Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

REPORT OF:	CHIEF EXECUTIVE
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TO:	EXECUTIVE
DATE:	5 JANUARY 2017
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 2017/18**

RECOMMENDATION:

That the report of the Overview & Scrutiny Committee on the service and financial plans for 2017/18 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 2017/18.

EXECUTIVE SUMMARY:

This report completes the Overview & Scrutiny Committee's consideration of the Service & Financial plans for 2017/18. 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 2017/18 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 2017/18 on 26 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 10 November 2016.

5. The Panel met on 24 November 2016 and Councillor T. Schofield, Executive Member for Planning Policy and Finance attended the Panel's meeting to support its consideration of the budget proposals.

6. The Panel's report, including their conclusions and recommendations, was considered by the Overview & Scrutiny Committee on 8 December 2016. 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 2017/18 were achievable, realistic and based on sound financial practices and reasonable assumptions. This also applied specifically to the following:
   - Savings proposals totalling £1.552m and growth proposals totalling £0.703m; providing net savings of £0.849m;
   - Updated Capital Programme for 2017/18-2021/22; and
   - Medium Term Financial Plan 2017/18 to 2021/22.

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 in and would continue to be in as a result of the savings proposals. The Panel had regard to the planned reduction of the NNDR by the government, and the Committee supported the Executive in continuing to look 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 2017/18 and when considering performance and future budgets:
    - The increasing use of CPDF to fund proposals such as pilot schemes
    - The diminution in capital reserves, which the Panel appreciated could only be increased by either the sale of existing assets or the acquisition,

development and sale of additional assets (the funding of which would require an increased borrowing limit);

- The risk of the external imposition of costs or the withdrawal of funding by either Surrey County Council (in respect of refuse and recycling) or the Government;
- The possibility of additional construction and enforcement costs arising from the Strategic Parking Review which was planned to take place in 2017.

11. The Panel, however, recognised that the Executive and Officers were aware of these risks and that the budget had accounted for these as far as possible.

OVERVIEW & SCRUTINY COMMITTEE RECOMMENDATIONS AND ACTIONS

12. The Overview & Scrutiny Committee at its meeting on 8 December 2016 recommended the following:

    (i) that in response to the Service and Financial Planning (Provisional Budget) 2017/18 report, the following comments be submitted for the consideration of the Executive:

    a. That the Overview and Scrutiny Committee thanks the Executive Member for Planning Policy and Finance, Executive and Officers for preparing balanced budget proposals for 2017/18;

    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 2017/18 and Medium Term Financial Plan for 2017/18-2021/22

        ii. Savings proposals totalling £1.552m

        iii. Growth proposals totalling £0.703m

        iv. Updated Capital Programme

    c. That the Overview and Scrutiny Committee considers the potential impact of the savings and growth proposals on service delivery to be limited

    d. That the Executive be asked to consider the list of CPDF expenditure items as requested by the Budget Scrutiny Panel and set out in the conclusions of their report;

    e. That the Overview and Scrutiny Committee thanks the Head of Finance, Chief Executive and Cllr Schofield for their assistance to the Budget Scrutiny Panel;

f. That the Overview and Scrutiny Committee request the Executive to provide to the Overview and Scrutiny Committee a report on the lessons learned from the recent attempt to increase the borrowing limit.

13. Since the Overview & Scrutiny Committee meeting, officers have discussed the list of potential CPDF expenditure items for 2017/18. No changes to the list are proposed at this time. Some of the expenditure is already committed and the remainder will be discussed with the Leader and Deputy Leader of the Council before expenditure is agreed.

14. Turning to the request for a report on lessons learnt from the recent attempt to increase the borrowing limit, discussions have taken place between the Leader of the Council, the Chairman of the Overview & Scrutiny Committee and the Chief Executive. A paper is being prepared and will be presented in due course.

OPTIONS

15. The Overview & Scrutiny Committee have made no recommended changes to the service and financial plans for 2017/18.

16. 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 2017/18 (not recommended).

LEGAL IMPLICATIONS

17. There are no legal implications arising from this report.

FINANCIAL IMPLICATIONS

18. There are no financial implications arising from this report.

EQUALITIES IMPLICATIONS

19. There are no equalities considerations arising from this report.

CONSULTATION AND POLICY FRAMEWORK

20. 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) 2017/18 report (Executive: 10 November 2016)

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

Extract from draft Minutes of the Overview & Scrutiny Committee meeting held on 8 December 2016

35. BUDGET SCRUTINY PANEL REPORT

The Chairman invited Cllr N.D. Harrison, as Chairman of the Budget Scrutiny Review Panel, to introduce the report. Cllr Harrison thanked the Panel Members, the three additional Councillors that attended the meeting on 24 November, the Portfolio Holder for Planning Policy & Finance, the Head of Finance and the Chief Executive for their assistance at the meeting.

The Committee heard that 107 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 2017/18 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 concluded overall that the service and financial planning proposals were achievable, realistic and based on sound financial practices and reasonable assumptions.

Councillor Harrison noted that the Chief Executive had said that there were fewer risks this year than in previous years. Councillor Harrison drew the Committee's attention to the fact that the recycling credit withdrawal by Surrey County Council was a significance risk and, together with the loss of NNDR, could have an impact upon the future funding gap. The significance of property revenue in addressing the funding gap and the relationship between property development and the need to increase borrowing were highlighted.

Councillor Harrison noted that the Council now had a static employee headcount and that there was no scope to cut salary costs without a risk to service delivery standards. Councillor Harrison believed that Legal Services could be under budgeted. The Budget Scrutiny Panel had requested that the Executive consider the list of proposed CPDF expenditure, which the Chief Executive noted was not a list of approved expenditure.

Councillor Harrison noted that the impact of the parking strategy upon finances had been raised by the Panel. The Panel had also raised concern that charges upon community events on Council owned sites could have a potentially negative impact.

Councillor Harrison reiterated that the budget had very little impact upon services and the Chairman thanked and congratulated the Panel on a thorough examination.

Member questions and comments related to the following:

- Whether provision should be included for the possibility that the Homelessness Reduction Bill might come into force before 2017. The Chief Executive advised that it was anticipated to manage this event within the budget, if it occurred. This was because it was speculative, the Government had given an assurance to provide funding to local authorities, and the homelessness and temporary housing costs had been well managed this year so far. In the event that the impact of the Homelessness Reduction Bill could not be so funded, CPDF would be utilised.

- New Homes Bonus and the effect of its withdrawal upon Medium Term Financial Plans. The Chief Executive confirmed that the Government was currently committed to paying the New Homes Bonus for 6 years from completion of a property but the Government intended to end this. It would not require legislation to withdraw the New Homes Bonus because to do so was within the powers of the Secretary of State. As a result of this uncertainty, the Council was making no assumptions about the continuation of the New Homes Bonus and would treat any further receipts as a windfall.

- The impact of the withdrawal of Surrey County Council funding and recycling credits was raised. The Chief Executive explained that Surrey County Council was prioritising adult social care and was obliged to cut other services in order to fund its Wellbeing services. It was noted that the differing systems of recycling utilised by the Council and Surrey County Council gave rise to differing perceptions of the benefits of the recycling service.

- The reference to the need to increase the borrowing limit. The Chief Executive advised that in his opinion it was crucial to increase the borrowing limit or else the Council's ability to close the funding gap of £3.9m would be compromised. It was therefore essential to debate this issue or else the only other option would be to consider the sale of Council assets. It was noted that the Treasury Management Strategy Report would be produced in January 2017. The Chairman noted that a request had been received to add an item to the agenda for the next Committee meeting on 19 January 2017.

- The Chairman noted that this was permitted under the Constitution. The request was discussed and the Committee noted that as there would normally be an obligation to produce a report regarding a decision to apply the urgency procedure and apply the call-in dispensation provision but in this case, the requirement did not arise as the report had been withdrawn by the Chief Executive. The Chairman suggested, and the Committee agreed, the request could be reformulated as a request to the Executive to provide a report to the Overview and Scrutiny Committee on the lessons learned from the recent intention to seek to increase the borrowing limit.

RESOLVED:

(i) That in response to the Service & Financial Planning (Provisional Budget) 2017/18 report, the following comments be submitted for the consideration of the Executive:

a) that the Overview and Scrutiny Committee thanks the Executive Member for Planning and Finance, Executive and Officers for preparing balanced budget proposals;
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 2017/18 and Medium Term Financial Plan for 2017/18-20121/22;
    ii. Savings proposals totally £1.552m;
    iii. Growth proposals totalling £0.703m;
    iv. Updated Capital Programme;
c) that the Overview and Scrutiny Committee considers the potential impact of the savings and growth proposals on service delivery to be limited;
d) that the Executive be asked to consider the list of CPDF expenditure items as requested by the Budget Scrutiny Panel and set out in the conclusions of their report;
e) that the Overview and Scrutiny Committee thanks the Head of Finance, Chief Executive and Cllr Schofield for their assistance to the Budget Scrutiny Panel;
f) that the Overview and Scrutiny Committee request the Executive to provide to the Overview and Scrutiny Committee a report on the lessons learned from the recent attempt to increase the borrowing limit.

REPORT OF THE BUDGET SCRUTINY REVIEW PANEL

24th NOVEMBER 2016

REVIEW OF THE PROVISIONAL BUDGET PROPOSALS 2017/18

Present: Councillor N.D. Harrison (Chairman); Councillors M.S. Blacker, R.W.Coad, J.C.S. Essex, J.P. King, B.A. Stead, and J.M. Stephenson.

Also present: Councillor T. Schofield, Executive Member for Planning Policy & Finance
Councillors R.H. Absalom, R.S. Mantle, R.C. Newstead

Apologies: None

INTRODUCTION

1. The Chairman welcomed Councillor T. Schofield, Executive Member for Planning Policy & Finance; John Jory, Chief Executive; Bill Pallett, Head of Finance; and Gavin Handford, Head of Corporate Policy and Performance 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 2017/18 were achievable, realistic, and based on sound financial practices.

BACKGROUND

3. The Panel received the Service & Financial Planning (Provisional Budget) 2017/18 report as approved by the Executive on 10 November 2016 for consultation and containing the following:

   - the Medium Term Financial Plan 2017/18 to 2021/22;
   - savings totalling £1.552m and growth totalling £0.703m, providing net savings of £849,000; and
   - an updated Capital Programme for 2017/18 to 2021/22.

4. Ahead of the meeting, the Panel had received the Q2 Revenue Budget Monitoring Report, Q2 Capital Monitoring Report, Net Revenue Budget 2009/10-2017/18, Estimated Budget 2017/18, Budget Worksheet 2015/16-2017/18, Staff & Salary Cost 2009/10-2017/18 and Reserves applied to Revenue Budget 2016/17-2017/18.

5. Members of the Panel had submitted a total of 125 advance questions and sub-questions, which had been grouped according to the document to which they referred. The Panel noted that some of the questions cross-referred to

other documents. The responses to these questions had been circulated in advance and are set out at Appendix 1.

