

Addendum

Executive

Dear Councillor,

Executive - Thursday, 15 December 2022, 7.30 pm

I enclose, for consideration at the meeting of the Executive to be held on Thursday, 15 December 2022 at 7.30 pm, the following reports which were unavailable when the agenda was published.

Mari Roberts-Wood
Managing Director

4. **Commercial Strategy: Progress Update (Pages 3 - 6) – O&S Draft Minute from 8 Dec 2022 meeting**

The Executive Member for Investment and Companies.

5. **Quarter 2 2022/23 performance report (Pages 7 - 10) – O&S Draft Minute from 8 Dec 2022 meeting**

The Executive Member for Corporate Policy and Resources and the Executive Member for Finance and Governance.

- 10 a **Observations on Budget Scrutiny - Budget Scrutiny Panel Report (Pages 11 - 26) and O&S Draft Minute from 8 Dec 2022 meeting**

Deputy Leader and Executive Member for Finance & Governance.

For enquiries regarding this addendum;

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Minute from Overview & Scrutiny Meeting on 8 December 2022

Commercial Strategy Progress Update

Councillor Archer, Portfolio Holder for Investment and Companies, introduced the first annual update on the Council's Commercial Strategy, part one of which was agreed in November 2020 and part two in December 2021. Since the Commercial Strategy was approved, the Council has also implemented the Financial Sustainability Programme, covering a number of complementary activities. Updates on that Programme are provided quarterly to this Committee and to the Executive.

Commercial activities are guided by the three key principles set out in the Strategy. These are that the Council will be ethical and meet statutory responsibilities; that commercial decisions will be robust, consistent and supported by due diligence; and that income will be used to support financial sustainability and services for residents. The Council's commercial activity can be broken down into two main areas, commercial assets and commercial services. Information on company activity is available in the parallel Companies Performance Report, which was also on the agenda for this meeting.

Progress this year has been positive, with some work on commercial assets making a particular contribution. Noteworthy achievements include securing almost £1.2million from new property lettings, preventing nearly £400k of costs from void properties, and good progress on developments at The Rise and Wheatley Court enabling cautious income projections of £250k in 2025/26, increasing to £800k by 2027/28. The Council has also agreed to buy temporary emergency housing units to improve the housing offer and reduce costs, approved a programme of re-letting cafe premises in parks to improve income and is developing a pipeline of future opportunities around remaining key properties and potential land assembly. When it comes to making Council services more commercial, this year the focus has been on the review of fees and charges which has identified approximately £1million in savings and additional income. More information on those charges is available in the annual budget papers.

There have been areas where progress has not been as originally envisaged or where plans have had to change, following changes to regulations on Government funding. The Council is no longer progressing plans for a holding company and plans to strengthen the Council's procurement and contract management skills base have also been slower than first hoped due to recruitment challenges. The plan is to continue to work towards delivering identified actions in the coming year, ensuring that commercial activity continues to be a component in wider financial sustainability work.

Members discussed and asked questions on the following areas:

Commercial Assets – Page 56 of the report states that three projects (Camelia Close/Pitwood Park, Lee Street Horley and Wheatley Court/Cromwell Road) have been successfully concluded, Members asked for the details of the capital budget outturn for the projects. A written exempt response would be provided.

Members further asked for a "lessons learnt" report following completion of the projects at Cromwell Road and Pitwood Park. A written response would be provided.

Commercial Services – Members noted the option of establishing a housing company had been found not to be financially viable and asked for the reasons behind this decision. It was confirmed that this was due to increased Government constraints around funding for commercial activities. The possibility of setting up a company had

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been explored, but the regulations surrounding lending meant that it would not be financially viable.

Members commended the decision not to move forward on the grounds of financial viability as this demonstrated good governance around decision-making.

Members asked whether possible options for joint working with Raven Housing Trust would be considered by the Partner Shareholder Trustee Sub-Committee (formerly Commercial Ventures Executive Sub-Committee). It was confirmed that any such options would be subject to the appropriate governance, including approval by the Sub-Committee.

Asset (Re-)Development – Members commented that the potential revenue income from The Rise and Cromwell Road were included in the report but were not broken down by property. Members requested a breakdown by property of funding, construction costs and net rental income to ascertain the return on investment for each asset. A written response would be provided.

Members further requested clarity on the Council's ability to build and let accommodation. The Portfolio Holder for Investment and Companies explained the 32 units at Cromwell Road were available for social rent to Council tenants on a secured long term tenancy. The possibility of developing a housing company would have provided an option to build units for rent on commercial terms to generate a return for the Council; however, this was the option that was found to be financially unviable. The Council was now considering options for working with social housing providers, such as Raven Housing Trust.

It was suggested by Members that the progress on the Housing Strategy should be reviewed following the successful projects at Pitwood Park, Cromwell Road and The Rise and that this should be added to the Forward Work Plan for the Overview & Scrutiny Committee.

It was also suggested that this could be reviewed alongside Surrey County Council's forthcoming Housing Strategy to maximise value for residents.

Asset reporting – The Committee welcomed the introduction of a formal quarterly asset performance report to the Partner Shareholder Trustee Sub-Committee on the Asset Management Plan. It was commented that it would also be useful for up to date project dashboards to be reported.

