



REPORT OF:	CHIEF EXECUTIVE
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TO:	EXECUTIVE
DATE:	7 JANUARY 2016
EXECUTIVE MEMBER:	COUNCILLOR V.W. BROAD

KEY DECISION REQUIRED:	NO
WARD (S) AFFECTED:	N/A

SUBJECT:	OBSERVATIONS OF THE OVERVIEW & SCRUTINY COMMITTEE ON THE DRAFT BUDGET PROPOSALS FOR 2016/17
RECOMMENDATION:	That the report of the Overview & Scrutiny Committee on the service and financial plans for 2016/17 be accepted and the comments noted.
REASONS FOR RECOMMENDATIONS:	To take account of the views of the Overview & Scrutiny Committee on their consideration of the service and financial plans for 2016/17.
EXECUTIVE SUMMARY:	This report completes the Overview & Scrutiny Committee's consideration of the Service & Financial plans for 2016/17. The proposals have been scrutinised in line with the Council's budget framework.

Executive has authority to approve the above recommendations.

STATUTORY POWERS

1. This report is brought to the Executive as part of its consultation on the proposed budget for 2016/17 as required by the Policy Framework and Budget Procedure Rules in the Constitution.
2. The Council is required to set a budget for the forthcoming Municipal Year under *the Local Government Acts* of 1972 and 1992. The Executive will

consider final service and financial proposals for 2016/17 on 28 January, for recommendation to Council.

SCRUTINY PROCESS

3. The Overview & Scrutiny Committee established a Budget Scrutiny Review Panel to examine the principles that underlined the provisional service and financial plans recommended by the Executive.
4. The Panel considered the savings and growth proposals that had been agreed for consultation by the Executive on 12 November 2015.
5. The Panel met on 26 November 2015 and Councillor G.J. Knight, Executive Member for Finance, and Councillor Mrs R. Renton, Executive Member for Housing & Welfare, attended the Panel's meeting to support its consideration of the budget proposals.
6. The Budget Scrutiny Review Panel's report, including their conclusions and recommendations, were considered by the Overview & Scrutiny Committee on 10 December 2015. An extract from the draft minutes of that meeting is attached at Annex 1, and the full report of the Budget Scrutiny Review Panel is at Annex 2.

OVERVIEW & SCRUTINY COMMITTEE CONCLUSIONS

7. The Panel concluded that the provisional budget proposals for 2016/17 were achievable, realistic and based on sound financial practices and reasonable assumptions. This also applied specifically to the following:
 - Savings proposals totalling £1.235m;
 - Growth proposals totalling £0.625m;
 - Updated Capital Programme; and
 - Medium Term Financial Plan 2016/17 to 2020/21; and
 - The creation of a new Income Equalisation revenue reserve.
8. The Committee had no significant concerns about the budget proposals as a whole, which it agreed had limited impact on the range and quality of service delivery by the Council.
9. The Committee noted the sound financial position that the Council was and would continue to be in as a result of the savings proposals. The Panel had had regard to the planned phasing out of Revenue Support Grant by the government, and the Committee supported the Executive in looking to commercial revenue sources to replace this lost income.

RISK MANAGEMENT CONSIDERATIONS

10. The Budget Scrutiny Panel recognised that no budget planning process was without risk, and identified the following particular risks that needed to be monitored throughout 2016/17 and when considering performance and future budgets:

- The increasing reliance on income streams (as opposed to service cuts), in accordance with the Council's policy to be more commercial. Income streams came with an inherent risk, which would need to be carefully monitored;
 - Existing levels of homelessness in the borough, the potential impact of forthcoming welfare changes, and the associated cost to the Council by way of provision of Bed and Breakfast accommodation;
 - Reduced income from recyclates, due primarily to continuing volatility in the recycling market, and in lesser part from any further delay in completion of the rollout of recycling to flats;
 - The impact of a proposed cut by Surrey County Council to the value of the contract for highways verge maintenance, in either budgetary or service delivery terms;
 - The impact of possible service cuts by the County Council in future years.
11. The Panel, however, recognised that the Executive and Officers were aware of these risks and were actively focussed on their management.