6. The Panel reviewed the responses to the advance questions received and the Executive Member for Planning Policy & Finance and attendant officers provided further information in response to supplementary questions and additional points of discussion. These are set out in Appendix 2.

TIMETABLE

7. It was noted that the recommendations of the Panel would be reported to the Overview and Scrutiny Committee on 8 December 2016, with recommendations as agreed by the Committee subsequently reported to the Executive on 5 January 2017. Final budget proposals were due to be considered by the Executive on 26 January 2017, and by Full Council on 9 February 2017.

CONCLUSIONS

8. The Panel thanked the Executive Member for Planning Policy & Finance, the Chief Executive and Officers for their work to prepare the Service and Financial Planning report for 2017/18, and thanked them also for the detailed and timely responses to the advance questions. These responses together with the clarifications and further explanations provided through the supplementary questions thoroughly tested the budget assumptions and risks and gave the Panel a sound basis to reach its conclusions.

9. The Chief Executive was invited to give an overall summary. The Chief Executive noted that this budget for 2017/18 presented less risk than budgets of recent years and was a robust proposal. The risk of a Surrey County Council refuse and recycling direction was a major concern, but this budget reacted appropriately to that concern. Property activity and the development of other new revenue streams remained crucial to the Council's ambitions and financial sustainability. Increasing the borrowing limit was directly linked to that, as without an increased borrowing limit the Council would be unable to resource its ambitious programme without selling assets. The Council was reluctant to sell existing assets solely for cash flow purposes.

10. Beyond 2017/18 the Chief Executive noted a revenue budget gap of £3.9m, as shown in the Corporate Business Plan 2016-20. He added that this did not include the potential loss of £1m from the withdrawal of funding by Surrey County Council, nor did it include the desire to fund more of the rolling capital programme from revenue budgets.

11. The Panel expressed concern that this budget could come under pressure in the event of further external funding reductions. The Panel noted that staff and resources were lean and efficient which was not a bad thing, but it confirmed there were few opportunities to cut operating costs should the need arise, without corresponding service level reductions. The Panel expressed

some concern that some areas might be under budgeted, such as Legal Services, but noted that there was some capacity in other areas which might offset this.

12. The Panel expressed concern regarding the potential increase in CPDF spending during 2017/18, which showed an increase from £994k in the current year up to £1,503k. This would largely exhaust the current balance in the CPDF. Although the Panel was told that all the items listed may not be progressed in 2017/18, the Panel was mindful of the revenue gap identified in future years. Therefore, the Panel recommended a review by the Executive of the proposals to see if all of the items listed were required.

13. Specifically, some members of the Panel expressed concern regarding the level of CPDF expenditure relating to Community Development, Homelessness (which would run beyond 2 years) and additional internal and campaign communications roles. It appreciated that the Community Development and Homelessness items had been debated at length by the Executive prior to the production of the Service & Financial Planning Report of 10 November. Some members of the Panel suggested that consideration be given to imposing a minimum capital reserve figure to alleviate the concern that capital reserves were projected to diminish significantly.

14. Some members of the Panel requested that consideration be given as to whether any allowance should and could be made within the budget in anticipation of construction or enforcement cost increases resulting from the Parking Strategy review that would take place either before or during 2017/18.

15. The Panel noted that the external imposition of costs was understated in the budget, by reference to Annex 3 Growth Proposals. The Panel agreed that the Council should not be shy about identifying those costs and by whom they had been imposed. It was noted that this was symptomatic of the wider picture which was the necessity of the Council relying upon its own resources to achieve the desired quality and level of services it provided. Beyond health and social care resources, the Government was reducing funding to local government.

16. The Panel noted that the financial risks of providing bed and breakfast accommodation for homeless families and the impact of recyclate prices on the refuse and recycling services were a challenge in 2015/16. It was pleased to note that these budgets for 2016/17 had been rightsized and future risks addressed in this budget to avoid potential additional costs.

17. The Panel noted the projected growth of about £700k in property income for 2017/18 and that it was soundly based on projects already in progress. It also noted that the budget catered for the loss of its remaining £0.5m in Revenue Support Grant from Government.

18. The Panel noted that there was a substantial general reserve (£8.7m) and New Homes Bonus reserve (£7.7m). However, the Panel also noted the likely loss of Retained Business Rates in the years beyond 2017/18 down from £2.22m to £0.82m, a significant element of the budget gap in future years.

19. Despite the concerns raised, the Panel considered this to be a feasible budget overall for 2017/18 and supported the direction of travel the Council was taking. In particular, the Panel noted its support for the work of the Property Company. The Panel agreed that the Executive and Officers were aware of the financial risks faced by the Council and that the budget had accounted for these as far as possible.

20. Moreover, the Panel was pleased to note that the budget for 2017/18 did not present any noticeable impact upon services and certainly little loss of services.

21. Based on the information and explanations provided, and its assessment of the risk factors, the Panel had no significant concerns in the context of the budget for 2017/18. Therefore overall, the Panel concluded that the 2017/18 budget proposals were achievable, realistic and based on sound financial practices and reasonable assumptions. The Panel was mindful of the serious budget challenges that remained in the years to come.

22. The Panel thanked the officers, particularly the Finance Officer, for their efforts and in particular in responding to 125 Advance Questions.

RECOMMENDATIONS

23. **The Panel recommended:**

i) That in response to the Service and Financial Planning (Provisional Budget) 2017/18 report, the following comments be submitted for the consideration of the Executive:

a. That the Overview and Scrutiny Committee thanks the Executive Member for Planning Policy & Finance, Executive and Officers for preparing balanced budget proposals for 2017/18;

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 2017/18 and Medium Term Financial Plan for 2017/18-2021/22

ii. Savings proposals totalling £1.552m

iii. Growth proposals totalling £0.703m

iv. Updated Capital Programme

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 consider the list of CPDF expenditure items, taking particular note of the comments made by the Budget Scrutiny Panel and set out in the conclusions of their report.

The meeting closed at 8.34pm.

Appendix 1

BUDGET SCRUTINY PANEL

24 NOVEMBER 2016

REVIEW OF SERVICE AND FINANCIAL PLANS FOR 2017/18

ADVANCE QUESTIONS

SERVICE & FINANCIAL PLANNING 2017/18

Question	**Para ref**
National and Regional Context 1.Please confirm:	9/10

a) what the budget implications of the reduction of the Benefits Cap and introduction of the Universal Credit are anticipated to bring, such as increasing those at risk of being homeless;

There will be an increased risk of homelessness for households which could increase our costs in providing emergency accommodation. Officers are working hard to help those families affected, and provide advice around starting work which will provide them with an exemption from the Benefits Cap.

b) the number of households that will be affected by the lower benefits cap of £20k;

218 households were initially identified as being affected by the new Benefits Cap. This has now been reduced to 141 households through proactive work being undertaken.

c) the number of households affected by the Universal Credit introduction in Reigate and Banstead, and whether this requires any increase in budget allocation.

Redhill Jobcentre has 256 people claiming Universal Credit, and Epsom Jobcentre has 201 people claiming Universal Credit. A small number will be receiving Universal Credit from the Purley Jobcentre who live in the Hooley area, but the number is not known. (*Figures from the DWP*).

Housing & Planning

2. Please indicate the likely impact of extension of Right to Buy on housing stock availability, and how the council is responding to this pressure. 14

Currently we are experiencing very low numbers of RTB sale due to property prices.

The rate of sale is expected to be slower than on previous schemes because the new RTB will require 10+ years tenancy compared to 3 under preserved RTB, sales prices are high in this area and not mitigated sufficiently by the discount (up to

£100k) and the operation of the scheme is likely to have restricted funding as the discount is provided by stock holding councils paying a levy to Government (by selling their most valuable homes).

Overall we do not anticipate much of an increase in sales. We will continue to secure affordable housing when possible through the planning system.

Refuse and Recycling

3. This is one of the key variables in the budget. Please explain: 23

a) how the improvement in the recyclate market impacts the budget savings of £375k and the SCC proposals the growth of £244k;

Following a joint tendering process with Guildford Borough Council we have seen the cost of processing dry mixed recycling (glass, plastic and cans) fall, whilst our income for paper has risen significantly, returning forecast savings of around £375k.

The growth item of £244k reflects a potential decrease in the financial contribution paid to RBBC by SCC and is derived from proposals in the County's 'Surrey Futures' paper circulated to Chief Executive and Leader's.

b) how the discussions with SCC are progressing and when they are likely to be concluded

Discussions are ongoing, with a paper due to be presented to SCC's cabinet on 13 December 2016.

Devolution

4. The budget papers note that we have been working to develop the 3SC's devolution deal. Please confirm: 27

a) the level of staff effort that is required to be dedicated to this;
b) where it sits within the budget; and
c) whether any wider impacts are expected within the 2017/18 year.

Some staff time has been dedicated to modelling the potential financial impact of the proposals (largely involving the Chief Executive, the Finance Manager and Finance staff). All of these staff are included in the base budget.

Work is expected to continue in 2017/18 but no major impacts are anticipated at this time.

5. Purchase of emergency accommodation: 45

a) how much will this cost;

£852k purchase, around £200k for alterations, plus any works required following the various surveys.

b) what savings are expected in the period to 2021/2?

Around £264,000pa

Detailed answers to a) and b) can be found in the report to the Executive on 10 November 2016.

Family Support Programme: 47
6. Is the growth bid (of £50k) for 2 staff?

No. The funding is in recognition of the Council's commitment to continue to deliver this successful service at its current level at a point when Central government funding is decreasing.

The team works with very vulnerable families in the Borough and supports them into employment and builds their independence (and so reduces demand on intervention services).

PPPF: 48
7. The budget commentary notes that the Personalisation, Prevention and Partnership Fund (PPPF) programme established by Surrey County Council is due to end in 2016/17. Please confirm:

a) what the annual budget contribution this was up to this year; and
b) what is proposed to be continued and what stopped as the council identifies this as a key priority in the 5 Year Plan (in addition to expand support of taxi vouchers by £15k and fund the Health and Ageing Well Coordinator via the CPDF identified).

The PPPF funding covered a 5-year period and was allocated to all D&B's in Surrey. Each District received £150k in year one and then four subsequent years of £180k per annum. This money has been used to pump-prime a wide range of activity that ultimately was required to be self-sustainable. This has and will continue to be the case.

The Taxi Voucher scheme is being funded via the previous Dial-A-Ride budget.

8. The family support growth is in the budget but the Aging Well Coordinator is in the CPDF. Please explain the guidelines as to how expenditure is allocated between the two 48/49

The Family Support posts are establishment posts. The ageing Well Co-ordinator has previously been but will now be retained on a fixed term contract. Please also see the section on CPDF Usage.

9. Pathway appears to be making good progress, when will its impact be reflected in the budget? 50

Pathway will be considered as part of the 2018/19 budget setting process.

10. The Government's Apprenticeship levy is compulsory, but we will be employing a number of apprentices. Do we get money back for these and what will be the net financial effect? 52

The current requirement from the Enterprise Bill specifies that public sector organisations will be required to employ a number of apprentices each year, equivalent to 2.3% of our workforce. This is approximately 11 apprentices per year for RBBC, and is in addition to the Apprenticeship Levy.