Revenues and Benefits – Members asked for an update on Revenues and Benefits trading activities. A written answer would be provided setting out the income received, costs incurred and contribution to fixed costs and overheads. The total cost of the services provided had been analysed to ensure there was no cross-subsidisation and to ensure that opportunities were maximised through appropriate pricing.

Maximising Use of Assets – Members asked whether future plans for employing renewable energy and plans to improve energy efficiency in Council buildings were proceeding. It was confirmed that the Council owns various assets, and these needed to be used in the best way. Some assets could be improved to become more energy-efficient, and in the light of rising energy costs, some projects which had not made economic sense in previous years might be more viable now. In addition, the Council was ensuring that the rolling maintenance programmes were working in line with the Environmental Sustainability Programme and using energy more wisely, such as

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retrofitting insulation, installation of LED lighting, installation of new environmentally friendly boilers and exploring potential for the installation of solar panels.

Members suggested that larger plots of land could be used for wind turbines or other low carbon energy generation.

RESOLVED that the Committee:

Noted the Commercial Strategy Annual Progress Report at Annex 1 and made observations to the Executive.

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Minute from Overview & Scrutiny Committee meeting on 8 December

Quarter 2 2022/23 Performance Report

The Committee received the Performance Reports for Quarter 2 2022/23 including the Key Performance Indicators (KPIs) and Budget Monitoring forecasts Quarter 2 2022/23, both for revenue and capital.

Quarter 2 2022/23 KPI performance

Councillor Lewanski, Portfolio Holder for Corporate Policy & Resources, gave an overview of the KPI performance as set out in the report and at Annex 1. Of the ten KPIs reported on, nine were on target or within agreed tolerances. One KPI was red rated for Quarter 2, KPI 3 staff turnover, which had a rate of 16% compared to the target set of 12%. In recent years the Council had seen lower than expected levels of turnover, probably due to the pandemic, and levels had now increased.

Advance questions had been received on this item. The advance questions and responses can be viewed here:

[Document Advance Questions and Answers OS 8 December 2022 | Reigate and Banstead Borough Council \(modern.gov.co.uk\)](https://modern.gov.co.uk/Document/Advance%20Questions%20and%20Answers%20OS%208%20December%202022%20%20Reigate%20and%20Banstead%20Borough%20Council)

The Committee requested that the Member asking the advance question be identified on the advance question and written response document to enable the Chair to address the Member to establish whether there were any supplementary questions.

Members discussed and asked questions on the following areas:

Planning Permission – The written response to question 2 regarding planning permission was referenced. Members commented that the KPI did not show the number of projects which had received planning permission but where work had not yet commenced and asked for this data. It was commented that the commencement of building work was out of the Council's control and did not constitute a KPI, but that this data was reported to Planning Committee. It was confirmed that information on pipeline permissions is collected and published annually in the Housing Monitor produced by the Planning team. A written answer would be provided.

Staff Turnover – Members asked whether exit interviews were performed and whether there were any services where turnover was high. It was confirmed that exit interviews are undertaken by Human Resources. Staff turnover was interrogated regularly. The level of staff turnover was usually 10-12%; this level had decreased during COVID but was now increasing, due to several factors including migration; the ability of working remotely for London boroughs which offered higher salaries; an increase in early retirement and employees making different life choices. The level of staff turnover was not expected to decrease before the end of the municipal year. The Council extends a rounded offer for staff and is a stable local authority. Pay negotiations for 2023/24 were well underway. It was confirmed that there were no services with concentrated turnover.

Food Waste – It had been reported that more food waste was thrown away than was collected in the Borough and that approximately 6,000 properties did not have a food waste bin. Members asked whether the level of food waste recycling was due to lack of participation by those homes where a bin is provided and asked for data on this. A written answer would be provided.

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Quarter 2 2022/23 Budget Monitoring

Councillor Schofield, Portfolio Holder for Finance and Governance, gave an overview of the Quarter 2 Budget Monitoring set out in the report and at Annexes 2 and 3. At Quarter 2 the projected full year outturn is £19.113m against a management budget of £20.062m resulting in an underspend for the year of £948k (4.7%). The full year Capital Programme forecast at the end of Q1 of £31.86m is (53%) below the approved Programme for the year. The variance is as a result of £35.54m slippage and a £0.24m net underspend.

The reasons for the significant forecast slippage at this stage is purely because, while substantial budgets have previously been allocated for investment in Housing developments, the related business cases have not yet been developed. These will follow in due course as the Council implements its strategies in these areas.

Advance questions had been received on this item. The advance questions and responses can be viewed here:

[Document Advance Questions and Answers OS 8 December 2022 | Reigate and Banstead Borough Council \(moderngov.co.uk\)](https://moderngov.co.uk/document/advance-questions-and-answers-os-8-december-2022-reigate-and-banstead-borough-council)

Members discussed and asked questions on the following areas:

Emergency Accommodation – The written response to advance question 7 confirmed the range of costs for bed and breakfast accommodation; Members requested in addition confirmation of the average cost per night for this type of accommodation. A written follow up answer would be provided.