OVERVIEW & SCRUTINY COMMITTEE RECOMMENDATIONS

12. The Overview & Scrutiny Committee at its meeting on 10 December 2015 recommended the following:
- (i) that in response to the Service and Financial Planning (Provisional Budget) 2016/17 report, the following comments be submitted for the consideration of the Executive:
 - a. That the Overview and Scrutiny Committee thanks the Executive Member for Finance, Executive and Officers for preparing balanced budget proposals for 2016/17;
 - b. That the Overview and Scrutiny Committee considers the following to be achievable, realistic and based on sound financial practices and reasonable assumptions:
 - i. The provisional budget proposals for 2016/17 and Medium Term Financial Plan for 2016/17-2020/21
 - ii. Savings proposals totalling £1.235m
 - iii. Growth proposals totalling £0.625m
 - iv. Updated Capital Programme
 - v. The creation of a new Income Equalisation revenue reserve.
 - c. That the Overview and Scrutiny Committee considers the potential impact of the savings and growth proposals on service delivery to be limited;

- (ii) That the Executive be asked to note the strengths and risks within the budget proposals, as identified by the Budget Scrutiny Panel and set out in the conclusions of their report.
- (iii) That the Overview and Scrutiny Committee and the Budget Scrutiny Review Panel consider any significant future budgetary impacts arising from the action plan developed to respond to the recommendations of the LGA Corporate Peer Challenge.

OPTIONS

- 13. The Overview & Scrutiny Committee have made no recommended changes to the service and financial plans for 2016/17.
- 14. The Executive can therefore:
 - Accept the report and note the comments of the Overview & Scrutiny Committee (**recommended**); or
 - Request that the Overview & Scrutiny Committee undertake additional scrutiny of all or part of the service and financial plans for 2016/17 (not recommended).

LEGAL IMPLICATIONS

- 15. There are no legal implications arising from this report.

FINANCIAL IMPLICATIONS

- 16. There are no financial implications arising from this report.

EQUALITIES IMPLICATIONS

- 17. There are no equalities considerations arising from this report.

CONSULTATION AND POLICY FRAMEWORK

- 18. The Overview & Scrutiny Committee was consulted by the Executive in accordance with the Policy Framework and Budget Procedure Rules in the Constitution.

Background Papers: Service & Financial Planning (Provisional Budget) 2016/17 report (Executive: 12 November 2015)

<https://democracy.reigate-banstead.gov.uk/aksreigate/images/att6982.pdf>

Extract from draft Minutes of the Overview & Scrutiny Committee meeting held on 10 December 2015

33. BUDGET SCRUTINY PANEL REPORT

The Chairman invited Councillor N.D. Harrison, as Chairman of the Budget Scrutiny Review Panel, to introduce the report.

The Committee heard that 92 advance questions had been asked as part of the budget scrutiny process, and that the Panel had thoroughly explored not only the savings and growth proposals for 2016/17 but the full service and financial context in which the budget had been prepared.

Councillor Harrison highlighted the conclusions of the Budget Scrutiny Panel and drew the Committee's attention to the key risks identified by the Panel. The Panel had concluded that these risks were being closely and well managed. The Panel had overall concluded that the service and financial planning proposals were achievable, realistic and based on sound financial practices and reasonable assumptions.

