

REPORT OF THE BUDGET SCRUTINY REVIEW PANEL

1st DECEMBER 2014

REVIEW OF THE PROVISIONAL BUDGET PROPOSALS 2015/16

Present: Councillor N.D. Harrison (Chairman); Councillors J.C.S. Essex, D.T. Powell, R.S. Mantle*, Mrs C.E. Poulter, B.A. Stead and M.A. Vivona*.

Also present: Councillor V.W. Broad, Leader of the Council*
Councillor A.J. Kay, Deputy Leader of the Council*
Councillor G.J. Knight, Executive Member for Finance*
Councillor K. Foreman*

Apologies: Councillor J.M. Stephenson (substituted by Councillor Mrs C.E. Poulter)

**Part meeting only*

INTRODUCTION

1. The Chairman welcomed Councillor G.J. Knight, Executive Member for Finance; Councillor K. Foreman; John Jory, Chief Executive; Kathy O'Leary, Deputy Chief Executive; Bill Pallett, Finance Manager; and Gavin Handford, Corporate Policy & Governance Manager, to the meeting, all of whom assisted the Panel in responding to its advance questions.

DECLARATIONS OF INTEREST

2. Councillor R.S. Mantle declared an interest in the anticipated consideration of the Community Centre contracts savings proposal, the nature of this interest being that the Councillor was a member of the Management Committee of the Banstead Centre and also a Trustee of the YMCA. Councillor Mantle agreed to leave the meeting whilst this item was being considered.

BACKGROUND

3. The Panel received the Service & Financial Planning (Provisional Budget) 2015/16 report approved by the Executive on 13 November 2014 for consultation purposes.

4. The report set out:
 - the draft Medium Term Financial Plan 2015-20;
 - savings totalling £1.727m, and growth totalling £669,000, providing net savings of £1.058m; and
 - an updated capital programme.
5. Ahead of the meeting, Members of the Panel had submitted a total of 71 advance questions, which had been grouped into 11 sections. The responses to these questions had been circulated in advance. The Chairman advised the Panel that the report and responses provided a substantial amount of information to support the scrutiny process.

REVIEW OF THE SERVICE AND FINANCIAL PLANNING PROPOSALS

6. As noted above the Panel received the responses to the advance questions as set out in Annex 1 attached. These were reviewed and the Executive Member for Finance and attendant officers provided further information and responses to supplementary questions on the following themes:

7. **Waste and Recycling**

The Panel noted that the recyclate market was expected to remain volatile throughout 2015/16. The price assumptions in the budget proposals were conservative at £45 per tonne (current prices were £50-55) to protect against any significant decrease in prices. The Panel noted that the financial impact of a 10% price movement against budget assumptions would be £40k for paper and £50k for mixed recyclates.

The Chief Executive advised that due to this market instability, in the immediate future the Council would not be looking to enter into another partnership of the kind that had existed previously with Guildford Borough Council, as any such contract be based upon a fixed price, which could be overtaken should the market improve.

The Panel further noted that the new Waste Transfer Station that was due to open at the Earlswood Depot in December 2014 was expected to lead to improved income from recyclates by reducing the water content of collected loads.

8. **2014/15 budget and approach to 2015/16 budget preparation**

The Panel noted that Subsidy Grants to Tenants were currently under review, and that no upward revision of the budget proposals was anticipated as a result of this work being completed.

It was noted that the latest figures from the Government for NNDR had been relied upon in preparing the 2015/16 budget proposals, and that these figures

still represented the best indication of NNDR reductions. This was not seen as an area of risk.

The Panel noted that the ceasing of historic Council Tax freeze grant receipt in 2015/16 was reflected in the reduction of Revenue Support Grant from £2.4m to £1.6m.

9. Council Tax

The Panel noted that the collection fund was forecasting a surplus of £200k at the end of 2014/15. It was important to note though that the Council only retained one-eighth of all collected Council Tax. Therefore of this £200k, the Council would retain £25k. Of an additional £1m in revenue collected per year on empty properties as a result of technical changes, the Council would retain £125k.

Likewise, of the £1.7m provision set in 2014/15 for appeals against business rates valuations, the Council's exposure was £200-300k. The Panel noted that the Business Rates Equalisation Reserve (current balance £1m) had been established to mitigate the impact of appeals on the Council specifically.

The Panel noted that variation from the budgeted recovery rate for residents receiving Council Tax Support had a monetary impact of £380 per percentage point, and was not considered a significant risk area, as the current collection rate stood at 82%.

10. Reserve Funds and Grants

Officers informed the Panel that the financial risk associated with Personalisation and Prevention Partnership Funding (PPPF) was extremely limited. This funding was directly provided by Surrey County Council (SCC) to support specific projects including many of those within the Council's Living and Ageing Well programme.

The Panel noted that the success of the Family Support initiative may have some limited budgetary impact for the Council, particularly associated with housing benefits and support, but that any significant financial impact would primarily be felt by SCC and Surrey Police.

11. Salary budget and HR implications

The Panel noted that Full Council exercised control over performance-related payments in annually approving the Council's Pay Policy Statement. Payments to Management Team Officers were capped at 10% and declared in the Council's accounts. Payments to other Officers were considerably lower and determined under delegated authority. All such payments were provided for by savings in individual service budgets, and had no budgetary impact. The Chief Executive advised that the Council had a strong performance culture in which performance was measured against specific targets, and that the total salary bill had been consistently decreasing year-on-year.

The Panel noted that besides the £100k included in the budget, there was no separate provision account for the cost of redundancies.

12. Pension costs

The Panel noted that the increase in the “additional monetary amount” (AMA) that the Council is required to pay (to address the historic deficit on the pension fund) had a budgetary implication of £100k per year for the period 2014/15 to 2016/17. This was included in the 2015/16 budget proposals as part of the base salary assumptions (not as a growth proposal). It was agreed that this would be presented separately in future budget proposals.