Environmental Strategy Delivery – The written response to advance question 11 explained that proposals for the Council's buildings and fleet would be funded from the £250k capital budget, where appropriate or via additional funding bids. Members asked for a breakdown of how the £250k would be spent. Officers confirmed this would be determined on the outcomes of the business cases, once prepared.

Capital Programme – Members expressed concern over the scale of slippage in the capital programme as there is a risk that costs would increase in the future, lessening the value of the Capital Budget and asked whether an assessment of net present value impacts of slippage had been carried out. It was confirmed that the Council was aware of rising costs but there was a balance to be struck between proceeding with haste and ensuring that business cases are robust.

Refugee Support Grants – Members requested a breakdown of the grants and expenditure for Syrian and Afghan refugees. A written answer would be provided.

Capital Funds for New Affordable Housing – Members noted that the continued slippage for this item. The Portfolio Holder for Finance and Governance explained that slippage arises due to approved projects falling behind schedule or due to delays in bringing business cases forward for approval. The slippage reported for Affordable Housing Schemes is due to delays in identifying suitable business cases

CCTV – Members asked for an explanation of why the information in the Capital Budget Monitoring for CCTV was the same as the information for Community Partnerships. A written answer would be provided.

Staff Vacancies – There was a total of £190k in staff vacancies for Revenues and Benefits, Members noted that this was high and asked if the service provided was affected. It was confirmed that this related to four vacant posts, two of which had now

been filled and two would be recruited to in the new year. It was also confirmed that the service performed well and there were no issues with the service provided.

Members asked for an explanation for the cost of financial interim staff. It was confirmed that this cost had been incurred to bring in specialist support, for example to help administer the additional Government grants, for which some funding had been received, and for other specialist help in preparing for the end of year close down and progressing audit improvements.

Grants - It was also reported that the authority's UK Shared Prosperity Fund submission had been successful, and that the 2022/23 allocation would be £165k.

RESOLVED that the committee:

1. Noted Key Performance Indicator (KPI) performance for Q2 2022/23 as detailed in the report and at Annex 1 and made observations to the Executive.
2. Noted the Budget Monitoring forecasts for Q2 2022/23 as detailed in the report and at Annexes 2 and 3 and made observations to the Executive.

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Signed off by	Chief Finance Officer
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To	Overview and Scrutiny Committee
Date	Thursday, 8 December 2022
Executive Member	Councillor Nick Harrison, Chair of Overview and Scrutiny Committee

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Observations on Budget Proposals - Budget Scrutiny Panel Report
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Recommendations
<p>That in response to the Service and Financial Planning 2023/24 report and supporting documents to Executive on 17 November 2022, the following observations and Recommendations from the Budget Scrutiny Panel be submitted for consideration by the Executive, that:</p> <ul style="list-style-type: none"> (i) The national and local policy context and significant financial uncertainties at this stage in the budget-setting process were noted, along with the associated uncertainties and risks. (ii) The service proposals set out in the report which seek to respond to this context and deliver corporate policies be endorsed. (iii) The draft service business plans for 2023/24 to 2025/26 be approved, and that Heads of Service be authorised to finalise their plans for their service areas in consultation with the relevant Portfolio Holders. (iv) The following be approved for consultation under the Council's budget and policy framework: <ul style="list-style-type: none"> a) Medium Term Financial Plan Forecasts and proposed actions to address the forecast Revenue Budget gap;

- b) Service Revenue Budget growth proposals totalling £0.442 million, savings of (£0.828) million and additional income of (£1.186) million;
- c) Central Revenue Budget Savings proposals totalling (£0.897) million. The Panel noted that the £1.500 million budget for pay increases was not specifically referenced in this Recommendation, but acknowledged that it was included in the supporting tables and narrative in the body of the report.
- d) Revenue Issues, Risks and Opportunities totalling £2.407 million, to be funded from earmarked Reserves as necessary;
- e) Revenue Reserve Balances at 1 April 2022 of £45.596 million;
- f) A forecast balanced Revenue budget for 2023/24, subject to final confirmation of the outstanding items; and
- g) Capital Programme Growth proposals totalling £7.683 million.

With the provision of a clearer explanation for the £1.5million for staff salary growth under c) Central Revenue Budget Savings proposals.

- (v) The Fees & Charges Policy was noted.
- (vi) The Reserves Policy was noted.
- (vii) The Local Council Tax Support Scheme be reviewed during 2023/24 and the outcome be reported as part of Service & Financial Planning for 2024/25.
- (viii) Assumptions and individual budgets were to be reconsidered following the December Government financial settlement announcement; consequently the Panel did not draw a final conclusion on the overall Budget proposals for 2023/24.
- (ix) The final Service and Financial Planning 2023/24 report to Executive on 26 January will also be an agenda item for discussion at Overview and Scrutiny Committee on 19 January 2023.
- (x) The Panel considered the explanations in the Budget report for year on year changes in the budget and found the Budget proposals to be achievable, realistic and based on sound financial practices and reasonable assumptions, subject to the outstanding matters set out in (i), (ii) and (iii) above.
- (xi) The Panel noted that the proposed savings were not expected to have a significant impact on service scope or quality.
- (xii) The Panel noted that inflation cost pressures had been addressed in the Budget on a case by case basis. The Panel expressed concern about recent inflationary pressures which put short-term inflation well above the Bank of England target and suggested this would put unbudgeted upward pressure on the cost of goods and services and on personnel costs.
- (xiii) The Panel noted that the Budget for 2022/23 included the use of £2.407 funding from earmarked Reserves, as necessary, and that the use of these Reserves was necessarily a one-off source of funding.