Unfortunately, there are no mechanisms or opportunities to reclaim the employment costs incurred from this, hence the need to consider this cost in the budget setting process.

Organisation: a great Council

11. This refers to increased fees and charges in a number of service areas. This may be in conflict with 'a great place to live and work' when increased fees may mean that residents may not able to use the facilities. What checks are made to ensure that the increases in our fees and charges do not cause subscribers to leave the service? 58

Wherever possible fees and charges are benchmarked against other service providers. Usage levels are also monitored to detect changes in demand for services.

12. Please give some examples of changes made to Revenue & Benefits to release capacity. When will this be available for other use? 60

The service has streamlined processes and worked on more efficient ways of working. The service is already working for other local authorities and is generating an income stream from this work. Others services are looking at efficiencies through such things as automation and e- access.

Financial Context

13. Please set out in a table the make-up of the Council Tax and Grant Income required to make up the Estimated Budget Requirement for 2016/17 (both budget and forecast) and 2017/18 in terms of: 65-71

- Council Tax; and
- Government Grants (RSG and retained NNDR)

and the relevant sources of information and key assumptions (for example the growth in the Council Tax base and retained business rates NNDR).

	2016/17 £m	2017/18 £m
RSG	0.5	0.0
Retained NNDR	2.2	2.2
Council Tax	12.2	12.5

The forecast for 2016/17 as is the budget (ie RSG and NNDR is being received in the usual instalments from the Government and Council Tax collection rates are such that there will not be a shortfall).

Key assumptions are as listed in the MTFP. The tax base projection is based on estimated Council Tax registrations and the NNDR figure is as provided by the Government.

14. Please confirm whether the £2.22m of retained business rates for 2017/18 is a confirmed figure. 69

Yes it is. We recently received confirmation that we have been formally accepted on the DCLG multi-year settlement arrangement.

That means that our funding up to 2019/20 is a set out in the table in paragraph 69 of the Service & Financial Planning 2017/18 report.

15. Please discuss the budgetary impact of challenges to business rates valuations 70

for 2016/17 and 2017/18.

Individual local authorities may see their business rates revenue rise or fall, possibly substantially, purely as a result of the revaluation. In England this could have a direct impact on local authorities' income levels, due to the Business Rates Retention Scheme (BRRS).

Changes in properties' values will feed through into changed business rate bills, and, therefore, to the total amount of revenue received by each local authority. Some local authorities will receive more rates revenue than previously and some will receive less, purely as a result of the revaluation. Each local authority's business rate revenue formed part of the context for the setting of tariffs and top-ups (the redistributive element of the BRRS) and targets.

The Government has stated that, where an authority's rate revenue changes as a result of the revaluation, this will be balanced by an adjustment to the authority's tariff or top-up level. A consultation on the mechanism for achieving this was published on 15 September 2016. The aim of the 'revaluation adjustment' is to cancel out these changes by adjusting each authority's tariff or top-up. This consultation concerns the technical details of how this adjustment will be carried out.

16. Property Investments. Whilst not wishing to get into details with our property investments, to get an idea of context it would be helpful to know: 76-79

a) the anticipated size of the portfolio over the next say 3 years

The current portfolio is valued in the order of £123m. Any increase in the portfolio will be driven by development work and retaining the created development or by acquisition. One single very large transaction could dramatically change the outlook, but ignoring this exception, a portfolio in the range of £160 - £180m would appear to be reasonable
over the next 3-5 years.

b) the level of borrowings

In the property company debt is currently capped at £8m. Other borrowing would reflect the scale of activity indicated in a) above.

c) debt charges and anticipated returns

Public Works Loan Board rates are currently about 2.6%. In addition the provision for a repayment reserve (MRP) of 1% will need to be allowed for. Loans to the property company will be at 6% or a level meeting state aid provisions.

We expect to achieve a capital return in the order of 10% - 20% on development projects which will include finance costs. On investment work we will look to achieve a minimum 6% return after acquisition costs
but before interest and MRP.

d) how much of the yield will be used to subsidise revenue;

Yield will be used to balance the Council's revenue budget and replace government funding that is being lost, it will also be used to balance CPDF funding. If yield exceeds revenue and CPDF funding it will be returned to reserves or used to acquire more property to build further
income resilience.

e) how much returned to capital and/or reserves

Please see d) above. In addition, property will be retained for income unless it is needed to be sold for a capital receipt.

Council Tax

17. Why are we increasing Council Tax by £5 instead of by a percentage? 82

This is the maximum amount we can increase Council Tax without a referendum.

18. What percentage does the £5 limit for Council tax increases represent? Is this the same for Surrey CC and the Police? 82

Based on a RBBC 2016/17 Band D bill, £5 represents an increase of 2.38%

The County may levy a maximum of 2% plus an additional 2% for Adult Social Care.

The Police may increase by £5.

19. How much will be collected from the anticipated £5 increase? How does this work for bands other than band D? 83

Around £290,000.

Lower bands pay less, higher bands pay more. For example, a Band A bill would increase by £3.33 and a Band G bill by £8.33.

20. What is the Council Tax collection rate for 2016/17, compared to budget? Is there a surplus in the collection account? Are adjustments required to the budget plan for 2017/18?

The in-year rate is currently 98.6% and this will in all probability exceed 99% shortly after the year end (as it does in almost all years). This is what we have budgeted for. We remain in the top decile nationally.

The Collection Fund is currently showing a surplus of £2.1m of which £250,000 is attributable to RBBC.

21. What assumption is made for new properties? Has this been borne out in practice?

An increase of 680 was forecast and the Council Tax Base report to Council on 15 December shows an increase of 775.

22. What has been the impact of:

a) the Localisation of Council Tax Support on the budget position for 2016/17 (government funding gap offset by local support arrangements).

There has been no impact of the budget figures. This is contained within the Collection Fund, and is offset by changes to other Council Tax discounts – see b).

b) the reduced local discounts to owners of empty properties and second homes?

None, these generate additional Council Tax for the Collection Fund which offsets the effects of the Council Tax Reduction Scheme.

c) Do these results require adjustment to the 2017/18 budget?

No adjustment is required.

d) Are we building up uncollectible balances from households receiving council tax support? What is our policy for providing for bad debts in this area?

We continue to collect small amounts of Council Tax from households receiving Council Tax Reduction (Support). Inevitably there will be some accounts where there is a need for a write-off, but we have not encountered these yet.

This was explained in detail in the report to the Executive on 10 November 2016.

Reserves

23. Currently there is a balance on the General Fund of £6.5m. There are also several other funds and reserves totalling? Is this high level and number of reserves still appropriate? 86

Yes. Government funding continues to reduce, global financial insecurity continues and Brexit is a huge "known unknown".

In addition, a number of revenue producing schemes will initially result in lost income (eg Cromwell Road, Marketfield Way). The ability to fund such shortfalls from our reserves is a key to being able to deliver the projects.

24. CPDF is expected to have a balance of £1.2m at the end of the year, but expenditure of £1.5m is proposed. How does this reconcile? 89

We will either use the projected underspend for the year to top-up the CPDF or move money in to it from another reserve (or some combination of the two).

25. On the Budget Worksheet for the 2017/18 Forecast the CPDF is shown as 994.3, not 1503 - is this correct? 89

Yes. £994,300 is the amount of CPDF funding currently included in the 2016/17 management budget which must be removed to reconcile this to the 2017/18 projected base budget.

Capital Programme 2017/18 to 2021/22

26. Our Capital Reserves are reducing rapidly in the next five years. In our efforts to increase revenue income how are we going to strengthen our Capital Reserves? 91

The key way will be by selling assets for more than we paid for them. Part of the remit of the Property Company is to acquire and develop assets that will provide a revenue stream and then to sell them to generate a capital receipt at the most appropriate/advantageous time.

Human Resource Implications

27. Have any bonus payments been made to officers in the last year, and is there any budget for these payments? Are members involved in their approval? 99

Bonus payments are awarded to staff who receive a 'Consistently High Performer', or ‘Outstanding Performer’ appraisal rating, for performance in the previous year.

The decisions to award bonuses are taken by the relevant manager and are approved by members of the Management Team (or the Leader in the case of the Chief Executive). Bonus payments are paid from existing salary budgets.

28. Please clarify the extra 4.7 in FTE’s and their cost. It is presumed this is a gross increase and there are no offsetting savings in posts? 101

3 FTE of the 4.7 FTE growth (gross) in posts across the Council are new apprentice opportunities, contributing to our public sector duty to employ 11 apprentices in 2017/18.

The remaining growth in posts will support several Council functions including Development Management, Democratic services, HR and Licencing services; helping to ensure future service resilience, efficiencies or service improvements are realised. The cost will be £124k in 2017/18.

29. Please confirm the total number of vacant posts within the council and the number of posts that are occupied on a temporary or contract basis, or are “frozen”. Please separately identify which posts in the council are currently being occupied by staff on the Young Workers Scheme. 99

As at 17/11/16 there are 39 vacant posts, of which 12 are being recruited to, 7 are being performed by agency or contract staff, and 1 is filled by an individual on the Workers Scheme.

The remainder are being held (or frozen) whilst role, team or function reviews are taking place, and essential duties being covered by existing staff or partnership working with other authorities.

There are a further 8 people on the Workers Scheme, 3 of whom are in administrative support roles in Revenues & Benefits, Development Management and Leisure. The other 5 are operatives in Street Cleansing.

30. Have there been any early retirements on efficiency grounds in the current year? How have the redundancy, compromise and pension costs been met?

In the 2016/17 year to date, there have been no early retirements on efficiency grounds.

When redundancy, compromise or pension costs are incurred, they are met through funds set aside in the budget for this purpose.

31. The net revenue budget is presented as decreasing year on year from 2009/10 to 2016/17. However, the revenue salary budget and staff FTE is shown as having increased from 2015/16 to 2016/17 and is predicted to increase again in the proposed 2017/18 budget. I assume that this is explained in an increasing gross budget, although the net budget is still falling. Is it possible to present the gross-budget for 2016/17 and 2017/18?

This is correct. The gross budget for 2016/17 is £68.6m and the estimated gross budget for 2017/18 is £68.9m.

ANNEX 1 MEDIUM TERM FINANCIAL PLAN 2017/18 TO 2021/22

32. The MTFP includes capital spending over the remainder of the 2015/2020 period. Please identify what funding is anticipated to be transferred to the CPDF for 2017/18 and provide similar annual estimates of the anticipated expenditure of this over the five year plan period.

Capital resources cannot be applied to the CPDF as it is a revenue reserve.

The 2017/18 part of this question was answered in the previous section.

Future expenditure is difficult to estimate many years ahead as – almost by definition - things drop out of the CPDF and new projects etc are added. Based on recent usage an estimate of around £1m per year would not seem unreasonable.

5. Economic Trends: 5.1-
33. The economic trends do not follow the latest figures announced by the Bank of England. Are we being sufficiently prudent? 5.3

Yes. The Bank of England is just one of many economic forecasters. The approach of using what is in effect an average of a dozen or more forecasters has proved effective since its inception in 2011.