The Committee discussed the report, with questions and comments made regarding:

- The Harlequin Theatre – the Committee was pleased to note the strong performance of the Harlequin in recent years, particularly in relation to comparative venues;
- Ongoing negotiations with Surrey County Council regarding highways verge maintenance – the Committee commented that residents had a high level of appreciation for the service currently provided by Reigate & Banstead;
- The continuing rollout of the recycling service to flats;
- Ongoing work to improve the service offered within the Council's car parks;
- The growth proposal relating to the Family Support programme, resulting from a change in the allocation of funding by Surrey County Council;
- The potential implications for the Council of announcements made within the recent Comprehensive Spending Review – the Committee noted that the Council was actively seeking further details and would investigate any additional funding streams available.

The Committee expressed its thanks to the Portfolio Holder for Finance, other Members and Officers for their work in preparing the budget proposals and in supporting the Budget Panel process, and thanked the Panel for conducting a thorough scrutiny exercise.

RESOLVED:

- (i) that in response to the Service & Financial Planning (Provisional Budget) 2016/17 report, the following comments be submitted for the consideration of the Executive:
 - a. That the Overview & Scrutiny Committee thanks the Executive Member for Finance, Executive and Officers be thanked for preparing balanced budget proposals for 2016/17;

- b. That the Overview & Scrutiny Committee considers the following to be achievable, realistic and based on sound financial practices and reasonable assumptions:
 - i. The provisional budget proposals for 2016/17 and Medium Term Financial Plan for 2016/17-2020/21;
 - ii. Savings proposals totalling £1.235m;
 - iii. Growth proposals totalling £0.625m;
 - iv. Updated Capital Programme;
 - v. The creation of a new Income Equalisation revenue reserve.
 - c. That the Overview & Scrutiny Committee considers the potential impact of the savings and growth proposals on service delivery to be limited;
- (ii) that the Executive be asked to note the strengths and risks within the budget proposals, as identified by the Budget Scrutiny Panel and set out in the conclusions of their report;
 - (iii) that the Overview & Scrutiny Committee and the Budget Scrutiny Review Panel consider any significant future budgetary impacts arising from the action plan developed to respond to the recommendations of the LGA Corporate Peer Challenge.

REPORT OF THE BUDGET SCRUTINY REVIEW PANEL
26th NOVEMBER 2015
REVIEW OF THE PROVISIONAL BUDGET PROPOSALS 2016/17

Present: Councillor N.D. Harrison (Chairman); Councillors M.S. Blacker, R.W. Coad, J.C.S. Essex*, J.S. Godden, and J.M. Stephenson*.

Also present: Councillor G.J. Knight, Executive Member for Finance
Councillor Mrs R. Renton, Executive Member for Housing & Welfare

*Part meeting only

Apologies: Councillor B.A. Stead
Councillor J.M. Stephenson had sent apologies for lateness.

INTRODUCTION

1. The Chairman welcomed Councillor G.J. Knight, Executive Member for Finance; Councillor Mrs R. Renton, Executive Member for Housing & Welfare; John Jory, Chief Executive; Kathy O'Leary, Deputy Chief Executive; Bill Pallett, Head of Finance; Gavin Handford, Head of Corporate Policy, Performance and Parking; and Tom Kealey, Head of Leisure, Environmental Health & Community Regulation to the meeting, all of whom assisted the Panel in responding to its advance questions.
2. The Chairman reminded all present of the Panel's aims, which were to determine whether the Service and Financial Planning proposals for 2016/17 were achievable, realistic, and based on sound financial practices.

BACKGROUND

3. The Panel received the Service & Financial Planning (Provisional Budget) 2016/17 report as approved by the Executive on 12 November 2015 for consultation and containing the following:
 - the Medium Term Financial Plan 2016/17 to 2020/21;
 - savings totalling £1.235m (amended from the report to exclude the ceasing of direct mail neighbour notifications for Planning applications), and growth totalling £625,000, providing net savings of £610,000; and
 - an updated Capital Programme for 2016/17 to 2020/21;
 - the creation of a new Income Equalisation revenue reserve.