Officers had been working closely with colleagues at Surrey County Council to build appropriate inflation elements into the budget in recent years and were confident that there was capacity in the 2015/16 budget proposals for the increase to the AMA.

The Panel noted that the impact of recent changes to the pension scheme on the deficit would be monitored closely over the next two to three years. The Superannuation Fund Reserve (current balance £1.5m) could be reduced if the deficit was substantially reduced or eliminated but it was prudent to retain it at the current level at present.

13. Bed and Breakfast costs

The Chief Executive provided further information on the initiatives in place to reduce the Council’s Bed and Breakfast costs.

The Council was working closely with landlords to reduce the number of evictions leading people to present themselves as homeless. The amount of temporary accommodation available was also being significantly increased. Raven Housing Trust had built a new development in Redhill that was due to open in January, and the Council had nomination rights to all 19 units. Raven Housing Trust would be fully remunerated through the benefits system at no cost to the Council.

The Panel noted that there was a modest risk associated with this saving due to uncertainty arising from the General Election in May 2015 and the possibility of Government budget changes. Further economic uncertainty could also lead to an increase in the number of residents presenting themselves as homeless. The Portfolio Holder for Finance was confident however that the provision in the 2015/16 budget was sufficient to cater to the present situation, and advised that the Portfolio Holder for Housing and Welfare was focusing on this issue as a matter of high priority.

14. Service Plans

The Panel noted that there would no longer be a reduction to allotment fees for pensioners. The Panel was informed that the Council’s planned allotment

fees were reasonable, particularly compared to those of other Local Authorities, and noted that there was high demand for allotments.

15. Community Centres

[Councillor R.S. Mantle left the meeting during consideration of this item.]

The Panel noted that the procurement process for the contract to operate Community Centres in the borough was ongoing. It was expected to be concluded in time for inclusion in the final budget proposals. The Chief Finance Officer advised that there would be no significant impact on the overall 2015/16 budget proposals, in view of the fact that the net savings included in the proposed budget exceeded the Savings Requirement by more than £200k.

The Community Centre Management Committees were fully aware and supportive of the procurement exercise being undertaken.

16. Capital programme

The Panel noted that the purchase of a new refuse fleet was currently planned for 2020/21. The current vehicles had been chosen based in part on their predicted lifespan (7-8 years). The Panel noted some concern that maintenance costs would increase in the last years of this period, or that in the worst case early replacements would be required.

17. Scrutiny process

The Chairman thanked the Executive Members for their attendance and support in the scrutiny of the service and financial plans.

[Councillors V.W. Broad, A.J. Kay, G.J. Knight and K. Foreman left the meeting.]

18. Private sector partnership proposal

The Panel noted that the Council was currently exploring a partnership arrangement with a private sector company. Officers confirmed that the outcome of this would have no impact on the 2015/16 budget. If the Council were to proceed with the partnership it would become operational in Spring/Summer 2015.

The Panel noted that the risk to service delivery under the proposed partnership was modest. Council staff would continue to operate affected services, albeit transferring to the private sector provider. Penalties for the private sector partner in the event of service reduction would be built into the contract. It was noted that staff involved in the proposed partnership would

continue to work on the Town Hall site. The services proposed for inclusion were transactional, in Revenues, Benefits and Finance, which meant that performance would be easier to monitor and that the direct impact on the community would be extremely limited.

The financial risk was also extremely modest as guaranteed financial benefits were being written into the proposed agreement.

A separate proposal with the same private sector partner was being explored for the Council's IT service. This was not expected to provide a saving but would significantly enhance the service and make it more flexible.

The Panel noted that the private sector company would be seeking admitted body status to the Surrey pension scheme in order to allow staff to retain their local government pension, the cost of which would then be borne by the partner company. It was noted that this cost could be higher than current costs, unless the Council provided an undertaking to the Surrey pension scheme.

The Panel noted that the partnership proposal could be examined by the Overview and Scrutiny Committee at the appropriate time.

19. **Further information**

The Panel requested that further information be provided on the following after the meeting:

- Schedule showing a breakdown of the 'Employee – Other' costs relied upon in the development of the estimated 2015/16 budget requirement.

A response has been received and is attached as Annex 2.

TIMETABLE

20. It was noted that the recommendations of the panel would be reported to the Overview and Scrutiny Committee on 11 December 2014, with recommendations reported to Executive on 8 January 2015. Final budget proposals were due to be considered at the Executive on 29 January 2015, and at Council on 12 February 2015.

CONCLUSIONS

21. The Panel congratulated the Executive Member for Finance, Executive and Officers for their work to prepare the service and financial plans for 2015/16, and thanked them for the detailed responses to the advance questions.
22. The Panel concluded that the following were all achievable, realistic and based on sound practices and reasonable assumptions:

- 2015/16 savings proposals;
 - 2015/16 growth proposals;
 - Capital Programme 2015/16 to 2019/20; and
 - Medium Term Financial Plan 2015/16 to 2019/20.
23. The Panel had no significant concerns about the service and financial planning proposals and agreed that they ensured only a very limited impact on service delivery.
24. The Panel were pleased to note the significant savings that had been achieved in the 2014/15 budget and in the 2015/16 budget proposals. The Panel agreed that the 2015/16 savings proposal, in conjunction with the substantial reserves detailed in the Medium Term Financial Plan, placed the Council in a sound financial position.
25. The Panel also recognised that any budget process was not without risk, and that the following particular risks needed to be monitored throughout the 2015/16 year and when considering future budgets:
- Income from recyclates, due to continuing volatility in the recycling market;
 - Levels of homelessness in the borough and associated Bed and Breakfast costs;
 - Results of the Community Centres contract procurement exercise;
 - The maintenance of the Council's refuse fleet, particularly during the later years of the Medium Term Financial Plan 2015-2020; and
 - Continuing uncertainty in the wider economic climate and resulting financial pressures.
26. The Panel, however, recognised that all these risks were being well managed.