6. Revenue Budgets: 6.1
34. Why are the savings required in 2019/20 so much higher than other years? Is it not feasible to spread the savings requirement more equally?

There is a substantial reduction in the amount of Business Rates we are allowed to retain in 2019/20 (almost £1.5m – as shown in paragraph 69 of the Service & Financial Planning 2017/18 report).

The savings shown are the minimum required to set a balanced budget and every effort is being made to "smooth" the savings over the period. For instance, the proposals under review exceed the minimum requirement and will help to reduce future pressures

6. Revenue Budgets: 6.3.vi
35. a) The salary increase assumption in next year's budget (2017/18) is stated to be 2.0% (see Table showing the Development of the Estimated 2017/18 Budget Requirement) or 2.3% (MTFP) – which is it? This compares to 1.5% in the current year 2016/17.

The MTFP records that an allowance for a pay award **approximately** in line with the inflation assumptions is included in the projections. The assumption applied is as stated.

b) Has an overall 1.5% increase been awarded in the current year?

The pay award for the current year was included in the Budget report to the Executive on 28 January 2016 (paragraphs 16 and 17).

c) How do salaries now compare with other employers?

Our salary levels are set at a level that is comparable to other Councils and reflect the need to recruit and retain good staff.

8. Revenue Reserves: 8.4.v
36. New Homes Bonus (NHB)
Please set out the balances in the New Homes Bonus reserve, how much extra grant is anticipated and how the funds will be used.

The NHB reserve currently has a balance of £7.7m as set out in paragraph 8.4 of the MTFP.

There is uncertainty over how much additional funding will be received in the future as this funding stream is currently under review by the Government.

The funding will be used to deliver the priorities in the Council's 5 Year Plan.

8. Revenue Reserves: 8.4.vi
37. Superannuation Reserve
Are there any increases in cost arising out of the March 2016 Pension Fund actuarial assessment?

Yes. Our contribution will increase by £41,000 in 2017/18.

8. Revenue Reserves: 8.4.vii and 8.4.ix
38. Please confirm if there are any plans to spend of any money from any of the reserve funds except from the Corporate Plan Delivery Fund. In particular what are the plans to spend the Growth Points Reserve of £286,000 and High Street Innovation Reserve of £70,000, Business Support Scheme of £148,000 – are these ring-fenced reserves?

All of the reserves mentioned are ring-fenced for the purposes described in the MTFP and have no direct impact on the base budget.

There are no plans to spend the Growth Points Reserve at present and the others mentioned are demand-led. So far this year the only movement has been a £7,000 grant to Banstead traders from the High Street Innovation Reserve.

<u>ANNEX 2: BUDGET 2017/18: SAVINGS AND INCOME PROPOSALS</u>

39. What service reductions are included in the 2017/18 budget plan?

None. Some of these changes are income based (eg increasing garden waste subscriptions, additional sources of property rental income).

Others reflect different ways of achieving the same end result (eg team reorganisations).

40. It is anticipated that income will go up by 1% on average. This seems modest in the context of inflation at 2.3% - are there areas where charges could be increased further without a loss in total revenue? For example, Car Parking is £91k over income on the 2016/17 budget, yet the growth next year is only £34k. Could the income budget be increased?

The 1% assumption reflects the facts that we have no control over some fees (eg planning) and other fees have a high degree of price elasticity (eg if we increase commercial waste fees beyond others in the market then our income will reduce).

Given the need to set a budget which is achievable, realistic and based on sound financial practices the increases to income budgets have been set at a prudent level.

Car Parking:
41. Please confirm what criteria for advertising in car parks, roundabouts etc.

There are no criteria in place at this stage.

Development Management:
42. Please confirm what TSU refers to under the Development Management item

Technical Support Unit.

Environmental Health:
43. What additional income streams are considered for environmental health, and will this affect current service delivery?

The additional items include new income generated by Primary Authority partnerships, Paid for Business advice, Contaminated Land assessments, Workplace Wellbeing Charter advice to businesses. There will be no impact on current service delivery.

Greenspaces:
44. Please confirm what the proposal to establish delegated/self-management of allotments entails.

We will provide support to any allotment sites who would like to become self-managed. The benefits to allotment holders can be significant as they would be able to make arrangements to deliver their chosen level of service. The other benefits are that they might be eligible to grants that could help them in keeping the cost down of maintaining the sites.

The saving identified entails the streamlining of the current allotment contact system, reducing contact time through the delivery of a self- service. IT systems will be introduced to assist in the process; i.e. taking payments online, booking for plots online and forms for additional requests online.

The self-management saving also includes bringing in-house the strimming of vacant plots that was previously done by external contractors at a higher cost.

Greenspaces:
45. The increase in Green Space Income seems quite far-ranging. Can the grass cutting be delivered in-house without either additional resource or a reduction in the number of cuts? It also seems quite problematic to increase charges for events such as Banstead Countryside Day, which are free to the public; it is quite likely these events will be cancelled, leading to a loss in revenue overall.

The Greenspaces Department is trying to work towards a cost neutral operation. In order to achieve this we need to increase income, recover costs from operations where possible and work in the most cost effective way.

The reference here is to grass cutting outside of our highway agency agreement (with SCC) – where the number of cuts is stipulated. Instead this refers to the way in which we manage some of the Borough's greenspaces, where we are always looking at ways to deliver the grass cutting cost effectively. Many of these cuts have historically been delivered by external contractors - by carrying out most of the grass cutting operations ourselves we are able to reduce our expenditure in this area. This has been enabled by the purchase of machinery (planned replacement) with enhanced features and a re-working of schedules and routes – with the trials conducted this year to assess deliverability.

It is normal practice to charge for events - we have benchmarked with our neighbouring councils and the charges introduced for events are reflective of the type of event proposed. The latest schedule of fees gives a very significant discount to non-profit organisations. These fees barely cover our costs for preparing and clearing up for the event.

In the example of the Banstead countryside day we need to submit an application to Natural England, organise the provision of bins and prepare the grounds – taking a not insignificant amount of officer time and resources. As stated charitable events are not being charged commercial fees - it is merely a contribution towards the cost. Councillors may of course decide to provide support in the form of donating their allocation to support charitable events. The introduction of charges will not lead to a loss of revenue overall for the Council.

Housing:
46.

a) Please provide evidence that the Housing budget is now "right-sized"

The Q2 budget monitoring report shows spend £30k below budget.

b) Please confirm what the total cost of B&B and temporary housing provision is expected to total in 2016/17

£373k (net of £106k income from B&B placements).

c) How much savings are expected due to the £922k capital spend on emergency housing budgeted in 2016/17

Approximately £25k per person pa from people diverted from B&B.

d) The Executive paper on the guest house investment in Horley put the savings at £170k, with additional rental income of £94k – does the £50k budget saving represent a partial year?

Yes and some income will be required to manage the accommodation, pay for utilities/insurance etc as well as repairs.

e) Does the budget for homelessness provision include any actions associated with government assent of the Homelessness Reduction Bill, and what is the anticipated in year cost to the council of this in next year's budget?

The 2017/18 budget proposals do not include any actions associated with the forthcoming Homeless Reduction Act. At present this is a “known unknown” as we do not know what the final Act will include.

We are however making 2 bids to the DCLG for funding which will help us prepare and are beginning to review our our processes to fit what we think the Act may include.

ICT:
47. Please explain the saving from ICT staff reorganisation – are there any risks?

Following the 2015/16 major ICT programme of work there was a requirement to re-structure the ICT team to reflect the needs of the organisation and the newly deployed systems. Focus on customer service has been put at the forefront of the new structure with a dedicated Service Desk team looking after the customer facing aspects of ICT.

This in turn provides the opportunity for the Technical Team and the Business Improvement team to focus on project work and transformation. The old Application Development team has been modernised under the Business Improvement title to focus on the objectives of the Council and look to select and deploy digital solutions rather than develop them in-house.

The resultant savings have been achieved by deploying more lower-cost staff, promoting internal talent to team leader posts and a small number of redundancies.

There are very few risks involved in this strategy, in fact it will provide better customer service and a team that aligns with the objectives and challenges of the organisation; overall FTE also remains unchanged. However, there are a number of outstanding recruitments that will need to be made during the early part of 2017 and these will be crucial to the success of the team going forward.

Licensing/ Regulation etc;
48. Please explain the consequences of the reduction in JET headcount, and why there has been an external consultation budget?

There has been no reduction in JET headcount. There was an option within the budget to increase headcount but this is not deemed necessary

Licensing /Regulation etc:
49. The budget includes removing a vacant JET post whereas the five year corporate plan includes a commitment to ‘carrying out joint enforcement activities with Surrey Police’. Please explain whether this is a right sizing, and with the reduction of the Police neighbourhood teams attending to issues such as parking offences that this is sufficient.

Please see answer above.

Refuse and Recycling:
50.

a) Please provide full details of the growth of recycling income (by type of product, and split by price and volume) and labour and other cost factors

Paper - 8,000t per annum, currently trading at £95p/t
Dry Mixed Recycling – 6,000t per annum, cost of transportation, processing and

value of material £0.5p/t (Nov 2016)
Green Waste - £8,000t per annum 21,000 members @ £55 per annum.
Textiles 200t per annum trading at £200p/t
Food Waste - £4,200t per annum, contribution of £140k from SCC in 2016/17.
Other LA contributions – Recycling credit of £56p/t from SCC.

b) Are prices now fixed under the new contractual arrangements or is there still an element of risk in this budget item?

Prices track the market median plus the premium added by the contractor. Therefore our material will always trade above mid- point but we continue to own the market risk.

c) How is the roll out to flats proceeding – are extra costs anticipated in this area?

Flats are steadily being introduced onto the new service but we remain diligent to ensure that we do not see increased contamination of recycling streams. A capital sum of £411k is available for flats introduction.

d) What level of collection from flats is included in the budget, compared with last year and target?

3,000 flats are now on service, an increase of 1,000 since 2015/16.

Refuse and Recycling & Streetscene:
51.
a) The new waste contract with Biffa (and DS Smith for paper) is noted as having a positive budget impact and running till 2021 (http://www.letsrecycle.com/news/latest-news/biffa-awarded-2-4m-guildford-and-reigate-contracts/). Please confirm if the changes to recycling and refuse budgets are purely due to changes in contract prices, or whether there are any staffing changes included in the budget.

Changes are due to increased prices and tonnage of recycling collected.

b) The savings include 'reduced costs of mixed recycling disposal'. Please confirm that the intention is for all mixed recycling to now be recycled, and what percentage contamination (which is disposed of rather than recycled) has been budgeted for.

That is the intention. Contamination of recycling is around 9% which is within contractual limits. Contamination of more than 15% risks loads being rejected.

Garden Waste Fee:
52. What increase is expected in the annual fee and how does this compare to other boroughs?

Garden waste membership is currently £55 per annum and will increase by £5.