<p>The Panel thanked Portfolio Holders and officers for the substantial work in preparing the Budget 2022/23 report and for the written responses to the 76 advance questions from Members.</p>
<p>Reasons for Recommendations</p>
<p>The Committee is requested to consider the report and recommendations of the Budget Scrutiny Review Panel and make any observations on the Service and Financial Planning proposals for 2023/24, for consideration by the Executive in line with the Council's budget and policy procedure rules.</p>
<p>Executive Summary</p>
<p>The Panel tested the explanations in the Budget 2023/24 report to Executive for the year on year changes in the budget (savings, income and growth) in the context of the actual expenditure for last year and the current year.</p> <p>A number of assumptions and individual budgets remain to be confirmed before the final Budget proposals come forward in January. These were mainly relating to Central Budgets, rather than Service budgets. They included the financial settlement from the Government, business rates income, council tax and the call on the Pensions Reserve. On the Service side, car park revenue and energy costs budgets are also subject to final review.</p> <p>Given these outstanding matters, the Panel did not draw a final conclusion on the overall Budget proposals for 2023/24 and recommended that the final Budget report to Executive on 26 January 2023 comes to Overview and Scrutiny Committee for further consideration at its meeting on 19 January 2023.</p> <p>In terms of service delivery, the Panel noted that, although the proposed savings were not expected to have a significant impact on service scope or quality, some reductions were proposed in the grants and funding to voluntary organisations. The Panel were concerned about the impact on residents of reducing funding for voluntary organisations and would urge the Council to communicate with residents about this and to emphasise the help that is available to any residents who were struggling financially, encouraging residents to approach the Council if they required assistance.</p> <p>The Panel noted that that inflationary cost pressures were increasing, primarily in fuel and energy costs.</p> <p>With regards to the Financial Sustainability Programme, the Panel noted that there had been substantial savings identified, including headcount savings.</p> <p>The Panel noted that there are approximately twenty vacant posts at any given time, equating to approximately £1million in salaries and on-costs.</p> <p>The Panel noted that Reserves continued to be drawn on to balance the budget, although some Reserves will be supplemented through making savings in some areas. The Panel asked for a schedule of the level of reserves for the last three years showing the funds drawn and the funds added, to ascertain whether Reserves are reducing overall.</p>

Statutory Powers

1. The Local Government Act 1972 requires the Council to set an annual budget as part of proper financial management through the Service and Financial Planning report each year.
2. The Local Government Act 1992 requires councils to set a balanced budget and announce the Council Tax level by 11 March each year.
3. The Local Government Act 2000 makes it clear that the role of scrutiny in the financial process is to hold the Executive to account and to ensure that its decisions are in the best interests of the community.

Background

4. The Budget Scrutiny Review Panel focused on consideration of the draft Budget proposals for 2023/24.
5. The Service and Financial Planning 2023/24 Report and supporting documents were circulated as part of the Advance Questions process for the Budget Scrutiny Review Panel Members on 10 November 2022. The responses provided by officers were circulated in advance to Panel Members before the Panel meeting on 29 November 2022.
6. The Panel was requested to offer its comments and recommendations to the Overview and Scrutiny Committee on 8 December 2022 based on its review of the consultation document. The Executive is due to approve the proposed Budget for 2023/24 on 26 January 2023 after considering the recommendations from the Overview and Scrutiny Committee.
7. The objective of the Panel was to satisfy its Members that the Budget plan was achievable, realistic and based on sound financial practices. It scrutinised the following: the assumptions which underpinned the budget; the impact of any savings on service delivery; the justification for any growth proposals; and how the revenue budget and capital plan related to the delivery of corporate priorities.

Panel Observations and Conclusions

Approach

8. Councillor Harrison, Panel Chair, introduced the Panel meeting which looked at the written responses from the Finance team and Heads of Service to the 76 Advance Questions that were raised by Panel Members. The Panel took supplementary questions from Members to consider matters in more depth. Councillor Harrison praised the new format of the report, showing the summary of changes at the beginning of the report.
9. He also congratulated officers and the Executive for setting out an early balanced proposed budget but noted that adjustments would be necessary following the Government's Financial Settlement in December and to finalise other budget lines.

He therefore requested that the updated proposed budget for 2023/24 be presented to the Overview & Scrutiny meeting for discussion on 19 January 2023.