RECOMMENDATIONS

27. **The Overview and Scrutiny Committee agree that the following recommendations be submitted to the Executive in response to the Service and Financial Planning (Provisional Budget) 2015/16 report:**
- i) the Executive Member for Finance, Executive and Officers be thanked for preparing balanced budget proposals for 2015/16;**
 - ii) the assumptions underpinning the budget be agreed as reasonable;**
 - iii) the risk of the savings and growth proposals impacting service delivery be agreed as limited;**

- iv) the capital programme be agreed as sufficient to deliver Corporate priorities;**
- v) the Medium Term Financial Plan for 2015-2020 be agreed to ensure that resources are directed towards delivery of the 5 Year Plan 2015-20; and**
- vi) the strengths and risks within the budget proposals, as set out in the conclusions of the Budget Panel report, be noted.**

Annex 1 – Advance questions and answers

Budget Scrutiny Review Panel 1 December 2014 Review of the Service and Financial Plans for 2015/16 Advance Questions and Answers

Section 1 2014/15 budget

- a) After quarter 1, a year-end favourable variance of £300k was forecast. What is the current forecast for the year, and what are the major changes in variances since quarter 1? How have they been factored into the 2015/16 budget?

The current forecast is for a favourable variance of £16,000.

The main reason for this change is a reduction in recycling income arising from reduced prices for paper and an increase in gate fees for mixed recyclates.

These changes have been reflected in the 2015/16 budget proposals.

- b) In comparing the budget monitoring report by service for quarter 1, it appears that the variations between original budget and management budget include more than the addition of Corporate Plan Delivery Plan monies. For example, a reduction in the Management Team budget of £213k. Presumably these are transfers between departments? Could the switches be set out and the rationale explained?

The changes simply reflect the restructuring of staff and budgets following changes which were not reflected in the original budget. Examples include the retirement of the Deputy Chief Executive and the appointment of a former service head to that post.

- c) Commentary on the Q1 variances indicates that budgets will be adjusted/ right sized as part of the 2015/16 budget setting process. This would appear to be the case with Car Parking and Licensing Income, but the budgets for Cleansing & Outreach Services, Property Income, Building Control, Housing Development & Needs do not seem to have been significantly adjusted. In addition, the increase in Development Management Income seems over-cautious. Please comment on each of these items above. Please explain the change in approach to Subsidy Grants to Tenants and how they are budgeted for in 2015/16.

All of the functions listed above have budget changes identified in 2015/16. This is based on the latest available information and management action since the Q1 report was produced.

Where pressures or opportunities are predicted to be ongoing, they are reflected in future budgets. The extent of any adjustment can only be based on the best professional judgement of a function manager (and the management team) of the circumstances that are likely to prevail over the next 16 months. If further information (eg stronger market trend data) becomes available then the budget will be adjusted later in the budget setting process and – in extreme cases – during the year to which the budget applies.

Work on to finalise Subsidy Grants to Tenants will be completed later in the year and will be included within the budget once complete.

- d) The half-yearly Treasury Performance report shows a positive variance of £133k for our cash managers, and with increasing interest rates in 2015, should the interest income budget be increased?

It is anticipated that the predicted increase in interest rates will be offset by the reduced levels of investment resulting from capital expenditure during the year.

- e) Please confirm how the retained business rates (NNDR) income so far compares to budget in the 2014/15 financial year and whether any change is proposed for 2015/16.

At the end of Quarter 2 NNDR income is forecast on budget and no significant variance is foreseen at the current time. Changes to the 2015/16 budget will reflect the reduction in the amount the Government allows us to retain.

Section 2 Approach to 2015/16 budget preparation

- a) The make-up of the Estimated Budget Requirement for 2015/16 of £15.86m (and hence the savings requirement of £0.80m for 2015/16) seems to be different to the assumptions set out in the Executive paper, as shown below:

	<u>2014/15</u>	<u>2014/15</u>	<u>2015/16</u>	<u>Comment</u>
	Nov 13 Panel	Nov 14 Seminar	Assumptions	Exec paper
Council Tax	£11.7m	£11.5m	£11.73m	+2% - Para 6.3
Government Grants				
RSG	£2.2m	£2.4m	£1.6m	Para 4.3
Retained NNDR	<u>£2.0m</u>	<u>£2.1m</u>	<u>£2.14m</u>	+1.9% - Para 5.2
Total Grant	£4.2m	£4.5m	£3.74m	
Total Requirement	<u>£15.9m</u>	<u>£16.0m</u>	<u>£15.47m</u>	As calculated
			<u>£15.86m</u>	As per schedule

Please explain the difference of £400k.

The assumptions in the MTFP are estimates covering the 5-year planning period whereas the figures for 2015/16 are much firmer. For example the Council Tax income estimate above does not include growth in the tax base (of over 600 properties or £120,000) and the latest figures from the Government for RSG and NNDR are both in excess of £100,000 higher than the derived figure.

The MTFP assumptions are “best guesses” that are only used when there is an absence of more specific or more accurate information

- b) The yearly tables showing the Development of the Estimated Budget Requirement show some significant year on year changes:

Employee – other	2014/15 report £2.37m	(for 2014/15)
	2015/16 report £3.29m	(for 2014/15)
Transfer Payments out	2014/15 report £36.82m	(for 2014/15)
	2015/16 report £35.86m	(for 2014/15)

In addition, the 2014/15 report showed that transfer payments were about in balance (£36.82m out and £36.72m in), whereas the 2015/16 report shows a surplus of about £900k (£35.86m out and £36.77m in). Please explain.

Whilst correct in total there was unfortunately an error in the categorisation of some of the 2013/14 budget information used to produce the table last year. This had no impact on the compilation of the actual budget as this summary information is only used for the purpose of generating this table – but it did give a slightly distorted picture.

The error was caused by a mis-categorisation between “Employee – Other” and “Transfer Payments (out)”.