4. Ahead of the meeting, the Panel had received analyses of budgetary trends over recent years and the development of the estimated 2016/17 budget requirement, as well as briefing notes providing supporting information in relation to the growth proposals for Bed and Breakfast (£214k) and Recyclates (£300k).
5. Members of the Panel had submitted a total of 92 advance questions and sub-questions, which had been grouped into 12 sections. The responses to these questions had been circulated in advance and are set out at Appendix 1.
6. The Panel noted that the Executive on 12 November had also received the Feedback Report from the recent LGA Corporate Peer Challenge. The Report had concluded that Reigate & Banstead was a leading council with strong financial management, and included recommendations relating to financial sustainability and the funding of 5 Year Plan priorities. It was noted that the Overview and Scrutiny Committee would consider this Report and its recommendations at its meeting on 10 December 2015, alongside consideration of the Budget Scrutiny Review Panel's report, and would be asked to provide comments to the Executive. Responses to the recommendations made by the Peer Challenge team, as agreed by the Executive in an action plan, would be incorporated into the Service and Financial Planning process for 2016/17 where possible. It was expected that the Budget Scrutiny Review Panel would consider any significant budgetary impacts arising from the action plan.

REVIEW OF THE SERVICE AND FINANCIAL PLANNING PROPOSALS

7. The Panel reviewed the responses to the advance questions received and the Executive Member for Finance and attendant officers provided further information in response to supplementary questions and additional points of discussion as follows. The numbered references below are to the relevant advance question as provided at Appendix 1.

2015/16 Performance

8. *Section 1 c) (ii)*: The Panel noted that despite the favourable variance currently forecast in Building Control for 2015/16, no saving or income growth had been proposed for 2016/17. In response, the Panel were advised that expenditure had increased due to the need for temporary staff. Ongoing work to move to a new shared service model with Tandridge District Council meant there was uncertainty about future costs and income.

[Councillors J.C.S Essex and J.M. Stephenson arrived during this part of the meeting].

Approach to 2016/17 budget preparation

9. *Section 2 a)*: The Panel noted that the assumed 1% increase in the Council Tax base was similar to previous assumed and actual increases, and that in fact new registrations for 2015/16 to date had been higher than the assumptions for the current year. It was noted that the amount of NNDR (Business Rates) retained locally is based on a Government determined baseline which is intended to reflect the Council's assessed need, and that no information had as yet been received to indicate whether there would be any change to this. The Panel noted that the provision for NNDR appeals had been increased to reflect an increase in the frequency of such appeals, but that this had no direct impact on the estimated NNDR income for 2016/17.
10. *Section 2 a) and c)*: The Panel noted that the actual figures for Council Tax, NNDR and benefits grant subsidy for 2015/16 were very close to the estimated amounts, and the Executive Member for Finance was confident in the estimates for 2016/17.

Council Tax

11. *Section 3 c)*: The Panel noted that the provision for Council Tax bad debts was determined by reviewing collection rates and trends over a number of preceding years. On an individual basis, debts were provided for at 10% up to one year, and at 100% following that. It was also noted that the impact of the Local Council Tax Support Scheme on the Collection Fund was negligible.

Reserve Funds and Grants

12. *Section 4 a)*: It was noted that expenditure of £600k from the Corporate Plan Delivery Fund (CPDF) was anticipated for 2016/17. Details of £401.5k of this expenditure were available and were set out in the response to this question.
13. *Section 4 b)*: The Panel noted that Economic Prosperity initiatives such as Small Business Grants and a focus on supporting SMEs would be fully funded from the CPDF and would have no impact on the revenue budget. It was noted that costs relating to the Community Infrastructure Levy (CIL) and Development Management Plan (DMP) were cumulative projections over 3 and 2 years respectively, and it was therefore not yet clear what exact level of CPDF expenditure would be required in 2016/17. However, the anticipated expenditure of £600k from the CPDF allowed for further spending of £198.5k on such items.
14. *Section 4 b)*: It was noted that CPDF expenditure was reported to Members throughout the year as part of the quarterly performance reports. It was noted that the forecast balance at the end of 2015/16 was £1.5m, and the Panel were assured that there was sufficient provision for the expenditure planned for 2016/17. The Chief Executive explained that the CPDF was used for project and one-off expenditure associated with delivery of the 5 Year Plan

2015-20 (previously known as the Corporate Plan), on top of the expenditure on ongoing services reflected in the revenue budget.