10. Panel Members asked questions on the following areas which were discussed by the Panel.
11. **Central Budgets** – Panel Members queried how the £1.5 million budget for staff salary growth had been reached, as this figure could not be seen in the formal Recommendations. The report showed only a savings figure of (£0.897)million under c) Central Revenue Budget Savings proposals. The Panel noted that the £1.500 million budget for pay increases was not specifically referenced in this Recommendation but acknowledged that it was included in the supporting tables and narrative in the body of the report. Also, that a vacancy factor had been implemented to offset the potential underspend in service budgets due to vacant posts. It was requested that the £1.5 million budget growth be included in the formal Recommendation to make this information clearer.
12. **Off Street Parking Income** – Figures had been supplied for off street parking for the current year, and Panel Members requested details of the assumed increase in income for 2023/24. Income had been increasing steadily in the current year, although it had not reached the pre-COVID level of £1.1million. A forecast had been included in the budget to reflect the increase and to re-baseline this income below the pre-COVID figure. The extra information would be made available for the O&S Committee meeting on 8 December.
13. Panel Members asked what the net impact of on street parking responsibility transferring to Surrey County Council would be on the Council. It was confirmed that any deficit would transfer to Surrey County Council and would therefore have no impact on the budget.
14. **Housing Benefit subsidy and grants** - An explanation of “exempt accommodation” was requested. It was explained that this type of accommodation was small care and support homes for those with care needs and their carers. A higher level of housing benefit was received for this accommodation, but it was a budget pressure as the Government did not reimburse the full costs which are then subsidised by the Council.
15. Panel Members asked how much of the budget figure was due to the shortfall in Government funding. It was confirmed that this figure was approximately £400k, and a further £138k related to discretionary housing payments.
16. **Staff establishment** – The Panel appreciated the inclusion of the vacancy list and commented that this level of focus was a positive and successful aspect of the Financial Sustainability Programme.
17. It was pointed out by the Panel that there were approximately twenty roles with no comment on the vacancy list. It was explained that the list was constantly changing and those roles with no comment could now be in the process of recruitment. The vacancy list was a snapshot on that particular day. The inclusion of the vacancy factor in the budget was welcomed to recognise unfilled roles.

18. **Reduction in grants to voluntary and community sector** – The draft impact assessment was requested by the Panel. It was confirmed that this document was not yet finalised and would be included in the pack presented to Executive but would be shared with O&S Committee if it became available before the Executive Committee meeting.
19. Panel Members asked whether voluntary organisations had been consulted on the extension of the pause in funding. It was confirmed that meetings and consultations with voluntary organisations had taken place.
20. **Harlequin Theatre** – It was asked how the decrease in budgeted funding to the Harlequin theatre from £380k to £280k had been reached. It was confirmed that this was due to increased income and decreased costs. £125k decrease in costs had already been achieved. Opportunities to increase income had been explored, eg catering, and more aggressive budget targets had been set. The Harlequin Theatre had been encouraged to consider the services provided and prices charged.
21. **Verge maintenance** – A saving of £75k in staffing costs has been forecast when the service transfers to Surrey County Council. Historically funding of £129k was received from Surrey. The Panel asked how the additional savings would be achieved to balance the budget for this item. A breakdown would be provided by the service for the O&S Committee meeting on 8 December. It was confirmed that subcontractors were not used.
22. **Inflation** – It was asked what overall inflation rate had been assumed in the Budget. It was confirmed that inflation was considered in each service area when budget holders submit a proposed budget for the next year, to include both inflation and other demand/service pressures. No overall inflation factor is included. The main focus on inflation was energy costs, which had been factored into the analysis and highlighted as a risk. No significant contracts in the revenue budget had indicated an inflationary increase. The growth schedule contained any proposed increases in costs, whether for additional service needs or inflation.
23. **Energy increases** – Although the budget included an allowance for additional gas and electricity costs, it was noted that no change was budgeted for vehicle fuel, which had fallen from previous highs. Panel members queried whether the budgeted cost was appropriate. All energy costs would be monitored closely.
24. **Property costs and rents** – The Panel thanked the Chief Finance Officer for the detailed analysis provided, particularly in relation to voids by property.
25. It was asked whether estimated rental value (£817.6k) and annual void costs (£493k) were separate costs. It was confirmed that the costs were separate; rental value is the amount lost in rental income; and annual void costs consist of landlord incurred costs which would ordinarily be passed on to the tenant, such as security, insurance, service charges and business rates. It was noted that this was the worst-case scenario, and it was hoped that some of the voids would be filled.