The correct “starting point” figures (for both years) are:

	2014/15	2013/14
<u>Description</u>	<u>£m</u>	<u>£m</u>
Employee – Other	3.29	3.22
Transfer Payments (out)	35.86	35.92

The difference between the transfer payments “in” and “out” is that element of Government funding we are allowed to keep to partially offset the cost of providing a local benefits service. This is sometime referred to as the “benefits subsidy”.

- c) Please explain the situation with regard to historic freeze grants, if any, which the council is benefitting from and their run-off impact.

During this year the Council received the last tranche of a Council Tax freeze grant (of £286,000 pa for four years) first awarded in 2011/12. This will not be received in 2015/16 or other future years. The impact is to increase savings targets by £286,000.

No other freeze grant is being received.

- d) How has the council received guidance from DCLG that RSG will drop to £1.6m in 2015/16, and to zero in 2019/20? What is the basis for the assumption that Retained NNDR will remain steady, after adjusting for inflation? What factors are involved in these assumptions?

The information about RSG has been made clear by both Government Ministers and Officials at numerous meetings with Members and Officers and at LGA and other briefings.

The assumption relating to NNDR is based on having no knowledge of a major employer planning to come to – or leave - the Borough or of a very large appeal against a rating. The risk is recognised and addressed by maintaining a separate Business Rates Income Equalisation Reserve.

- e) Please provide a table, showing by category: actual 2013/14, forecast 2014/15 and budget 2015/16.

For 2013/14 and 2014/15 this information is currently available in tabular form (2013/14 Outturn Report to the Executive on 26 June 2013 and the Quarter 1 Performance Report to the O&S Committee on 4 September 2014).

The detailed budget for 2015/16 will not be compiled until after the completion of the current consultation process.

- f) The net revenue budget has been presented along with information on how this has varied from 2009/10 to 2015/16. Please provide a similar indication of how the gross budget has changed over this same period, and an overall breakdown of the gross budget for 2015/16, including income and expenditure, at the same level of detail as the capital budget.

Summary information for the period 2009/10 to 2015/16 is shown below:

<u>Year</u>	<u>£m</u>
2009/10	62.3
2010/11	69.6
2011/12	71.6
2012/13	72.1
2013/14	65.9
2014/15	65.8
2015/16 (estimate)	65.5

The detailed budget for 2015/16 will not be compiled until after the completion of the current consultation process.

The large change between 2009/10 and 2010/11 is due to the way in which benefits payments were made and recorded. More detailed information for this year and the later years is provided in our Annual Financial Reports which are available on the Council website:

http://www.reigate-banstead.gov.uk/council_and_democracy/about_the_council/finance/annual_financial_reports/index.asp

Section 3 Council Tax

- a) What is the Council Tax collection rate, compared to budget? What is the surplus in the collection account, compared to budget? Are adjustments required to the budget plan for 2015/16?

At the end of Quarter 2 the actual collection rate was at 58.09%. The total in year collection forecast at 98.04% with an overall collection rate of 99.2% over the lifetime of the debt. These collection rates are on budget and in line with prior year

collection rates. There are no changes to the collection rate for the proposed 2015/16 council tax base.

RBBC does not budget for any surplus re-distribution from the collection fund.

- b) What assumption is made for new properties? Has this been borne out in practice?

There is an assumption that the tax base (ie new Council Tax registrations) will increase by around 500 per year. The Council tax Base Report (Council, 18 December 2014) indicates a rise of just over 600.

- c) What has been the impact of the Localisation of Council Tax Support on the budget position for 2014/15 (government funding gap offset by local support arrangements). What has been the impact of the reduced local discounts to owners of empty properties and second homes? Do these results require adjustment to the 2015/16 budget?

The Local Council Tax Support scheme is being partly funding by the Council and preceptors by approximately £0.5m per year, but this is offset against the additional Council Tax raised from the technical changes to empty properties which has increased liabilities by around £1m per year. The overall collection rate from households who received Council Tax Support during 2013/14 was 82%. As previous recovery rates from claimants have not been available, it is difficult to judge the full effect of the new scheme. No changes are proposed for 2015/16.

For more detailed information please refer to the Local Council Tax Support Scheme report to 13 November Executive meeting.

- d) Please discuss the budgetary impact of challenges to business rates valuations for 2014/15 and 2015/16.

A provision for appeals is included in the NNDR1 return to Central Government made in the January prior to the start of the financial year in April. In 2014/15 the provision was set at £1.7 million compared to a net rates payable of £50.2 million. The appeals provision for 2015/16 has not yet been set but is not expected to vary materially.

Section 4 Reserve funds and grants

- a) Please provide a breakdown of the anticipated usage of £600k from the Corporate Plan Delivery Fund (CPDF) in 2015/16, and how this relates to the individual projects supported by the CPDF in 2014/15, including job descriptions and tasks if this is to fund staff.

Please see the table overleaf.

<u>Description</u>	<u>£000</u>
Programme Support Officers x 2	84.2
Regeneration Project Managers x4	190.0
Electoral Trainee	25.9
Local Government Association Graduate Scheme post	8.5
Senior Asset Manager	32.9
Senior Building Surveyor	64.0
Facilities Manager	25.0
Asset Management Officer	44.4
Fees for 2 placements at The Royal Alexandra & Albert School	9.2
Core Strategy Policy Development	42.0
Economic Prosperity Action Plan	37.5
Supporting Families Contribution	<u>50.0</u>
Total	613.6

- b) Para 39 – 42. This states the need to maintain a general fund of £2.4m in 2014/15 and that this currently stands at £6m. Please confirm why any underspend this year should be transferred to this fund (as in 42) as opposed to the Corporate Plan Delivery Fund.

Paragraph 42 explains that any underspend at the end of the year will be transferred either to the General Fund or the Corporate Plan Delivery Fund. The decision where to transfer any underspend will be taken at the end of the financial year by the Executive.

- c) Is it anticipated that the Supporting Families initiative will have a budget impact, either through reduced costs or reward grants?