Epsom =	£45
Croydon =	£60
Sutton =	£61.50
Elmbridge =	£81

Waverley = £60
Crawley = £49
Spelthorne = £50
Guildford = £32
Surrey Heath = £57.95

Reigate & Redhill Market:
53. How will this additional revenue be achieved?

Following cost comparisons with other street markets in the South East we believe that a greater share of income should be apportioned to RBBC.

This is borne out by expressions of interest made by market management companies seeking to bid for the new operating contract.

Property:
54. This increase of almost £700k is very creditable.

a) How much is certain and which are the projects subject to possible slippage in delivery or tenant negotiation yet to be completed?

The vast majority of the income and savings is already secured and under contract. We have taken a cautious approach on rental income on projects where slippage might occur, the most significant of which is the Warwick Quadrant. Warwick Quadrant remains on target to provide the income projected.

The only other unit subject to tenant negotiation is the one remaining unit at Russell Square Horley (£35k) in which we have tenant interest.

b) Please explain the reduction in requirement in rental grant subsidy.

Property inherited a £100k budget but since then it has consistently come in under budget by £35k. Therefore a rebasing of the budget is appropriate.

c) Please explain the capitalisation of salaries, and how much is currently and will be capitalised and the period over which they are written off.

The capitalisation of salaries only happens when it is appropriate under accounting rules. It is not envisaged that this will ever exceed more than a few tens of thousands of pounds.

All capitalised salaries are written down over the life of the asset to which they were originally applied.

d) Please explain the costs transferred to the new Property Company. Are the costs not included in the Council's budget once the subsidiary's results are consolidated?

The costs transferred to the company are as set out in the report to the September Executive. The Council's budget will not contain provision for them as they will be met by the company.

In future, the Council's consolidated accounts will reflect the activity of both organisations but will reflect separate funding (and budgeting) too.

Property:
55. Please confirm what the provision of services to Spelthorne relates to.

The Property Team are undertaking work for both Tandridge and Spelthorne, and the income relates to consultancy work and advice.

LGA Peer Challenge:
56. Please identify which savings and growth proposals (including those in the CPDF) relate to the action plan following the Peer Challenge.

The following specifically relate to items within the Peer Challenge Action Plan:

- Health & Ageing well Coordinator
- Expansion of taxi voucher scheme
- Talent Management
- Homelessness prevention fund

There are other proposals that relate to aspects of the peer challenge action plan, delivery of the 5 Year Plan and standard financial management:

- Purchase of B&B/reduction in temporary accommodation costs
- Income/efficiencies at the Harlequin theatre
- Reduced costs of recycling
- Communications and campaigns
- Various income proposals

57. Please confirm the anticipated FTE impact of
a) the savings proposals;
b) the growth proposals (Annex 3); and
c) the changes in proposed items under the CPDF (Annex 4)

The changes in FTE's as a result of (a) and (b) are explained in paragraph 101 of the Service & Financial Planning 2017/18 report.

Based on current proposal, which are still subject to change, there would be in the region of 13 posts funded via the CPDF in 2017/18.

ANNEX 3: GROWTH PROPOSALS

Corporate:
58. Can we not claim costs back from the Apprenticeship Levy to support our own apprenticeship programme?

As outlined previously, unfortunately we are unable to offset or claim back the costs incurred from employing apprentices. However, the Levy that we pay will be used to provide the formal training and development required to support our apprentices.

Democratic:
59. What has changed that needs the Member allowances budget to be rightsized? The increase is greater than this year's variance?

In the past the budget has been based on the level of allowances actually claimed by Members (ie historically, not all Members claimed all of the allowances that they could). This level of take up has changed as membership of the Council has changed and so the budget will now be set on the more prudent basis of the total allowances that can be claimed.

Election Services:
60. Why do we need another permanent senior elections officer? We have in the past met this work through a trainee.

The Election Services team is very small, but delivers a critical and specialist function. With the exception of the Electoral Services Manager, the team has limited experience. With the increase in workload caused by Individual Electoral Registration, a more experienced role is required rather than a trainee.

Family Support Programme:
61. Do neighbouring boroughs also meet some of the costs of this team for East Surrey? This programme has recently been criticised nationally - are we happy it provides value for money? There was some suggestion earlier that there were “reward grants” from government – is this the case?

Yes. The costs of the team are shared between ourselves, Tandridge District Council and Mole Valley District Council. We are confident that, despite the national coverage, our programme does provide good value for money and residents receive high quality support which provides real opportunity for sustainable change.

The funding model includes a Payment by Results element which is claimed given successful outcomes.

Family Support Programme:
62. The Family Support Programme funding is noted as having halved and targets doubled. This appears to be a requirement, therefore, for a 400% improvement in the efficiency of this service. Please confirm the current performance of this service and whether the £50k additional running cost is the only budget impact to maintain the current level of service in this area.

Performance in the team is high, but success continues to be based on our ability to attract referrals from professionals working across a wide range of frontline services.

The additional £50k addresses the shortfall for the year 2017/18. There is a potential deficit for future years but work is being undertaken regarding the structure of the team and efficiencies within the service to mitigate this.

Greenspaces:
63. Please explain the budget “right-sizing” for Horley Town Council – are all the areas of the borough treated equitably?

In previous years RBBC had an agreement with Horley Town Council as being the contractor for the parks and open spaces in Horley. This arrangement came to an end in April 2016 and so the budget needs to be amended.

Human Resources:
64. Please explain “Increase Systems Expertise” investment.

In order to develop the HR & Payroll system to provide more efficient processes, and information to support our organisational development, (in part linked to the internal digital delivery programme), we need additional system expertise.

This cost is an increase in contracted hours for the HR System Administrator to design and undertake this work. This increase is mitigated by £5k income from charging out this individual to other Surrey Districts.

Legal:
65. The Legal budget has been increased only marginally in relation to a significant over-spend this year. Please explain the rationale.

Proposals for a redesigned Legal Service are being developed and will have no base budget impact beyond that listed.

Refuse, Recycling & Streetscene:
66.
a) Please provide detail of the £244k growth due to the reduction in SCC recycling credits/ food waste subsidy

£200k is attributed to a proposal to a decrease of 20% in the recycling credit tabled by SCC in the Surrey Futures paper.

£44k is part of a previously agreed reduction in food waste payment made in 2012 when the new kerbside recycling service was introduced.

b) What is the likelihood that this credit reduction will be realised and if so what is the justification?

It is likely that there will be a reduction in the amount of financial transfers made between SCC (the Waste Disposal Authority) and RBBC (the Waste Collection Authority).

c) It is understood a number of boroughs are seeking a joint collection contract – what is our view of the merits of this approach?

Four Boroughs are in the process of procuring a joint collection contract. All four have outsourced collection services.

We have a desire to retain in-house collections as we wish to provide high quality value for money services. Nevertheless we will evaluate any savings realised and determine the future of our services accordingly.

d) Can anything else be done to reduce this risk?

We are working with six other Surrey Boroughs to challenge SCC's approach and negotiate a mutually beneficial arrangement.

Healthcare Company:
67. How are the costs, revenues and funding of the new care company factored into this budget?

Please see answers below.

Local Authority Trading Companies:
68.

a) Where does the council's investment in Pathway and in the newly established Local Authority Property Company sit within the budget.

Neither sits within the revenue base budget.

The (repayable) investment in Pathway will be drawn from the CPDF, in line with the report to the Executive on 14 July 2016.

The Property Company will be financed by a loan facility which was set out in the report to the Executive on 15 September 2016.

b) While the budget does not note savings due to the former, it is anticipated these could still accrue costs. Meanwhile the latter is proposed as leading to revenue savings of £140k as some existing salary costs will be located within the property company.

The only costs relating to Pathway are as set out in the Executive report referenced above.

The costs to be transferred to the Property Company are currently estimated as the amount shown in Annex 2 to the Service & Financial Planning 2017/18 report.

Please provide a breakdown of i) the budgeted items and ii) quantify any budget risks in these areas, and indicate where these, and any surplus from the council's new trading companies are reflected in the budget.

As explained above, there are no items in the revenue budget and the anticipated costs remain as set out in the relevant Executive reports.

The budget does not assume any surplus arising from the activities of the Property Company in 2017/18.

Local Authority Property Company
69.
a) What is our target level of income from property to meet the council's long term funding needs?

The Property Company will play an important role in meeting future funding needs but will not be solely responsible for the Council's future funding needs.

b) What is the capital investment required and what rate of return (capital growth and rental income) do we target?

As set out in the September Executive report the initial investment is the projects listed, plus an £8m loan facility.

The target rate of return on investments is a minimum of 6%.

c) Will this be sufficient to meet our savings target of £3.9 million by 2019/20?

On its own, no. This is why other income generating schemes, commercial opportunities and efficiency proposals continue to be explored.

<u>ANNEX 4 – EXPENDITURE: DETAILED PROGRAMME</u>
<u>Capital Resources: Summary</u>

70. Are there no capital receipts beyond this year?

At present there are no plans to sell anything in future years.

71. What is the basis of the estimate of S. 106 and CIL receipts?

The 2016/17 figure is based on existing agreements. The future figures are a best estimate of CIL income which will be refined as we gain more experience with CIL.

72. Why is the CIL/S106 income anticipated to reduce from £1274k to 195k/year from 2017/18 and why is the New Homes Bonus figure noted as dropping to zero next year?

The first part of the question is answered above.

New Homes Bonus is currently under review - along with other aspects of Local Government funding – by the Government. Until we are sure that this scheme will continue into the future it is not prudent to anticipate it.

73. Please confirm whether the contribution from Raven Housing Trust relates to Right-to-Buy receipts, and what the total number of these was in 2015/16 and anticipated for 2016/17.

No it does not. It actually reflects the contribution of Raven Housing Trust to the Merstham regeneration project (Iron Horse site).

We received £1.1m in right-to-buy receipts in 2015/16 and to date there have been none received in this year.

<u>Expenditure: Detailed Programme</u>
Waste Management & Recycling:
74. Please confirm whether the 'waste blueprint' expenditure of £411k in 2016/17 will be completed in the current financial year, and when the roll-out of the new recycling scheme to all communal properties is anticipated to be completed.

It is unlikely that all of the £411k will be spent within year. The majority of flats, capable of receiving the new service, will be included by 2017/18. However we will continue to work with property managers and residents to maximise the opportunity to recycle for the foreseeable future. Clearly, a financial resource will need to be available to do this.

Environment:
75. Air Quality Monitoring Equipment: We are spending some £50k every year on air pollution equipment but we do not see any action trying to reduce the air pollution in the identified areas? Why are we not receiving reports on the air pollution in our Borough? Who should be taking action and what is being done?

Real time data on air quality is publically available via the web and annual reports are prepared and submitted to DEFRA.

We participate in County-wide work to monitor and model air quality trends and seek to work with relevant partners to improve air quality standards.

Environment:

76. Environment Air Quality Monitoring Eqpt and contaminated land £98k in 2017/8 - is this all essential?

Please see above and there is a statutory requirement for us to undertake contaminated land investigation and remediation.

Organisational Change:
77. What are the revenue and other benefits of our £900k investment in ICT?