26. The risk of tenants leaving was discussed and it was reported that the property team carries out forecasting by tenancy and continues to work on maintaining good relationships with tenants.
27. **Bed and breakfast costs** – Demand was increasing but budget costs remained the same and it was asked whether the same unit cost was assumed for 2023/24. It was confirmed that funding was available, and a strategy was in place to provide more Council-owned temporary accommodation. This was always flagged as a risk, as volumes were outside the Council's control. The importance of preventing homelessness was noted.
28. **21/22 Service Budgets** – The Panel thanked the Chief Finance Officer for the analysis of the budget outturn variance in 2021/22 compared to budget proposals for 2023/24 in the report. The budget for Electoral Services was discussed. There had been an underspend in 2021/22 of £240k. This budget would be re-baselined for 2023/24 to ensure that a typical borough election was budgeted for; Government grants would be received for other elections and a mechanism would be put in place to ensure any surplus could be banked for use in future years.
29. The Panel asked whether voter ID would add to costs for Electoral Services. This had already required the employment of an extra full-time member of staff. Burdens funding would be received from Government towards communication costs regarding the new voter ID system.
30. **2022/23 Budget monitoring** – The Panel commented on the sensible judgements made in the Q1 2022/23 forecast budget variances, with respect to developing the 2023/24 budget.
31. **Fees and charges** – The increase in cost of licences for mobile home sites was small but a member of the Panel was concerned how this would impact lower income families living on mobile home sites. The Council needed to ensure that its costs incurred were covered and there could be no guarantee that the operator would not pass on the cost increase to residents; however, the increase was not a significant charge.
32. It was asked how the bulky waste service compared to private operators. It was confirmed that the service was in line with other local authorities and was competitive with the private sector. It was reported that this was a popular service and provided income of approximately £25k per year.
33. **Empty and unfurnished properties** – There was concern over the abolition of the 28-day rule for 100% discount on Council Tax for properties that become empty and unfurnished, especially where a family member had died. It was reported that changes in the level of discount had been implemented in previous years and that this would be the next step. It was noted that the abolition of the discount would impact landlords, including Raven Housing. There was an option to implement the rule in 2023/24 but the Council had decided to wait a further 12 months to consider it, alongside the Local Council Tax Support Scheme.

34. **Treasury budget** – The Panel asked whether, in relation to loans to subsidiary companies, the Credit Loss Review provision reflected in the Council's financial accounts would impact the revenue budget. It was confirmed that this would be charged directly to reserves, earmarking some of the Commercial Risk Reserves for any potential loss.
35. The Panel further asked why the forecast net borrowing costs and the Minimum Revenue Provision was reducing. This followed a change to only budget funding costs as each investment project came forward and became a firm commitment, rather than budgeting on the basis of the full capital plan. The Panel commended this change in approach.
36. **Banstead Commons Conservators** – The Council had recently met with the Banstead Commons Conservators (BCC) and had agreed to award an additional grant of £25k, as BCC would not be in receipt of a DEFRA grant for 2023/24. As this was a grant, £4k in business rates relief on the BCC's depot could also be claimed by BCC. Any increase above the current level of revenue earned by the Council from BCC land would also be added through the grant, which would benefit BCC. The ability of BCC to raise its own licences was also agreed, enabling BCC to generate income, although there were statutory limitations on how the land could be used.
37. The Panel asked whether any other greenspaces in the Borough may have lost DEFRA funding. It was confirmed that no other losses of funding were known but this would be verified.
38. **Preparation of New Local Plan** – It was asked if the source of funding for the new Local Plan had been decided. It was reported that this would most likely be funded through the Corporate Plan Delivery Fund. The details would be given in the January report, along with the balance of the Corporate Plan Delivery Fund and details of any other projects drawing from the fund, with the amounts forecast to be used this year and next year. The Panel also requested a schedule of Reserves for the last three years showing the use of Reserves, additions made to Reserves, and the resulting balance levels.
39. **Energy price rise impact** – The Panel asked for an estimate on the impact of energy reduction measures being implemented by the Council. It was explained that the Financial Sustainability Plan explores energy efficiency but that there were no tangible figures at this time.
40. **Waste and recycling** – The Government's forthcoming Waste and Resources Strategy was likely to see the introduction of national initiatives such as consistency in kerbside collections and a Deposit Return Scheme, which was identified as a risk to the Council. Further information was awaited from Government to identify the impact this would have on services and enable the Service to demonstrate that it could continue efficiently. There was no indication of the timescale from notification to implementation. The changes could potentially incur costs for additional vehicles, fuel, and staff, but these could not be budgeted for at this time. It was confirmed that recycling (paper, mixed recycling, and food waste) collection continued to be rolled out, although this was a slow process. Some landlords had not made the required changes to enable the collection of recyclates, and it was suggested that the Council

calculates the percentage of properties where recycling could not be implemented unless owners and landlords made changes to their properties. Further information was requested for ward councillors, identifying properties where recycling had not been fully implemented.

41. **Environmental Sustainability and Climate Change** – A Panel member requested that the draft report on the Council's energy audit be shared. It was reported that some questions remained to be answered and that the draft report was not yet complete; it would be presented to the Executive when it was finalised.
42. **Gatwick airport** – It was confirmed that the Council were asking Gatwick to provide funding for any work carried out at their request, jointly with other authorities, and it was also confirmed that the last piece of work requested by Gatwick was covered by the funding provided.
43. **Working with other authorities** – It was reported that good progress was being made with other local authorities in Surrey, with regards to discussing potential options for shared services.
44. **Impact of autumn budget on 17 November 2022** – The rate of Council Tax was discussed. The Council's own budget assumption was an increase of £5.00 The Government was now permitting an increase in Council Tax by up to 2.99% without a referendum. and a Recommendation on the Council Tax increase would be made by the Executive in January. A 1% increase would equate to approximately £150k additional income. However, other grants may be reduced in the financial settlement from Government in December, so the increase may well be required to bridge this gap.
45. **Local government funding** – Assumptions on the level of government grants and other funding were based on the best information and intelligence available when the Council's budget was prepared. A significant reduction in government funding is expected from 2024/25 onwards. It is expected that this will become clearer when the outcome of the Fair Funding Review and Business Rates Reset are announced. Any changes to assumptions would be confirmed in the January report to Executive.
46. **COVID-19 Unspent grants** – There was an unspent amount of £241k Council Tax Grant which is expected to be used over a number of years; Panel members asked whether any of this grant was planned to be used during 2023/24. It was confirmed that this fund was intended for those needing support with Council Tax payments following the pandemic; it was noted that other hardship support schemes also remain in place.
47. **Capital Programme – revenue budget implications** - Provision has been made in the revenue budget to provide borrowing to fund capital schemes.
48. **Medium Term Revenue Budget Forecast, 2023/24-2027/28** – Forecast income from The Rise in 2023/24 onwards was discussed. Budgeting and forecasting had been prudent and awaits agreement of final terms for the leases. Rent-free periods and landlord costs also have to be taken into consideration and therefore no net