SCC has provided funding for the running of the Supporting Families initiative with additional contributions from the three partner districts. RBBC has allocated £50,000 from CPDF. It is not expected that there will be any immediate budgetary impact but please also see the answer to question 4e.

- d) What funds have been sought / expected from the LEP for 2014/15 and 2015/16?

No funds are anticipated in 2014/15 or 2015/16 at this time but we are working closely with the Coast to Capital LEP to ensure that we have the best chance of securing funding.

- e) What other grants are being sought / expected for 2014/15 and 2015/16? For example, Surrey CC's PPPF.

No new grants are anticipated 2015/16. As previously reported, RBBC are currently in receipt of funding from SCC, via the Personalisation and Prevention Partnership Fund (PPPF). This funding will total £870k over a five year period from 2012/13 to 2016/17. These funds have and will continue to be used to implement a range of initiatives and services primarily for the benefit of our ageing population. It is anticipated that the majority of these initiatives/services will be become self-sustaining.

In addition, the Supporting Families initiative is currently funded by Government until May 2015 through Surrey County Council on a reward basis, with payment by results of the families 'turned around'. Beyond this period it will form part of SCC's Public Service Transformation programme, again funded by Government. Reward grants will cover costs but it is anticipated that in the longer term there will be a reduced cost to Borough and County Council services in supporting the families helped by the programme.

- f) We have £3.1m reserve of New Homes Bonus income, how are decisions on this reserve being made?

Decisions on the use of this reserve are subject to Executive approval.

- g) How much New Homes Bonus is expected to be received for 2014/15 and 2015/16? Please confirm how the council plans to spend the New Homes Bonus reserves over the MTFP period, how much is planned to be spent on what items, and how this is reflected in the Corporate Plan. How much, for example is budgeted to be spent on the Redhill Balanced Network Project and how much on affordable housing, and when?

It is impossible to predict precisely (as it is based on new Council Tax registrations) but we forecast in the region of £1.5m and £2.5m respectively (though this does not form part of the revenue base budget).

Detailed plans for all of this funding have yet to be drawn up but it is anticipated that it will be applied to major infrastructure projects in the future.

Details of the use of NHB for the Redhill Balanced Network project were set out in the report to the Executive on 26 September 2013 and are included in the current draft Capital Programme (total funding of £590,000).

- h) Please provide a breakdown of how and when the Growth Points reserve and High Street Innovation Reserve will be spent over the plan period.

Growth Points funding will be applied when a project which meets the relevant criteria is identified.

The High Street Innovation Reserve is subject to bids being received which meet set criteria (again, set by the Government).

Section 5 Salary budget and HR implications

- a) The salary increase assumption in the current year's budget (2014/15) is 2%, the same as 2015/16. Has an overall 2% increase been awarded in the current year? How do salaries now compare with other employers?

A 2% increase was paid in April 2014. No award has been agreed yet for 2015/16. Discussions with staff representatives have just started.

The Council continues to remain competitive in the local and regional employment market but finds it difficult to recruit in some areas.

- b) How much of the salary increment assumption of £140k been used in 2014/15?

The salary increment assumption for 2014/15 proved to be an over-estimate as the actual cost of increments was just under £100,000. This varies year on year depending on performance and position on the salary scale.

- c) Have any bonus payments been made to officers in the last year, and is there any budget for these payments?

A total of £94,000 of non- increment, performance - related payments were paid to officers for 2013/14. They are not separately budgeted as they are expected to be funded from efficiencies within existing budgets.

- d) How many of the 9.8 FTE posts to be removed in the 2015/16 budget are currently vacant? What range of financial estimates does the council have for the cost of redundancies or compromise agreements, including pension fund strain? What is the balance on existing provisions for these costs? Should any cost be included in next year's budget? What is the balance in the budget retained for redundancies?

7 of proposed posts are currently vacant and for the remaining 2.8 FTE reduction, the affected officers have either agreed to reduced hours or have found alternative posts within the Council.

The 2015/16 budget includes £100,000 for the cost of, as does the 2014/15 budget. There is no budget for compromise agreements.

- e) Please also confirm the total number of vacant posts within the council and the number of posts that are occupied on a temporary or contract basis. Please

separately identify which posts in the council are currently being occupied by staff in on the Young Workers Scheme.

There are currently 26 vacancies with 10 being recruited to and 5 frozen. 9 posts are being occupied by temporary staff or young workers.

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

There have been 2 early retirements made on efficiency grounds in 2014/15. The costs of these redundancies (£78,000) have been charged against the £100,000 budget as set out in (d) above.

Section 6 Service Plans, Savings & Growth Proposals

- a) What service reductions are included in the 2015/16 budget plan? Please comment in this regard on the removal of civic community fund, reduced essential user payments, community centre contract reductions, joint parks and street litter service, and reduced clinical waste collection (£20k was also taken out of this budget in 2014/15).

Essentially, none. Some of these changes are just following what has happened in reality (eg the essential user's allowances and civic fund budget have regularly underspent).

Others reflect different ways of achieving the same end result (eg more efficient community centre contracts and joined-up parks and street litter service).

The clinical waste change is a reflection of the fact that much of what has been collected as "clinical" actually is not - and is therefore less expensive to dispose of.

- b) Do the 3 year service plans which have been developed meet the overall savings target set out in paragraph 6.1 of the report (£600k in 2016/17 through to £400k in 2019/20)? To what extent have the associated service reductions been identified and costed?

Headline savings to meet the savings targets for 2016/17 and 2017/18 have been identified as part of the Service and Financial Planning process. Obviously these will be refined and re-costed over time but will provide the starting point for the development of future years budgets.

- c) Relaunch of Website: What capital and revenue costs are involved in this move to more online/ self-service access? IT revenue costs do not seem to be escalating. The reduction of the Information Officer role seems counter-intuitive in this context. How does this relate to the regrading of the Communications Officer post?