15. *Section 4 d)*: The Panel noted that there was a low risk of any budgetary impact from the centralisation of land charges in 2016/17.
16. *Section 4 e)*: Officers informed the Panel that the proposed maximum level of the new Income Equalisation revenue reserve (£1m) had been calculated based on 10% of the Council's commercially dependent income. It was noted that this money would otherwise remain in the General Fund, from where it was proposed that it would be transferred.
17. *Section 4 f)*: The Panel noted that the £3.675m secured from the Coast to Capital Local Enterprise Partnership (LEP) for Wider Redhill Sustainable Transport Measures (including Horley) was not reflected in the budget proposals as this was an allocation to Surrey County Council (SCC), to be spent within the borough.
18. *Section 4 h)*: The Panel heard that district and borough councils in Surrey were lobbying for the continuation of the Personalisation and Prevention Partnership Fund (PPPF), which was now funded through the Better Care Fund, but that this was only allocated until the end of 2016/17; this would be an important matter for consideration in relation to the budget proposals for 2017/18 and had been identified in the LGA Peer Challenge.
19. *Section 4 j)*: In relation to New Homes Bonus expenditure, the Panel noted the Neighbourhood Improvement Fund proposals due to come before the Executive on 3 December 2015. It was also noted that the Comprehensive Spending Review announcements made on 25 November 2015 had included a reduction in the lifetime of the New Homes Bonus from six to four years and changes to the allocations mechanism; it was not yet clear how this would impact on the Council.
20. *Section 4 k)*: The Panel noted that the balance in the New Homes Bonus reserve at the end of 2016/17 was expected to be in the region of £11.5 million, before any additional expenditure initiatives.

Salary budget and HR implications

21. *Section 5*: The Panel noted that the Council's Pay Policy Statement (to be agreed by Full Council in February 2016) would have regard to the new National Living Wage due to be introduced in April 2016, in addition to the national minimum wage and voluntary living wage, as was customary. It was noted that the Council already paid above the requirements of the new National Living Wage.
22. *Section 5 a) and b)*: It was noted that the Council's salaries compared favourably with those of other local authorities in Surrey and that, mindful of the proximity and attraction of London, a package of additional offers (such as

performance related increments and talent development programmes) was used to attract and retain staff. The Panel was informed that turnover was generally healthy, despite ongoing challenges in recruiting permanent staff to some specialist service areas such as Building Control.

23. *Section 5*: The Panel noted that the Council maintained a centrally held training budget as well as distributed training budgets for each service, and that both had been significantly reduced in recent years; the Panel recognised the importance of providing high quality programmed training and development to meet the needs of Council staff.
24. *Section 5 e) and g)*: It was noted that temporary staff currently occupied a number of vacant posts in order to meet operational needs.