income has been included in the budget for 2023/24. Income was expected from 2024/25 onwards.

49. **Leisure Management Fee** – It was confirmed that the management fees payable by GLL had been received.
50. **Land Flood Prevention Programme** – This budget covers the costs of surveying flood-prone areas, taking precautionary measures and securing assets.
51. **Increases in Cost of Living** – Panel members were advised that an all-Member briefing on the cost of living impact on residents had been arranged for 13 December 2022. It was confirmed that additional provision had been made for homelessness and housing. Through the Community Development Teams, the Council was working with the voluntary sector and enabling other organisations to provide help to residents. Indictors were being collected by the Data Insight Team to identify the impacts, such as food bank and food club usage and visits to the Money Advice Team; this data can be shared with other agencies and would be presented to O&S Committee in future.
52. **BSWP3 Recyclate Pricing Trends** – Panel members asked for the graphs provided to have additional information added. The Strategic Head of Neighbourhood Services agreed to provide further figures and confirmed that the market median was tracked for the setting of budgets.
53. The Panel expressed support for continuation of the Council Tax Support Scheme and noted that it would be reviewed in 2023/24. It was hoped that additional Government support would be received. The Council fosters a caring ethos, encouraging residents to communicate hardship which enables the Council to work with residents to reach solutions.

Next Steps

54. The Service and Financial Planning 2023/24 Report and supporting documents were circulated as part of the Advance Questions process for the Budget Scrutiny Review Panel Members on 10 November 2022. The responses provided by officers were circulated in advance to Panel Members before the Panel meeting on 29 November 2022.
55. The Budget Scrutiny Panel reports to Overview and Scrutiny Committee on 8 December 2022. The Executive would consider its report and observations on 15 December and the budget was due to be considered by Executive on 26 January 2023 and recommended for approval by Full Council on 9 February 2023.
56. Overview and Scrutiny Committee were meeting on 19 January 2023 and Panel Members requested sight of the final Service and Financial Planning 2023/24 report for further consideration.

Options
<ol style="list-style-type: none"> Option 1 – To submit the recommendations and conclusions of the Panel to the Executive, to inform its consideration of the 2023/24 Budget proposals. This is the recommended option as it will reflect the in-depth analysis of the Budget Scrutiny Review Panel and support effective decision making by the Executive. Option 2 – To not submit the recommendations and conclusions to the Executive. This is not the recommended option as it will not reflect the in-depth analysis of the Budget Scrutiny Panel and will not support effective decision making by the Executive. In addition to the primary options outlined, the Committee may also wish to submit additional observations to the Executive.
Legal Implications
There are no direct legal implications arising from the recommendations in this report, but the Council is required to adopt a balanced budget for 2023/24 to meet the requirements of the Local Government Finance Act 1992.
Financial Implications
Financial implications are addressed throughout the Service and Financial Planning 2023/24 report.
Equalities Implications
It was confirmed that this document was not yet finalised and would be included in the pack presented to Executive but would be shared with O&S Committee if it became available before the Executive Committee meeting.
Communication Implications
These are considered in the Service and Financial Planning 2023/24 report.
Environmental Sustainability Implications
These are considered in the Service and Financial Planning 2023/24 report.
Risk Management Considerations
These are considered in the Service and Financial Planning 2023/24 report.

Consultation
<p>The Service and Financial Planning 2023/24 report and papers were considered by the Budget Scrutiny Panel at its meeting on 29 November 2022 and responses set out in this report.</p> <p>The public consultation on the draft budget is open until 16 January 2023.</p> <p>Open consultations Consultations Reigate and Banstead (reigate-banstead.gov.uk)</p>
Policy Framework
<p>Service and Financial Planning – The Budget proposals form part of the Council's budget and policy framework. The annual budget is developed to ensure that the Council can deliver both the Corporate Five Year Plan and ongoing services to residents and businesses.</p>
Background Powers
<p>Executive report – 17 November 2022 – Service and Financial Planning 2023/24</p>

Minute from Overview & Scrutiny Committee on 8 December 2022

Observations on Budget Proposals – Budget Scrutiny Panel Report

Members received the report from the O&S Budget Scrutiny Panel which met on 29 November 2022 to consider the provisional Budget proposals for 2023/24 and to make recommendations to the Executive in line with the Council's budget and policy procedure rules.