The main thrust of project delivery associated with the £900k investment was to replace failing, under-specified, at capacity and outdated ICT infrastructure, both core and distributed. A summary of what was delivered is provided below:

- Desktop devices – mainly laptops for flexibility and improved performance
- Storage/Servers – increased storage capacity, increased performance and reliability, full server virtualisation and a new computer room
- Disaster Recovery – replicate all data/services to Earlswood depot to provide full recovery capability
- Network – improved wifi coverage, more wired connections through docking stations and improved performance
- Wide Area connections – improved performance between offices, improved Internet access and added resilience
- Security – improved data security, enabling PSN CoCo and Cyber security compliance
- Telephony – resolved issues with Lync, deployed a BYOD solution and delivered new corporate mobile handsets
- ICT & Digital Strategy – produced a 3 year strategy with and clear roadmap
- ICT restructure – restructured the team providing a modern, customer focused structure

This programme was never designed to reduce the ICT revenue budget, the focus was always to provide a fit for purpose ICT service to allow ICT customers to work more effectively and efficiently. This project was purely a capital investment and did not affect the overall revenue budget with the

Regeneration:
78. Nothing planned beyond 2018/9. Is this expected to change as needs come to light?

The current programme is based on planned activity. This will change over time.

Harlequin Maintenance:
79. Expenditure for next 3 years but nothing thereafter – Why?

The annual maintenance budget is on the following line. This line refers to bigger, cyclical works.

Priory Park:
80.
a) Why £40k in 2018/9

Priory Park is the largest playground in the borough and the most popular – therefore the play equipment wears quicker - additional funds are needed to keep the playground safe and attractive.

b) The budget includes no budget for maintenance of Memorial Park in Redhill at all, and no budget for maintaining Priory Park from 2020 onwards. Please explain why not.

As this is a capital budget it does not include revenue maintenance costs. Redhill has only just been provided with a new playground and will not come up for another capital renewal for approx. 10 years. The capital programme is prepared in 5 year tranches - the current plan takes us to 2022.

81. Are there any additional costs required to update the Earlswood Common Management Plan, and is this reflected in the 2017/18 budget?

We do not anticipate incurring additional costs to update the Earlswood Common Management plan. However if we identify the need for additional resources we will endeavour to secure external funding for this.

Budget Worksheet

82. Finance & Procurement represents approx. one third of the budget. Please analyse further

	£m
Finance & Accountancy Team (incl CFO)	0.5
Insurance	0.5
Central Transactional Team	0.3
Audit (Internal & External)	0.2
Additional Pension Contributions	2.2
Revenue Contribution to Capital	0.9
Redundancy Provision	0.1

83. Environmental Health & JET shows a saving of £52k. Is this due to restructuring with other boroughs. This is an area of much public concern and a better service might be more appropriate

No. This is based on a number of income generating schemes. The most significant of these relate to selling Pest Control services and selling the expertise of the Contaminated Land Officer.

84. How much of the salary increment assumption of £140k been used in 2016/17?

This information is shown on page 4 of the Budget Book. For 2016/17 it was £125,700

Q2 Revenue Budget Monitoring Report

Headline Revenue Budget Information Q2 2016-17 – Major Variances

85. The increased cost of legal services particularly due to the employment of agency staff is a cause of concern. Our increase in property dealing has and will require much additional legal work. How does this fit with the sharing of our service with Spelthorne and how are we intending to increase our staff to reduce the need for agency staff?

The increased cost of Legal Services is partly due to the increase in temporary staffing and partly due to the downturn in income from Land Charges (as the budgets are linked). The demand for in-house legal work has increased because of the number of commercial projects going on in the Council. There has also been temporary staff costs incurred in Spelthorne but not to the same extent given this Council's programme of property work is of a much greater scale. Spelthorne recognises the need for future investment in Legal to deal with its increased desire to deal with its property on a more commercial basis (and our Property Services team is selling them some expertise in this area).

Management has taken action to address the issue of rising cost including:

- a review of recruitment to assess the position of the council's ability to attract senior specialist staff.
- capitalisation of salaries to match the legal costs with the actual project which is driving the demand.

In addition officers have been in discussions with Spelthorne to make sure that the partnership is on a sustainable financial course for the future as part of the long term future for the team and this Council's ambition to have a high performing quality legal service that other councils will want to buy into.

Revenue Annex 2 – Budget Monitoring: Summary 2016-17

Bill Pallett
86. Finance and Procurement is showing a favourable variance of £80k due to salary underspends in vacant positions – are we sure they need to be filled?

Yes. The increasingly complex world of local government finance and the increasingly complex delivery arrangements for Council services (ie new limited companies, etc) are only manageable with an adequate complement of high quality staff.

Mari Roberts-Wood
87. It is notable that Housing expenditure is very close to budget. How many families are in B&B and how does this compare to budget, both in number of families and cost per family?

At the time of writing there were 17 households in B&B and we have budgeted for 25. This drop has only come about in the past few weeks.

The average cost per household per night is £70.

Frank Etheridge
88. It is gratifying that recycling income has increased – please breakdown the savings between the income from the various categories of recyclates (paper, green waste, other, etc - split between price and volume) and which savings are due to labour or other costs.

Paper - 8,000t per annum, currently trading at £95p/t.
Dry Mixed Recycling – 6,000t per annum, cost of transportation, processing and value of material £0.5p/t (Nov 2016).
Green Waste - £8,000t per annum 21,000 members @ £55 per annum.
Textiles 200t per annum trading at £200p/t.
Food Waste - £4,200t per annum, contribution of £140k from SCC in 2016/17.
Other LA contributions – Recycling credit of £56p/t from SCC.
The current saving is substantively due to the better markets for Dry Mixed Recycling and Paper.

89. Could the £48k over-expenditure in Street Cleansing be explained – why has the budget not been increased or will the quality of service be reduced? Please confirm how the funding for street sweeping within the budget (in terms of FTE) has changed since 2015/16 and what changes are proposed in the 2017/18 budget.

The £48k overspend associated with the waste and cleansing budget is attributable to the employment of five 'young workers' whose salaries are not budgeted alongside permanent employees.

There are no FTE changes since the 2015/16 budget and none proposed for 2017/18.

Tom Kealey
90. Leisure Services is over budget £50k due to one-off WW1 expenditure – could this be confirmed/ what was it spent on? Are we receiving added income from the first full year of operation of the Banstead Leisure Centre?

The majority of the overspend in Leisure Services is due to unbudgeted but agreed expenditure on WW1 activity. Expenditure includes the maintenance and upkeep of war memorials and graves as well as event costs.

We are receiving an additional income of £30k per annum from the Tadworth Leisure Centre.

Fiona Cullen
91. Communications is running £39k under budget due to staff vacancies – what is the value of filling this vacancy later in the year?

This vacancy is not within the Communications team but sits within the 'Communications & Information' Cost Centre. It is for the

Information Governance Officer role which oversees FOI and Data Protection compliance, currently vacant due to retirement.

Following an unsuccessful recruitment attempt to this post earlier in the year we will be re-adverting in January for a Data Protection Officer, which will be a statutory role requirement under the new European General Data Protection Regulations which come into force in May 2018, replacing the current Data Protection Act in the UK.

This will supersede the previous Information Governance Officer post.

92. Please explain the £38k saving in Customer Services due to secondment to Refuse and Recycling.

One of our Customer Contact Managers has been seconded to the vacant position of Operations Manager within the Refuse and Recycling team for 12 months as a development opportunity arising for our Next Generation Leaders (NGL) Talent Management Programme.

Gavin Handford

93. Overspend of £21k is said to be due to increasing member allowances. Why is this the case, as these have not changed significantly?

A number of former Councillors had forgone allowances or not accepted increases when approved by Council. As new Councillors have been elected and claimed the allowance there has been an increase in spend above the standard percentage increase approved by Council. A growth proposal is included in the provisional budget to "right size" the Member allowance budget.

94. Corporate Support is £25k under plan due to vacancies. What does this unit do, and do vacancies need to be filled?

This unit provides a range of support services to the whole organisation: print, post, copying, scanning and design work. The service has been under pressure due to the vacancies that are referred to in the budget monitoring report. These have now been filled.

95. Chief Executive's Unit – should there not be a saving from the departure of the Deputy Chief Executive? Have any performance bonus costs been included in this cost centre?

The DCE saving will be taken up in the annual process of zero-basing the salary budget. Performance-based bonus payments for senior staff are listed in Note 6 to the Statement of Accounts (website and September Executive report).

Luci Mould

96. Planning Policy is £38k under plan this year – do vacancies need

to be filled?

The job market for planners is extremely tight at the moment which has meant that vacancies have taken longer to fill than usual. Several positions have now successfully been filled, however one vacancy remains.

It will be important for this remaining vacancy to be filled if the agreed programmes for the Development Management Plan and Community Infrastructure Levy Strategic Infrastructure Programme – which are Five Year Plan priorities - are to be achieved.

Michael Graham
97. Please explain further the extra costs in Legal and how these will be reduce going forward? Are charges to be applied to the Property Company and/or capitalised?

The extra costs in Legal have arisen from the Council's ambitious programme under the 5 year plan to make us a much more commercial organisation. This work sits on top of the normal estates management, procurement and enforcement work which the Council has to do anyway.

Officers have been focussed to ensure that there is a sustainable financial model for Legal in future. This will include capitalisation of salaries to property projects, charging time to the property company and working commercially with other councils who have a need for specialist advice. Officers are also ensuring that there is a fair division of resources between Spelthorne and ourselves.

Reserves applied to revenue budget 16-17 and 17-18

Summary of Reserves forecast to be used to support the Revenue Budget in 2016/17
98.
a) The Projected Corporate Plan Delivery Fund (CPDF) Usage in 2017/18 shows a substantial increase in 2017/18 over 2016/17 - £1,503k versus £994k (current forecast) and £400k (original expectation). Are these increases all justified?
b) The schedule for 2017/18 looks like a wish list and will more than exhaust the CPDF. Are these projects all justified, how will they be prioritised, and how will they be funded once the funds in the CPDF is used up?

The proposed use of CPDF in 2017/18 lists all the resources not in the base budget that have been identified as necessary to achieve the 5 Year Plan priorities.

The mechanisms for replenishing the CPDF have been outlined elsewhere.

99. What funds have been sought / expected from the LEP for

2017/18 and beyond?

The Council has not received any LEP funding directly. However, as the Local Transport Authority, Surrey County Council has secured funding for two local projects. £2,700,000 has been committed to the A217 Resilience programme, and £3,650,000 to the Redhill Sustainable Transport scheme.

100. What other grants are being sought / expected for 2017/18 and beyond? It is noted that the Personalisation and Prevention Partnership Fund (PPPF) ends in 2016/17. In prior years it was stated that "it is anticipated that the majority of these initiatives/ services will become self-sustaining". Is this realistic?

Reductions in funding from both the Government and SCC have had an impact on the budget proposals for 2017/18. Further reductions in later years are also expected, hence the need for financial self-sufficiency.

There will be points in the future when the Council will have to decide to take on funding an initiative or to stop doing it. Currently - through sound financial management - we have tended towards the former rather than the latter.