The capital spend on the development of the new website is £90,000. There are no revenue growth implications. Annual support and hosting of the new website will cost £14,400 per year and will be hosted externally rather than internally as it is now. For context the capital spend represents a £55,000 - £74,000 saving on the cost of an equivalent project, were we to stay with our existing supplier and software.

The Information Officer role is not part of the web team – it is the role that coordinates the Council's responses to Freedom of Information and Data Protection requests. Some of this work is now being undertaken by the Customer Services team, hence the reduction in the need for a full time role.

The regrading of the Communications Officer post to Senior Communications Officer is not related to the website. Due to the increase in the responsibilities of the Management Team lead for this area, a supervisor at an operational level is now needed within the communications team to oversee day to day activity and assist with the development of the service.

- d) We are basing our reduction in Customer Services and increased reliance on our website on a survey. What was the sample size and confidence level of this survey?

The business driver to reduce our helpdesk services is not based on just one survey. The figure in the report that states that 70% of our residents prefer to contact organisations online and this is based on MOSAIC customer segmentation data from Experian - which the Council is increasingly using to inform service delivery.

MOSAIC is a consumer classification system which allows us to understand the demographics, lifestyles, preferences and behaviours of our residents. Within MOSAIC, the UK population is classified into 15 groups, and 66 further types within those groups. The top 10 MOSAIC groups in the borough make up 70% of our population and the consumer intelligence within MOSAIC tells us that these groups prefer to contact organisations online. The launch of our new transactional website will be followed by a targeted communications campaign in the autumn to persuade residents to go online rather than visit or phone us.

- e) Please confirm how the plans to use car parking to deliver overall savings (as noted in Annex 2) fit with the requirement that PCN income is used to offset any operating costs.

The increase in car park income derives from increases in parking charges and volumes – not from increased enforcement activity. Any revenue “surplus” on this service will be used to offset the significant capital expenditure required to maintain our car parks.

- f) Neighbourhood Services: The report discusses redevelopment of the Earlswood depot and related services; the savings from this initiative seem modest for the 2015/16 budget, and more related to revenue than costs. Please comment.

The redevelopment of Earlswood Depot is based around the construction of a new 100,000 tonne capacity Waste Transfer Station (WTS). The building has been designed and built in partnership with Surrey County Council (SCC) and SITA UK. The site will be operated on behalf of SCC by SITA Surrey.

Recycling, refuse and other waste materials previously delivered to various sites including Earlswood Depot, Longmead Depot (Epsom), Britanniacrest Recycling, (Hookwood) and Jacques Plant (Lingfield) will now all be handled through the new WTS.

Savings will mostly be made in terms of fuel consumption but the more efficient emptying of our collection vehicles will give the capacity to deliver the planned kerbside services to flats and homes currently being developed.

Other costs of our collection operations will not reduce as a result of the construction of a WTS.

- g) Has the Pension Scheme actuary updated the Scheme valuation and contributions required for 2014/15 and 2015/16 and future years? What are the budgetary implications?

The triennial revaluation has resulted in the "additional monetary amount" (AMA) the Council is required to pay (to address the historic deficit on the pension fund) rising by £355,000 over the period 2014/15 to 2016/17. By 2017/18 the AMA will be approximately £1.7m pa.

Through close work with County colleagues (who administer the scheme) between revaluations it has been possible to predict these increases and build them into the budget models.

- h) Please can you confirm the impact of removing the civic community fund. What have its benefits been in the past two years? Similarly, please confirm what will be impacted by the £10k reduction in the councillor allowances budget.

There is no impact of either change as both are designed to reflect reality ie in both cases a history of underspends.

- i) Please explain the right-sizing of the members' allowances budget?

Please see the answer above and in 6a.

- j) The verbs used in our Savings Proposals are confusing. Are we going to increase planning application numbers or are we assuming they will increase?

The saving is based on an upward trend in the number of planning applications being received.

- k) What is the basis for the saving in pest control outsourcing – has this been tendered?

The savings in pest control are based on the deletion of 1 FTE (Pest Control Officer) which was a vacant post. The council has been using a contractor to deliver this non-statutory service for some time and it was thought best to formalise this arrangement through a commercial tendering process (completed September 2014). The contract came into place on 1 November 2014. This was the preferred option rather than not delivering a pest control service at all. The Council receives a small income from the contractor but bears none of the cost of delivering the service.

- l) Pest control is expensive in the private sector. How will we ensure residents still receive an efficient and economical service?

Under the terms of the contract RBBC have retained control of the setting of fees and the contract specification has performance measures against which the company is monitored to ensure that the service is efficient.

It is worth noting that this is not a statutory service and many Councils have simply ceased delivering this service.

- m) After the savings of 2 finance staff have been realised, what will be the size of the finance team? What are the implications for controls and resilience? Are our auditors comfortable with these proposals?

This will leave 17 Finance staff. Better use of technology and more “generic” roles mean that there will be no loss of resilience or control. It is not normal (or best) practice to consult auditors on minor staffing/structural changes.

- n) Please confirm what the ‘transactional finance team’ is and how it will be restructured.

The transactional finance team is a combination of the Accounts Payable and Accounts Receivable teams. By joining together and adopting more generic roles and responsibilities it is possible for fewer staff to achieve the same results and be more resilient to absence etc. It will also provide more opportunities for staff to develop within these broader roles whilst allowing specialists to share knowledge and expertise.

- o) Please explain the £100k reduction in B&B costs and relate to trends in costs and numbers of people in recent years. Last year there was budget growth of £100k, but there doesn't seem to be a substantial positive variance in this expenditure in 2014/15.

In recent years there has been a significant increase in homelessness in the borough and expenditure on B&B accommodation has increased from £25,000 in 2008/09 to over £200,000 in 2013/14.

We are working on a range of measures to reduce the use of B&B accommodation, and there will be a significant increase in temporary accommodation available in January 2015 which will help reduce expenditure.

The planned reduction in the budget reflects the positive changes being made to reduce the reliance on B&B.

- p) Please confirm what the actual B&B costs were for last year, and what the current year's costs are in comparison with next year's budget.

