribute available funds between reserves in 2020/21 to ensure that they are aligned with the most significant areas of risk in the budget.

Budget Proposals - Uncertainties & Risks

62. As explained in this report, the budget proposals for 2020/21 are robust. There remain, however, a number of uncertainties and risks which are set out in the following paragraphs.

63. The Economy:

- There is still uncertainty and a lack of confidence about the future of the economy as consequence of the planned exit from the European Union.
- Preparations for exit continue and may affect investor confidence, whilst the lower value of the Pound may increase inflationary pressures.
- Any future economic slowdown nationally or globally - could result in lower income (through - for example - reduced discretionary spending or lower than anticipated recyclate prices) and increases in demand (benefits and statutory duties such as homelessness).
- Any reduction in the number of employers in the Borough could also have an impact on our retained Business Rates income.

64. Future Government Funding:

- The future of business rates funding is uncertain and an area of concern. The end of New Homes Bonus payments over the coming years will have an impact on reserves, but no direct budget impact.
- The Homelessness Reduction Act requires Councils to provide more support to homeless people and people at risk of becoming homeless. The Government has committed ring-fenced funding towards this duty but there remains a question mark over the longer term.
- Funding reductions to County Councils are having an impact on boroughs and districts. Significant income streams received from upper-tier councils are being reviewed, with potential ongoing impacts on local residents.

65. Revenue Budget Savings:

- following the significant budget reductions in recent years, it has become increasingly difficult to generate additional ongoing savings. If we are to deliver financial sustainability then we will need to continue our efforts to become a more commercial organisation and fully explore income generating opportunities involving, for example, property investment, partnership working and providing services for other organisations. The increasing guidance on 'borrowing in advance of need' is likely to limit some of the options that may otherwise have been considered to deliver new commercial income streams.

66. Five Year Plan 2020 - 2025:

- The new Corporate Plan sets out the Council's vision and objectives over the medium term and will enable it to target its resources in the most efficient and effective way.
- The main challenge, as ever, will be balancing our ambitions as a high performing council with our ability to resource those ambitions. The prioritisation of services like Housing Delivery and Environmental Sustainability will place new demands on existing resources. A combination of careful stewardship and an innovative approach to service delivery will be required to ensure that we achieve our goals.

67. Budget Risks:

- Given the uncertainty over future economic conditions and the business rates regime, it is prudent to maintain our capacity to protect services from unforeseen financial pressures. Once used, however, it may prove difficult to replenish reserves.
 - Despite significant improvements in recent years the Pension Fund remains a risk over the longer term as the future economic downturns may impact on the value of Fund investments and liabilities.
68. Overall, the Council has made prudent budgetary provision for its commitments for the 2020/21 financial year, within the legislative framework that governs its operations and within other constraints, such as the Council's policy framework.

OPTIONS

69. The Executive can accept, amend or reject any or all of the budget proposals. Changes could affect the level of Council Tax to be levied in 2020/21 which in turn would require changes to the formal resolutions to full Council in February.

LEGAL IMPLICATIONS

70. 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

71. These are addressed throughout the report.

EQUALITIES IMPLICATIONS

72. An Equalities Impact Assessment of service planning proposals has been undertaken and is provided as a background paper to this report.
73. 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).
74. 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.
75. 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 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

76. 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 licensing, environmental health and planning.
77. 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.
78. 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.
79. 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.
80. 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.
81. 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

82. 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 as outlined in the earlier sections of this report.
83. The service and financial planning proposals for 2020/21 result in a net increase in FTE of 41.5. This includes the 15.0 posts that are transferring back to the Council's

workforce following the decision to bring Community Centres back in-house.

| Table 18: STAFF ESTABLISHMENT - FTE MOVEMENTS 2019/20 to 2020/21 | | |
|---|-------|--------------|
| STAFF ESTABLISHMENT 2019/20 (including fixed term posts) | | 487.5 |
| Posts Funded Through CPDF - Approved During 2019/20: | | |
| Project Manager ICT | 1.0 | |
| Technical Analyst ICT | 1.0 | |
| Open Space Development Manager | 1.0 | |
| Community Centres Transformation Manager | 1.0 | |
| HR Improvement and Efficiency Recruitment Post | 1.0 | |
| | | 5.0 |
| UPDATED STAFF ESTABLISHMENT 2019/20 | | 492.5 |
| Base Budget Growth Proposals 2020/21 - Transfers In/Out | | |
| Community Partnerships - Community Centres (Staywell) | 15.0 | |
| Neighbourhood Services - Car Parking | (2.5) | |
| | | 12.5 |
| New Posts to be Created as part of 2020/21 Service & Financial Planning Growth | | |
| Finance Apprentice | 1.0 | |
| Property Services Manager | 1.0 | |
| ICT Posts | 3.0 | |
| Waste and Recycling New Crew | 3.0 | |
| Fleet Training Officer and Apprentices | 3.0 | |
| Communications and Customer Contact | 2.0 | |
| Project and Business Assurance | 1.0 | |
| Economic Prosperity Officer | 1.0 | |
| Human Resources Posts | 2.0 | |
| Harlequin Casual Staff | 6.0 | |
| Wellbeing and Intervention Team Leader and Refugee Co-ordinator | 2.0 | |
| Environmental Health and Licencing Posts | 4.0 | |
| | | 29.0 |
| Movement in Fixed Term Roles (funded through CPDF) in 2020/21 | | |
| Economic Prosperity | (1.0) | |
| Human Resources | 1.0 | |
| | | 0.0 |
| STAFF ESTABLISHMENT 2020/21 | | 534.0 |
| NET INCREASE | | 41.5 |

Pay Award

84. Negotiations with employee representatives are complete. An increase of 2.3% for 2020/21 as been agreed and has been accommodated in the budget.

CONSULTATION

85. Consultation has been carried out in line with the Council's budget and policy framework. This includes consideration by the Overview & Scrutiny Committee.

86. The Overview & Scrutiny Committee established a Budget Scrutiny Panel to support this work. The Panel met on 20 November and their report was considered by the Overview & Scrutiny Committee on 17 December. The Overview & Scrutiny Committee also considered final Central Budget and Capital Programme proposals at its meeting on 23 January 2020. Any comments or recommendations from the Committee will be reported to this meeting of the Executive.
87. 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

88. 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.