Summary of Resources forecast to be used to support the Revenue Budget in 2016/17

Projected CPDF Usage 2016/17 (from Q2 Budget Monitoring Report)

101. The CPDF projected usage for 2017/18 has a high number of changes from 2016/17. Is it possible to clarify the new activities for 2017/18 and why they are included. In particular, please can you clarify the following:

- Please can you confirm the reason for the bursary payment for 2 students at RA&A school and why this is funded through the CPDF in 2016/17.

For several years now the Council has helped 2 local children attend the Royal Alexandra and Albert School. Without this assistance they would not have been able to take up their places.

- In 2016/17 the CPDF includes funding for NextStep while in 2017/18 it includes funding for a Homelessness Prevention Fund and eSOS. Please confirm where these were previously funded from, and what happens to NextStep funding in 2017/18.

All 3 are new roles/projects. NextStep has just commenced. The Homelessness Prevention Fund and eSOS are projects to commence next year.

- In 2016/17 there is a CPDF line item called 'Communications Business Partners'. Please can you explain what that item relates to, and how if this is connected to the two various campaign and marketing activities identified in 2017/18.

Our Communications & Engagement Strategy 2016/18 outlines our plan to help make Reigate & Banstead a great place to live and work, by communicating and engaging with residents, businesses and others in ways they prefer. As part of this, marketing campaigns will be delivered during 2016/17:

1. Council reputation
2. Economic prosperity
3. Financial wellbeing
4. Health and wellbeing
5. Channel shift
6. Support for commercial services

We are also reviewing the way we communicate and engage with our staff to ensure internal communications can effectively support key programmes.

To deliver this work we identified the need for two additional posts to complement our existing team as follows:

Communications business partner (Campaigns) - responsible for developing and delivering marketing-led behaviour change and/or income generation communications campaigns to support the Council's Five Year Plan priorities

Communications business partner (Internal) - responsible for the internal communications activities of the Council in support of the Council's Five Year Plan priority of developing and retaining staff.

Projected CPDF Usage 2017/18

102. Asset Manager /Building Surveyor - total £165.7. What are these roles? Presumably not for the Property Company.

These roles support the Council's drive to maximise income and capital receipts from its property portfolio and from acquisitions.

Where possible property employees will be seconded/charged to the property company on projects to reduce the call on the revenue budget and CPDF reserve.

103. Communications (campaigns and internal) £108.5. This is a significant investment. Briefly what is proposed?

This is the combined cost of the two Communications business partner posts detailed above plus £20,000 seed-funding for campaigns, also detailed above.

104. Is the Project Management Resource not yet agreed?

The requirement is confirmed but the best way of meeting it is still under review.

105. The economic development activities are significantly extended from £50k + £42k programme officer to increased grants but no staff role identified in 2017/18. Please explain what is proposed, and whether this is proposed to include encouraging start-ups and new economic activities within the not-for-profit/voluntary sector locally, or matched by other support for organisations that prioritise local community as well as economic benefit.

The £42,000 item in 2017/18 is the officer, it has simply been described poorly/mislabelled.

The activities include Small Business Grants and SME focus. This involves targeted engagement with growth potential businesses in the borough. The current work programme has a focus on start-up / micro businesses and engagement with large employers in the Borough

There are a relatively small number of established SMEs that have the capacity to grow and create employment. These businesses are recognised as being difficult to engage with, primarily because they are successful and busy - the very criteria that gives them the potential to develop.

A programme of direct engagement helps to identify opportunities and build networks between the businesses and with the Council.

106. Please confirm whether the line item under CPDF of £250k for the Community Development Team relates to the proposed expansion from one Community Development Worker post from Merstham to other locations, and where the current post is reflected in the 2016/17 budget. If not, what does it cover?

Yes, that is correct. The current post sits within the budget for regeneration staff.

107. The CPDF projected usage for 2017/18 has a high number of changes from 2016/17. Is it possible to clarify the new activities for 2017/18 and why they are included. In particular, please can you clarify the following:

a) The CPDF includes items for a loss of income from Pitwood Industrial Estate, Cromwell Road and Marketfield. Please confirm where this sort of activity was previously reported and why it is now part of the CPDF.

These all relate to the temporary loss of income whilst development work takes place. They have not yet happened

b) The BikeIt scheme funding is noted as reducing from £25k to £12k. How will this affect this service – is a reduced head count or not proposed for the full year?

There is no change to the scheme or headcount.

At the time of commissioning the service in 2015/16, funding from the Department for Transport and Mole Valley District Council had not been confirmed. In order to maintain the service and start the scheme in September it was necessary for RBBC to commit to 100% funding for the 2015/16 year – which was £25k, with funding agreed through CPDF.

However, since this time the DfT and MVDC funding has been confirmed, and the RBBC contribution is reduced to £12.5k per year.

c) Please identify the intended longevity (except where already indicated) for the line items listed in the CPDF, as these represent total growth (after savings) proposal in the CPDF of £509k, which after the increased SCC charges for refuse and recycling are considered account for more ‘growth proposals’ than the rest of the revenue budget put together.

Everything that is funded from the CPDF starts life as a “one-off” cost, a fixed term position, or a temporary change to a budget that will not be ongoing indefinitely. As they are finance from reserves they have no direct impact on the base budget, unless a decision is made to add them in to it.

The exception to this is for small grant budgets where take-up is unpredictable.

Forecast Resource Requirement	**2017/18 £000**	
Asset Manager	44.4	2 years
Building Facilities Surveyor (part funded through base)	24.5	2 years
Building Surveyor	32.9	2 years
Asset Manager/building surveyor	63.9	2 years
Loss of income from Pitwood Industrial Estate	57.5	One-off
Cromwell Road loss of rental income (demolition)	43.3	One-off
Marketfield - loss of income	44.5	One-off
Communications role (campaigns) (2 yr fixed term)	46.5	2 years
Communications role (internal) (2 yr fixed term)	42.0	2 years
Campaigns (x4)	20.0	One-off
Marketing commercial services	50.0	One-off
Digital delivery programme	150.0	One-off
Planning and CPO lawyer	60.0	2 year
Talent management (NGL, ESP)	25.0	1 year
Corporate policy support / Graduate trainee	27.0	1 year
Resident satisfaction survey	9.0	One-off
Project management resource?	45.0	1 year if needed
DMP (previously approved)	50.0	One-off
Economic development: Small business grants (previously approved)	50.0	grants
Economic development: Targeted SME engagement (previously approved)	42.0	2 years
Economic development: Entrepreneur workshops (previously approved)	6.0	One-off
Economic development: Increase Small Business grants budget		typo
Other economic development activity (previously approved)	20.0	One-off
Strategic development project managers (x2)	92.5	2 years
Community development team	250.0	2 year
Regeneration activities	108.2	2 year
Health & Ageing Well coordinator	37.0	1 year
Homelessness Prevention Fund	30.0	2 years
East Surrey Outreach Service (eSOS)	10.0	1 year
HM Queens 65 Jubilee	10.0	One-off
Bike it scheme	12.0	grants

Appendix 2

REVIEW OF THE SERVICE AND FINANCIAL PLANNING PROPOSALS 2017/18

24. The Panel reviewed the responses to the advance questions received and the Executive Member for Planning Policy & 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.

SERVICE & FINANCIAL PLANNING 2017/18 REPORT TO EXECUTIVE

25. *National and Regional Context*

Question 1c). Officers explained that the 256 people receiving Universal Credit were residents of the borough. The DWP were unable to provide details of residents receiving Universal Credit from Jobcentres in neighbouring boroughs.

Housing & Planning

26. Question 2. Officers explained that funds received pursuant to the Right to Buy scheme were treated as capital reserves.

Family Support Programme

27. Question 6. The Panel noted that the growth bid of £50,000 was the cost of the existing Family Support team since the Council was due to receive less funding for it but the work was continuing.

People: supporting residents to enjoy healthy and happy lifestyles

28. Question 9. The Chief Executive explained that a drawdown facility of £350,000 from CPDF was in place to fund Pathway in its initial stages and that it was anticipated that this would be drawn upon this financial year. The drawdown was repayable in full once Pathway became profitable. In 2017/18 it was anticipated that Pathway would be both financially self-sufficient and profitable, but it was too early to determine the level of profitability so this had not been included in the 2017/18 revenue budget. The Panel noted that any business proposals or investments relating to Pathway that were considered commercially attractive would be treated as separate business items and would therefore be considered by the Executive in the usual way.

Organisation: a great Council

29. Question 11. The Panel questioned the impact on community events of increased fees and charges for the use of parks and open spaces, and suggested that further thought be given to how any potential adverse impact could be mitigated.

Financial Context

30. Question 14. The Panel heard that the reduction in Retained Business Rates/NNDR from £2.22m in 2017/18 to £0.82m for 2019/20 had been confirmed by the Government. The Government was currently conducting a review of the NNDR arrangements but it was expected that this would inevitably result in a further reduction. The Panel noted that the Council was legally obliged to collect NNDR on behalf of the Government. The Panel noted that commercial properties, even if vacant, were still liable to contribute NNDR.

31. Question 16a). The Panel queried whether there were any substantial single site property investments under consideration by the Council. The Chief Executive explained that there were no such opportunities available in the borough and noted that even if there were, investment in substantial single site single use property was contrary to the Council's approach to risk. The current property portfolio consisted of a wide range of property types and uses, and provided a degree of protection against vulnerability to changes in the property market.

32. Question 16b). The Panel heard from the Chief Executive that whilst capital reserves were reasonable, if the Council were to proceed with its Five Year Plan ambitions it was essential for the Council to secure further funding through borrowing. The Marketfield Way development had constituted a significant acquisition and once planning permission was obtained would involve significant construction costs. In the absence of the ability to borrow, this would preclude the Council from pursuing any further opportunities. The Panel noted that when considering further investment opportunities the Council considered not only the investment value and regeneration possibilities but also the affordability of any funding required to acquire an investment asset.

33. Question 16c). The Panel noted that the 6% interest on the loan to the property company could alternatively be described as 5.75% above base rate. Officers confirmed that the public sector was not permitted to take advantage of the preferential Public Works Loan Board lending rate to undercut commercial competitors.

Council Tax

34. Question 17. The Panel requested that references to the £5 increase in Council Tax clearly state that the figure related to Band D properties and applied proportionately to properties in other bands. Officers explained that the effect of the increase was 2.38% on all properties in percentage terms. The reason for the use of that particular phrasing rather than percentage

terms was that it was the wording used in the statutory legislation that set out the parameters within which a council was permitted to raise council tax without a referendum. The Panel noted that the Council had been permitted to raise council tax by £5 last year but had chosen not to do so, limiting the increase to 1.99%.

35. Question 20. The Panel noted that the Council's share of the Collection Fund surplus of £250,000 was additional to the reserves.

36. Question 22. Officers confirmed that the effect of the Council Tax Reduction Scheme was offset by the reduction in council tax discounts to owners of empty or second properties.