Service Plans and Savings Proposals

25. *Section 6 b)*: The Executive Member for Finance told the Panel that the 2016/17 budget proposals did not include any reduction of services. It was noted that this was in line with the Executive's adopted policy position favouring income generation above cuts to council services.
26. *Section 6 c) and d)*: The Executive Member for Finance assured the Panel of his confidence in the income generation proposals set out within the Service and Financial Planning report, and made reference to the response under question 10a) regarding the Property proposals, many of which had already been confirmed.
27. *Section 6 c) (iv)*: The Panel was informed that the transition from the Community Transport Bus Service to the Taxi Voucher Scheme would provide residents with a better service, whilst avoiding significant cost increases for the Council.
28. *Section 6 e)*: The Panel was informed that the proposed Harlequin Theatre ticket levy would not lead to increases in ticket prices, as the cost would be absorbed by the agent/promoter for each event. The Panel noted that the Harlequin had performed excellently in recent years, with ticket and secondary sales increasing yearly, and that with due regard to market resistance a stepped approach was taken to any price increases.
29. *Section 6 g)*: The Panel noted the planned removal of discounted allotment fees for pensioners, which had been withdrawn from the 2015/16 budget proposals. The Panel was informed that demand for allotments varied across the borough but was generally high, with waiting lists in some areas.
30. *Section 6 h)*: Officers informed the Panel that negotiations for the new highways verge maintenance service (a county council service currently provided by the borough council under contract) had been continuing since despatch of the Agenda for this meeting, and that Surrey County Council had completed a tendering exercise, following which they had set the value of the

service contract £60k lower than its present cost. It was noted that the Council already subsidised the cost of the current contract in order to provide the quality of service (extra grass cuts) required by residents. Negotiations were ongoing, but it was noted that this was a significant risk in terms of the potential budgetary or service impact.

31. *Section 6 i)*: The Panel noted that the Council's Garden Waste scheme was competitive in terms of both its rates and the service offer, and that membership had continued to rise following a fee increase in 2015, with little negative feedback from users. It was noted that a project to improve the Council's Trade Waste service in order to generate further income was underway.
32. *Section 6 l) and m)*: The Panel heard that savings proposals in car parking were related to the planned introduction of a broader range of tariffs in order to better cater to the differing demands and economies of the borough's towns. It was noted that there were also plans to introduce pay-on-exit systems in the Council's multi-storey car parks, and that anticipated increases in time spent as a result would have a benefit to the local economy. This proposal would be subject to a separate report to the Executive in early 2016.

Growth Proposals

33. *Section 7 a)*: In relation to the Family Support Programme, the Panel noted that the reduction in the Council's funding allocation from Surrey County Council under the new distribution formula was accounted for within the growth proposals.

Bed and Breakfast (and Welfare Changes)

34. *Section 8*: The Panel noted that the Council was able to recoup approximately 25% of the cost of housing individuals in Bed and Breakfast (B&B), via Housing Benefit.
35. *Section 8 e)*: The Deputy Chief Executive provided further information on the range of initiatives underway to reduce the Council's B&B costs. These were addressing the complex chain of homelessness at every possible stage, including:
 - *Prevention* - Revenues and Benefits were engaging with partner agencies to address welfare changes, and the Council was working closely with private sector landlords as well as Registered Providers to try and reduce the number of evictions occurring;
 - *Internal processes and distribution of resources* – a review was being undertaken with a view to increasing the speed and efficiency with which homelessness applications were processed;
 - *Temporary accommodation* - it was noted that the Council now owned seven temporary accommodation units, with a further two approved for

construction and six more planned. These had been funded through S106 monies. Housing Associations were becoming increasingly reluctant to house individuals with a history of debt or behavioural issues; and

- *Permanent accommodation* - the Panel noted that no amount of additional temporary accommodation would be enough whilst there was not enough permanent accommodation to move people into, and so this was also an area that was being explored.
36. *Section 8 e)*: The Panel was informed that a range of measures addressing the above would be tested during 2016/17, with the outcomes to be incorporated into the 2017/18 Service and Financial Planning proposals.
37. *Section 8 c), g) and h)*: The budget for 2016/17 was based on an average of 25 households in B and B accommodation for the year (the current average), at the current level of costs per night (seven months through to November 2015). It was noted that this assumption could be adversely affected by the introduction of welfare changes, but these were anticipated to take effect towards the end of 2016/17 (it was not yet known when the second tranche of Universal Credit would be implemented), and they would be offset by the impact of the measures described above.
38. *Section 8 c)*: The Executive Members for Finance and Housing & Welfare were confident that the budget assumptions were realistic. However, the Panel noted the risk associated with this budget area as demonstrated in the response to advance question 8c) – the net annual cost of an average of a further 5 households (i.e. a total of 30) per night in B&B would be £96k greater than the budgeted cost.
39. *Section 8*: The Panel noted that finding a sustainable long-term solution to this problem was being treated as a matter of the highest priority.