In 2013/14 B&B net expenditure was £203,700.

In 2014/15 forecast net expenditure is £281,900

The 2015/16 net B&B accommodation budget is £158,000.

As stated above, the planned reduction in the budget in 2015/16 reflects the positive changes being made to reduce the reliance on B&B.

- q) Land Charges Income – in previous years we have seen reductions in this income because of alternative sources of information. Please explain the increase of £98k. Is there a positive variance in this income in 2014/15? Is it reasonable to be taking out a member of staff at the same time?

The increase of £98,000 relates to anticipated increases in volumes, not prices. At period 7 2014/15 there is a forecast over-recovery of £80,000 and the trend is upward.

The growth proposals in the report include a restructuring of this team to support the anticipated increase in activity.

- r) There is a large reduction in the budget for our Community Centres. What is the overall budget and what is the proportion therefore and how will this impact on the current Commissioning of Services exercise currently in play?

The current budget is £289,700. The saving of £50,000 (or 17%) is expected to come from the current procurement exercise which it is anticipated will provide better services at reduced cost.

- s) Please confirm that the number of discounted meals available at the community centres will not be affected by the proposed budget savings in the community centre contracts and how the anticipated £50k annual saving will be achieved with

respect to rates of pay and positions. Will the current staff contracts, including zero hour contracts be maintained?

At present only contracts to manage the centres are under review. The savings are expected to arise from the more efficient use of existing resources (eg less overtime payments through better organisation of staff). It is not possible to give specific details at present as the procurement process is ongoing.

- t) How can we assume we will be able to increase Harlequin income by £30,000. What action is being taken to achieve this increase?

This amendments reflects the improved income received since the refurbishment and anticipated future income from additional events such as day time cinema screenings.

- u) What percentage of the allotment budget is being saved and what is the expected fall-off of applicants? If the fall-off is greater than anticipated then allotment designated land may come under pressure from developers and further reduction in allotments is counter to our Borough aims of encouraging activity and well being. Please comment.

This is not a cut in the service but an increase in the level of fees so that the Council can move toward covering its costs. Given the waiting lists for allotments in some areas – and the relatively small increase - no “fall-off” is anticipated.

- v) Please confirm level of the increase in allotment fees, car park charges and taxi license fees that underpin the budget savings proposals.

The savings proposals are based on the following changes:

Allotment Fees

Full plot: increase from £60 to £82.

Half plot: increase from £30 to £41.

Car Parking Charges

The proposal for increasing car park tariffs is based upon 2.5% plus inflation (i.e. 4.5%).

Taxi Licence Income

The additional income is to reflect increased demand for MoTs, not an increase in fees.

- w) Please confirm how the deletion of the remaining 50% post of Environmental Initiatives Officer fits with the council's proposed new Corporate Plan and the Service Plan for delivering environmental initiatives in the future.

Most future environmental initiatives will be delivered through planning policy decisions and through other officers within the Council working on transport and built-environment initiatives. The Council has benefited from a number of environmental initiatives in the past but future gains will be “designed-in” to projects and programmes of work.

- x) The increase in garden waste charges at £85k seems to reflect a £5 increase per member? Is this the case? What will the resultant charge be and how does this compare to neighbouring boroughs?

Yes this is the case – and it will result in the service costing £50 pa. Some of our neighbours do not provide this service, some do and charge more than we do, others charge nothing but recover the cost through Council Tax.

- y) Why are we reducing clinical waste collection? Is this a reduction in an essential service?

Please see the answer to question 6a.

Section 7 Growth Proposals

- a) Individual Elector Registration – An increase of £60k is included in 2014/15 costs. Is a further £80k required in 2015/16?

Yes – this project was always going to have an impact over 2 years and as levels of Government support became clearer it became possible to more accurately quantify this.

- b) Reduction in paper recycling income – What is the basis for the reduction of £350k, and additional gate fees of £90k? This doesn't seem to reflect the experience of 2014/15? What risk is there in this budget?

With the recent downturn in the Chinese economy recycle prices have reduced significantly and this is being reflected in 2014/15 budget performance. Prices for paper in particular have fluctuated between £111 per tonne and £40 per tonne (currently £55 pt). Although some recovery in prices is expected over the next 16 months it is unlikely that the previously achieved levels of income will be achieved.

Section 8 Property

- a) Is our expertise sufficiently reliable to advise on property investment? Who will be involved in the preparation of our Property Investment Plan? How will the risk be managed?

Full details of the approach to property investment are contained in a report to the Executive meeting on 4 December.

In short, appropriate due diligence and risk analysis will always be undertaken and will be provided through a combination of internal and external expertise.

- b) What are the targets for property investments in terms of revenue, capital investment and rate of return hurdle/ benchmarks?

The “targets” are to maximise returns on all of our investments whilst ensuring the security of the Council’s money. Comparison is always made with other investment opportunities (be they property or cash based) before taking any action and full due diligence tests are undertaken to minimise risk.

- c) Is £267k income from Linden House investment of over £4m considered a reasonable return?

At a time when cash-based investments are averaging around 1% a return of over 6% on an asset in a prime location with a high-quality tenant is considered a reasonable return.

- d) Please confirm the yield (annual income from purchase) of Linden House (%) and how this compares to yield and/or interest received on other investments both as a result of the council’s asset management portfolio and treasury management strategy.

For the first part of this question please see 8c.

Prior to the purchase of Linden House the Council owned investment properties valued at £13.9m yielding net income of £700,000pa (or just over 5%).

Section 9 Capital Programme

- a) Planned capital receipts for 2014/15 and 2015/16 are set at about £15m. What sales (specific projects by amount) are planned? What is the basis for the individual estimates, and how certain and realistic are they?

The £15m included in the capital programme primarily relates to the capital receipt in relation to the Merland Rise Recreation Ground sale. Contracts have exchanged and the initial deposit received (in 2013/14). The remaining amounts are linked to completion of the new Banstead Leisure Centre.