Councillor Harrison, Chair of the Budget Scrutiny Panel, summarised the findings from the Panel to the Committee which were set out in the report to the Committee as an addendum to the agenda pack, and in the recommendations set out in the minutes and the report. He drew attention to the fact that the financial settlement from Government was yet to be published and that the Overview and Scrutiny Committee would have an opportunity to view and comment on any consequential changes to the budget at the Overview and Scrutiny Committee meeting on 19 January 2023, prior to the Executive meeting on 26 January 2023. He thanked the Portfolio Holder, the Chief finance Officer and the finance team for their report and responses to the advance questions.

Members made comments and asked questions on the following areas:

Environmental Sustainability Strategy – Members noted that two years into the Environmental Sustainability Strategy, there was funding set aside in a Reserve but no capital scheme in place yet to action upgrades to Council buildings.

Reserves – Members were concerned that Reserves, necessarily a one-off source of payment, would be drawn on in the 2023/24 budget proposals. The Chair informed the Committee that although Reserves would be used, funds had also been added to Reserves in previous years; the Panel had requested a schedule of Reserves for the last three years showing the use of Reserves, additions made to Reserves, and the resulting balance levels, which would be available for the January meeting.

Council Tax – Members noted that the Government had announced it was permitting a 2.99% increase in Council Tax, rather than a 1.99%, without a referendum being held. Members were concerned that Government funding might be reduced in the Provisional Local Government Settlement in December, which then might necessitate an increase in Council Tax charges to offset the reduction. This would be discussed further once the final Settlement had been published.

It was noted that the Portfolio Holder for Finance and Governance and the Chief Finance Officer had provided clarification on the £1.5 million budget for staff pay increases that was not specifically referenced in the budget recommendations.

Resolved – that in response to the Service and Financial Planning 2023/24 report and supporting documents to Executive on 17 November 2022, the following Recommendations from the Budget Scrutiny Panel, and

approved by the Overview and Scrutiny Committee on 8 December 2022, be submitted for consideration by the Executive, that:

- (i) The national and local policy context and significant financial uncertainties at this stage in the budget-setting process were noted, along with the associated uncertainties and risks.**
- (ii) The service proposals set out in the report which seek to respond to this context and deliver corporate policies be endorsed.**
- (iii) The draft service business plans for 2023/24 to 2025/26 be approved, and that Heads of Service be authorised to finalise their plans for their service areas in consultation with the relevant Portfolio Holders.**
- (iv) The following be approved for consultation under the Council's budget and policy framework:**
 - a) Medium Term Financial Plan Forecasts and proposed actions to address the forecast Revenue Budget gap;**
 - b) Service Revenue Budget growth proposals totalling £0.442 million, savings of (£0.828) million and additional income of (£1.186) million;**
 - c) Central Revenue Budget Savings proposals totalling (£0.897) million. The Panel noted that the £1.500 million budget for pay increases was not specifically referenced in this Recommendation, but acknowledged that it was included in the supporting tables and narrative in the body of the report.**
 - d) Revenue Issues, Risks and Opportunities totalling £2.407 million, to be funded from earmarked Reserves as necessary;**
 - e) Revenue Reserve Balances at 1 April 2022 of £45.596 million;**
 - f) Forecast balanced Revenue budget for 2023/24, subject to final confirmation of the outstanding items; and**
 - g) Capital Programme Growth proposals totalling £7.683 million.**

With the provision of a clearer explanation for the £1.5million for staff salary growth under c) Central Revenue Budget Savings proposals.
- (v) The Fees & Charges Policy was noted.**
- (vi) The Reserves Policy was noted.**

- (vii) The Local Council Tax Support Scheme be reviewed during 2023/24 and the outcome be reported as part of Service & Financial Planning for 2024/25.**
- (viii) Assumptions and individual budgets were to be reconsidered following the December Government financial settlement announcement; consequently the Panel did not draw a final conclusion on the overall Budget proposals for 2023/24.**
- (ix) The final Service and Financial Planning 2023/24 report to Executive on 26 January will also be an agenda item for discussion at Overview and Scrutiny Committee on 19 January 2023.**
- (x) The Panel considered the explanations in the Budget report for year on year changes in the budget and found the Budget proposals to be achievable, realistic and based on sound financial practices and reasonable assumptions, subject to the outstanding matters set out in (i), (ii) and (iii) above.**
- (xi) The Panel noted that the proposed savings were not expected to have a significant impact on service scope or quality.**
- (xii) The Panel noted that inflation cost pressures had been addressed in the Budget on a case by case basis. The Panel expressed concern about recent inflationary pressures which put short-term inflation well above the Bank of England target and suggested this would put unbudgeted upward pressure on the cost of goods and services and on personnel costs.**
- (xiii) The Panel noted that the Budget for 2022/23 included the use of £2.407 funding from earmarked Reserves, as necessary, and that the use of these Reserves was necessarily a one-off source of funding.**

The Committee thanked the Portfolio Holder and officers for the substantial work in preparing the Budget 2023/24 report and for the written responses to the 76 advance questions from Members. They commended the report for its comprehensive content and for its presentation which was much improved from previous years.

The minutes of the Budget Scrutiny Panel meeting held on 29 November 2022 were approved.

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