Recycling

40. *Section 9 a) and d)*: The Panel noted that the forecast overspend for 2015/16 had been used as the primary assumption underpinning the 2016/17 growth proposal relating to a shortfall in dry mixed recycling costs/income (based on the current gate fee of £76 per tonne). It was noted that changes in price and gate fees were subject to international markets, which remained volatile. Information received by the Panel showed that 2015 gate fees had reached a peak of £85 per tonne; if this level of charge prevailed in 2016/17 the extra costs would be in the region of £50k.
41. *Section 9 c)*: The Panel noted that the paper prices (income) for the 2016/17 budget was set at £52 per tonne which was similar to the price of £55 per tonne set for the 2015/16 budget and reflected a measure of stability in this market, although unexpected market fluctuations were possible.

42. *Section 9 f)*: The Panel noted that the timetable for the rollout of the recycling service to flats was taking longer than had been originally planned. It had been affected by a range of factors, including early problems with contamination and a reluctance to engage from some residents. The Panel were informed that 100% rollout would be achieved by the end of 2016/17, whereby contact would have been made with every flat in the borough and the recycling service introduced where occupants were found to be receptive, and where flats had space for recycling bins. It was noted that the next stage would be to re-engage those residents who were neither enthusiastic nor completely unreceptive and to promote recycling.
43. *Section 9 g)*: The Panel noted that the rollout had not been in effect for long enough for it to be possible to accurately quantify the additional recycling impact per flat; the impact of the rollout would be reviewed and considered in preparing the Service and Financial Planning proposals for 2017/18.
44. *Section 9*: It was noted that there was no associated provision in the Capital Programme for 2016/17 (for the purchase of bins) because unspent capital resource budgeted for 2015/16 would be carried into 2016/17.

Property

45. *Section 10 a)*: The Panel noted that the Council was in the process of acquiring a unit at Reading Arch Road which would be let to generate a revenue income, and which would increase the Council's interest in the site with a view to a future strategic redevelopment.
46. *Section 10*: It was noted that the Warwick Quadrant was due to achieve completion in Spring 2017, and would therefore not have an impact on the 2016/17 proposals.

Capital programme

47. *Section 11 b)*: The Panel noted that no figures were included for Right to Buy receipts in the breakdown of projected Capital Programme funding sources for 2016/17 and beyond, as these were too difficult to predict. The same was applicable to S106 funding. It was noted that implementation of the Community Infrastructure Levy (CIL) was planned for April 2016, and that since CIL was as yet untested it was extremely hard to quantify this as a comparison with S106, which the Council would still be able to apply on certain specific sites.

Other

48. *Section 12*: The Panel enquired as to whether the Council had given any thought to crematorium provision, which had the potential to generate significant income. It was noted that the Executive was cognisant of a demand arising from a lack of local service provision catering for borough residents, but that there were sensitivities associated with such a project.

SCRUTINY PROCESS

49. Some Members of the Panel expressed a preference for the savings and growth proposals to be presented in a different format in future years. This was noted, and would be considered further outside of the meeting, in consultation with the Chairman of the Panel and the Leader and Executive Member for Finance.
50. The Chairman thanked the Executive Members and Officers for their attendance and support in the scrutiny of the service and financial plans.

TIMETABLE

51. It was noted that the recommendations of the Panel would be reported to the Overview and Scrutiny Committee on 10 December 2015, with recommendations as agreed by the Committee subsequently reported to the Executive on 7 January 2016. Final budget proposals were due to be considered by the Executive on 28 January 2016, and by Full Council on 13 February 2016.