- b) Please provide a breakdown of the funding sources and amounts of Planned Capital Receipts, Section 106 funding receipts and Capital Grants and Contributions summarised in the Capital Resources Summary in Annex 4.

Please see separate schedule.

- c) Surrey County Council: The amount shown seems to have gone up from last year – from £2.4m to almost £5m. Please explain.

These relate to specific projects that have received approvals in year (they mainly relate to the Banstead Leisure Centre and Merstham regeneration schemes).

- d) Why do we need to keep spending considerable sums each year on Air Quality Equipment? Does it wear out quickly or are we increasing the amount of equipment?

Air quality monitoring is a statutory obligation and the equipment used does have a high level of “consumable” parts.

The budget requirement is based on current best estimates of need but it is hoped that these amounts will reduce as Gatwick Airport increases its contribution to the programme.

The data provided by this equipment is useful for a wide variety of reasons. For instance, evidence is regularly provided to influence housing, roads and other developments. We have also been able to work with County Council Highways Engineers to consider different traffic light sequencing and other traffic management schemes so as to tackle some of the peaks in air pollution levels in locations such as town centres.

In addition, we also provide an early warning system for those suffering with asthma and other respiratory conditions so as to reduce the number of Accident and Emergency admissions each year.

- e) Redhill Cinema: Are there any capital plan implications of this project – for example in disposal of the site?

Full details of the Marketfield Way regeneration scheme – including the cinema - were set out in a report to the Executive on 9 January. This included potential financial implications and as further information becomes known the Capital Programme will be (and has been) updated.

- f) Under the 5 year Capital requirements for our Leisure Centres there is significant provision for ongoing maintenance. Are the annual figures all for maintenance or are there other capital projects included within those six figure sums such as Toilets at Salford Lakes?

Other than those specifically reference as “new build” the figures relate to the maintenance of existing leisure centres. No new projects are included and if there were new projects approved they would be shown as a separate item/line in the programme.

- g) Please provide details of the expected future income generation that result from the capital programme items, including the Regeneration items.

The income generation opportunities that relate to each capital project are set out in detail in the Executive reports that seek their approval. For a summary please refer to the answers to questions 8c, 8d and 9a.

- h) Please provide a breakdown of the financial amounts and number of posts (internal or under contract) that are funded as part of the capital programme and how this is proposed to change under the capital programme presented.

Although it is possible to fund posts from capital under specific (and exceptional) circumstances there are none currently funded in this way. Going forward, only those costs that can be capitalised in accordance with the requirements of accounting standards will be included - and this will be identified within specific work plans.

- i) Please provide a breakdown of what the waste recycling and management improvement items are that will be delivered in both 2014/15 and 2015/16. Please provide a short summary of the recent changes in recycling prices and why the gate fee charges are proposed to/have changed.

For the first part of the question please see the answer to question 6f.

There are two main areas where recent price change that are having an impact on both the current budget and the 2015/16 budget proposal.

The first is paper prices. These have fluctuated between £111 per tonne and £40 per tonne (currently £55 pt) during the year. Although some recovery in prices is expected over the next 16 months it is unlikely that the previously achieved levels of income will be achieved.

The second area relates to income from mixed recyclates. Earlier in the year we were receiving an average of £5 per tonne. Currently we have to pay a gate fee of £20 per tonne.

Both sets of circumstances reflect the downturn in global demand for recyclates as growth rates in major economies - such as China – have reduced.

- j) Please confirm details as to how the disabled facilities grant receipt relates to the disabled facilities grant expenditure in the capital programme, and whether there has been a change in either the receipt or expenditure recently. Please confirm if there are plans to provide sustainable finance to support the environment, leisure

and culture and rolling programmes in the capital programme or whether they will continue to be funded through general capital reserves.

The Council is continuing to allocate a budget of £560,000 for disabled property facilities capital works with an expected grant allocation of £404,000. Therefore, the Council is funding £156,000 from its own reserves.

Officers routinely explore the most appropriate ways of financing all capital schemes. If third party contributions, specific grants or s106 monies are available these will be used before general capital receipts.

Section 11 Other

- a) Please confirm what the expected impact of roll-out of any other welfare changes, including Universal Credit is, and how this is captured in the budget.

Please refer to paragraph 49 of the Service & Financial Planning 2015/16 report to the Executive on 13 November.

Question 9b

Projected Capital Programme Resources 2014/15 to 2019/20	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000	£000
Planned Capital Receipts Total	7,992	6,892				
RTB receipts	374					
Land sale	7,618	6,892				
S106 Funding Total	454	1,959	384			
Affordable Housing contributions	73					
Memorial Park	175	48				
Redhill Balanced Network		446				
Thames Water site		120				
Merstham regeneration		770				
Banstead Leisure Centre		565	195			
Preston regeneration	206	10	189			
New Homes Bonus Total	486	104				
Redhill Balanced Network	486	104				
Capital Grants & Contributions:						
Disabled Facilities Grant	404	404	404	404	404	404
Surrey County Council Total	2,181	2,511	262			
Memorial Park	69					
Preston regeneration	174	612	225			
Merstham regeneration	757	1,328	37			
Banstead Leisure Centre	1,181	571				
Raven Housing Trust Total	723	1,217	27			
Merstham regeneration	693	1,217	27			
Preston regeneration	30					
Home Improvement Agency	90					
Sports Lottery Total	574	15				
Banstead Leisure Centre	485	15				
Memorial Park	89					

Annex 2

Analysis of "Employee - Other"

	£m
Standby Allowances	0.08
Agency Temps	0.29
Casual Staff Wages	0.09
Overtime	0.19
Rest Day Working Payments (Depot)	0.32
Elections Staff Expenses	0.05
Additional Pension Fund Payments	1.55
Historic Early Retirements (pre 2002)	0.38
Redundancy	0.10
Professional Subscriptions	0.02
Training	0.17
Recruitment	0.04
Total	3.29