Reserves

37. The Panel noted that paragraph 86 referred to the current unallocated General Fund balance standing at £6.9m. This was a typographical error and the correct figure is £8.7m, as referenced in the Medium Term Financial Plan 2017/18 to 2021/22.

Capital Programme 2017/18 to 2021/2022

38. Question 26. The Panel noted that the sale of assets to strengthen capital reserves applied to both existing assets and acquisitions. The Panel noted that some Members considered the development of existing assets to generate income to be preferable to the sale of existing assets. The Panel understood from the Chief Executive that in order to develop existing assets either for sale or for income generation purposes, if the existing borrowing limit were not increased, the Council would have no option other than the sale of existing assets to provide the funding for asset development.

Human Resource Implications

39. Question 27. The Panel noted that bonuses were paid to staff last year and the details were provided to the Overview & Scrutiny committee and the value disclosed in the published Accounts in September 2016. The staff bonus cost was included within the overall salary budget.

40. Question 29. The Executive Member for Planning Policy & Finance explained that some roles, such as planning policy roles, were very difficult to recruit to at present. The Chief Executive told the Panel that the Council's staff were operating more efficiently than ever. The Panel noted that there were 19 vacant posts that had not yet been recruited to whilst their need was being reviewed. For example, the Chief Executive explained that Legal Services staffing was currently being reviewed to determine how to improve the service and as a result the Legal Services staff vacancies would not be filled until completion of the review.

ANNEX 1 MEDIUM TERM FINANCIAL PLAN 2017/18 TO 2021/22

41. Question 36. The Panel noted that a small portion of the New Homes Bonus reserve of £7.7m had been allocated to the redevelopment of Redhill Town Centre but otherwise the reserve had not been allocated and it could indeed be employed to supplement the council's growth plans.

42. Question 37. Officers explained that the superannuation increase of £41,000 would be funded from the base budget. It had yet to be incorporated into the growth bids because the figure had only been confirmed recently by the pension fund actuary. The Panel were pleased to hear that the pension fund was performing better.

ANNEX 2 BUDGET 2017/18: SAVINGS AND INCOME PROPOSALS

43. Question 44. Officers confirmed that not only had a number of London Boroughs established delegated or self-management of allotments, some had also extended this practice to their parks. Officers confirmed that the London Boroughs of Croydon, Lambeth and Barnet; and Epsom & Ewell and Runnymede Borough Councils had self-managed allotment sites.

44. Question 45. The Panel questioned reducing the use of contractors in Greenspaces, and the Chief Executive assured the Panel that there was sufficient staff capacity to do so whilst maintaining the current service level. The Panel also heard that there was sufficient funding to acquire any additional equipment required to carry out the additional duties.

45. Question 46e). The Panel requested that Officers obtain an estimate of the possible costs that could result from the Homelessness Reduction Bill because it was possible that the Act could be passed and in force by 2017/18. The Chief Executive explained that in the Autumn Statement the Government had said that if the Act were passed its implications would be fully funded. Officers advised that the cost could be £250,000 if the Council and not the Government, had to fund it.. The Chief Executive noted that the Council had made representations opposing the obligation to fund the first 56 days of homelessness as proposed in the Homelessness Reduction Bill.

46. Question 50a). Officers confirmed that additional income of £250,000 had been achieved this year by Refuse and Recycling. It was confirmed that dry mixed recycling attracted a very low recyclate price but in comparison to last year it is achieving an income now rather than a gate fee to dispose of it. It was confirmed that food waste did not possess any value so that the "£" in the answer to this question was a typographical error. The performance of the recyclate market was always a budget risk but if the market continued to perform as anticipated, refuse and recycling would generate additional income

over that included in the budget. In the interests of prudence, an income of £250,000 was budgeted to minimise exposure to the market failing to perform. The Chief Executive noted that the greater risk was the withdrawal of funding, reduction in subsidies and/or the issue of a direction from Surrey County Council, all of which would affect the Council financially. The Council was doing all it could to reduce the impact of these possible changes as well as seeking the best rates for recyclates.

47. Question 50c). Officers confirmed that the £411,000 for the introduction of the new recycling service to flats was included within the waste blueprint. Officers confirmed that the estimated spend in 2017/18 for inclusion of more flats in the new refuse and recycling service was £100,000 given the current pace of introduction.

48. Question 50d). In relation to extending the new recycling service to flats, the Chief Executive noted that this was a challenging piece of work because each building containing flats had to be consulted on an individual basis to determine the best basis upon which to provide the scheme and to ensure that flat occupants adhered to the scheme requirements to avoid recyclate contamination. Officers confirmed that in 2016/17 3,000 of the 13,000 flats in the borough were receiving the new refuse and recycling service. At present, 3,000 flats had been identified as being capable of receiving the new service and it was anticipated that, of those 3,000, 1,500 would be added to the new service in the upcoming year given the present workloads of the refuse and recycling staff.

49. Question 52. The Panel questioned the increased fee for the garden waste collection service. The Panel felt comfortable that the £60 charge was reasonable in the light of a comparison with other local councils' fees.

50. Questions 54c), 54d) and 68a). Officers confirmed that there would be an increase in the few tens of thousands of pounds of staff salaries which would be capitalised, relating to the assets to which they applied. In addition £140,000 of Property Department costs would be taken out of the base budget and transferred to the new Property Company, reflecting the resources to be applied to property investments. A loan would be provided by the Council to the Property Company to fund the transfer of assets and resources to it. The loan would be recorded as an asset of the Council, as long as the it was regarded as a debt collectible from future earnings of the Property Company. Consolidated Accounts would be published to show the performance of the Property Company and Health Company. The auditors were aware of the arrangements and had approved them. The Chief Executive emphasised that the Property Company needed to succeed to enable the Council to meet its future funding gap of £3.9m and become financially self-sufficient. He expressed the importance of employing the best staff such as the Head of Property who had successfully driven recent

developments such as Warwick Quadrant which were essential to the Council's income stream. The Panel noted that in the event of abortive property deals any associated salary costs could not be capitalised and would remain a cost to the Council.

ANNEX 3 GROWTH PROPOSALS

51. Question 65, 85 and 97. The Panel noted that due to the Legal Services staff structure review only a modest increase in the base budget had been included. The Chief Executive explained that the forecast for 2016/17 showed there would be a Legal Services overspend due to two unrelated issues. The first was that there were salary costs that had yet to be allocated to capital projects and capitalised, and which therefore would reduce the forecast. The second issue was that Land Charges had generated less income than expected this year. Whilst the review of Legal Services would ascertain the best way of improving the quality and speed of delivery of legal services, the current costs and budget would be maintained and an adjustment would be made in the following year once the final structure of Legal Services was implemented.

52. Question 66b). Officers confirmed that the reduction in financial transfers was a reference to the reduction in recycling credits to be received from Surrey County Council. The Panel noted that the Council was making representations against this reduction.

53. Question 69a). Officers confirmed that the target level of income from property was stated by way of return rather than income, being a 6% return on any property investment acquisitions and a 10-12% return on development opportunities. The Chief Executive added that in order to meet these return aspirations the borrowing limit needed to be increased. The Panel agreed that whilst there was access to favourable lending rates and terms from the Public Works Loan Board the Council should take advantage of this resource. Officers noted that a lot of councils had sought funding recently and this might give rise to the Government reassessing the availability of this resource to local authorities, so it would be wise to take advantage sooner rather than later. The Panel asked if there had been any instances of local authorities borrowing to acquire what turned out to be highly unsuccessful investments. Officers confirmed that to their knowledge there had been no such instances, at least locally, in the last ten years. The Chief Executive drew the Panel's attention to recent successes by the Council such as the Court Lodge development which, if it were to be appraised now, would show a significantly higher return than had been anticipated at the beginning of the development. This illustrated to the Panel the success of the Council's cautious yet ambitious approach to investment and development.

54. Officers confirmed that any borrowing would only be incurred in relation to anticipated project cash funding needs and drawn upon only as required by

the project. Repayment of the funding would be the primary concern. By way of example, for Marketfield Way borrowing would be required over two years to fund construction. By achieving the pre-letting of a number of units, it would be possible to pay back the majority of the borrowing in a very short time after completion.

ANNEX 4 EXPENDITURE: DETAILED PROGRAMME

55. Question 72. Officers advised that the New Homes Bonus was currently paid for 6 years after completion of the build. It was anticipated that the New Homes Bonus would be withdrawn completely in the near future. It was not yet known if this would be retrospective or only applicable to new properties after a cut-off date. In the interests of caution and prudence Officers had assumed the former. The Panel queried why CIL anticipated receipts were so much lower (£195,000) than this year’s s.106 income (£1,274,000). Officers explained that the difference arose from cautious budgeting - S.106 income derived from confirmed contracts whilst CIL was a new arrangement so there were no confirmed levels yet. In addition, whilst CIL was anticipated to achieve similar income for the Council, it was determined by the actual location of developments as well so that added to the difficulties in predicting the receipts it would generate. The Council was hopeful that CIL would outperform the conservative forecast.

56. Question 73. The Panel noted that there had been no Right to Buy receipts so far this year but that these were reported quarterly by Raven, so there were still two more quarter reports to be received this year.

57. Question 75. The Panel queried what benefit was received from the production of Air Quality Monitoring Reports for DEFRA. The Chief Executive explained that where air pollution occurred the Council was legally required to produce an Action Plan to address the problem. In the past 6 years the Council had produced 3 such reports.

58. Question 77. In relation to ICT investment, the Panel noted that the answer to this question had been cut short. The final sentence should have read “This project was purely a capital investment and did not affect the overall revenue budget with the exception of the savings indicated above through the reduction of the team”.

59. Question 82. The Panel noted that the significant budget cost for Additional Pension Contributions of £2.2m was not within the control of the Council.

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60. Question 86. Officers confirmed that there was a need within Finance and Procurement for expert staff to support the new company structures and the reason for the underspend was that these staff vacancies had not been filled

at the commencement of the financial year. Most of them have now been filled, and as such, the underspend merely constituted a year to date variance.

Reserves applied to revenue budget 2016-17 and 2017-18

61. Question 98. The Panel expressed concern at the increase in CPDF spending from £994k this year to £1,503k in 2017/18. The Chief Executive explained that before any proposed activity could receive confirmed CPDF funding it had to be scrutinised by the Leader and Deputy Leader of the Council. It was not the case that every proposal on the list had yet been agreed and confirmed. The Panel noted that the response to question 107c) included a list of CPDF items identifying those which were one off costs, those which were continuing and those for which the duration was unknown. CPDF was often utilised to fund pilot schemes. The Panel expressed concern that the CPDF spending was increasing, accelerating the diminution of the fund. The Chief Executive agreed that the fund would need to be topped up and this had been done several times in recent years using budget underspends.

62. Question 101. The Chief Executive explained a bursary to fund two students at the Royal Alexandra and Albert School who passed the entrance exam but were unable to pay the school fees. The bursary had commenced 4 years ago and the intention was to fund the two pupils throughout their time at the Royal Alexandra and Albert School. Upon leaving the school the bursaries would then be offered to new pupils. Therefore at any time only two pupils were in receipt of the bursary.