CONCLUSIONS

52. The Panel thanked the Executive Member for Finance, Executive and Officers for their work to prepare the Service and Financial Planning report for 2016/17, and thanked them further for the detailed and timely responses to the advance questions.
53. The Panel noted that the draft budget was balanced, while accommodating a reduction in Revenue Support Grant of over £450k as well as combined growth proposals of over £500k for additional Bed and Breakfast and recycling costs. This was to be achieved through a series of efficiency savings and revenue generation initiatives to put the Council on a more commercial basis.
54. The Panel noted that the Council had made significant efficiency savings over the last six years, which had resulted in headcount reductions. It was noted that these headcount and consequential salary cost reductions were now levelling off.
55. The Panel recognised that no budget planning process was without risk, and identified the following particular risks that needed to be monitored throughout 2016/17 and when considering performance and future budgets:
 - The increasing reliance on income streams (as opposed to service cuts), in accordance with the Council's policy to be more commercial. Income streams came with an inherent risk, which would need to be carefully monitored;

- Existing levels of homelessness in the borough, the potential impact of forthcoming welfare changes, and the associated cost to the Council by way of provision of Bed and Breakfast accommodation;
 - Reduced income from recyclates, due primarily to continuing volatility in the recycling market, and in lesser part from any further delay in completion of the rollout of recycling to flats;
 - The impact of a proposed cut by Surrey County Council to the value of the contract for highways verge maintenance, in either budgetary or service delivery terms;
 - The impact of possible service cuts by the County Council in future years.
56. The Panel, however, recognised that the Executive and Officers were aware of these risks and were actively focussed on their management.
57. The Panel agreed that the proposals had limited impact on the range and quality of services provided, with the exception of the possible reduction in the number of highways verge cuts (still in negotiation with Surrey County Council),
58. The Panel recognised that the budget would be challenging, but had no significant concerns in the context of the budget as a whole. Therefore overall, the Panel concluded that the 2016/17 budget proposals were achievable, realistic and based on sound financial practices and reasonable assumptions.
59. The Panel considered that the savings proposals, in conjunction with the substantial reserves detailed in the Medium Term Financial Plan, placed the Council in a sound financial position.
60. In relation to future years (2017/18 and beyond), the Panel noted the government's intention to phase out Revenue Support Grant, albeit with the retention of business rates by local government. Details of the new arrangements and their impact on the Council were uncertain. The Panel supported the Executive's policy to extend commercial revenue sources, to continue to drive efficiency savings and protect services to residents.

RECOMMENDATIONS

61. **The Panel recommended:**
- i) **That in response to the Service and Financial Planning (Provisional Budget) 2016/17 report, the following comments be submitted for the consideration of the Executive:**
 - a. **That the Overview and Scrutiny Committee thanks the Executive Member for Finance, Executive and Officers for preparing balanced budget proposals for 2016/17;**

- b. That the Overview and Scrutiny Committee considers the following to be achievable, realistic and based on sound financial practices and reasonable assumptions:**
- i. The provisional budget proposals for 2016/17 and Medium Term Financial Plan for 2016/17-2020/21**
 - ii. Savings proposals totalling £1.235m**
 - iii. Growth proposals totalling £0.625m**
 - iv. Updated Capital Programme**
 - v. The creation of a new Income Equalisation revenue reserve.**
- c. That the Overview and Scrutiny Committee considers the potential impact of the savings and growth proposals on service delivery to be limited;**
- ii) That the Executive be asked to note the strengths and risks within the budget proposals, as identified by the Budget Scrutiny Panel and set out in the conclusions of their report.**
 - iii) That the Overview and Scrutiny Committee and the Budget Scrutiny Review Panel consider any significant future budgetary impacts arising from the action plan developed to respond to the recommendations of the LGA Corporate Peer Challenge.**

The meeting closed at 9.24pm.