

# Addendum

## Executive

Dear Councillor,

**Executive - Thursday, 26 January 2023, 7.30 pm**

I enclose, for consideration at the meeting of the Executive to be held on Thursday, 26 January 2023 at 7.30 pm, the following Addendum – O&S observations on Budget & Capital Programme 2023/24.

**Mari Roberts-Wood**  
Managing Director

4. **Addendum – O&S observations - Budget & Capital Programme 2023/24(Pages 3 - 6)**

The Executive Member for Finance and Governance.

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## **Minute from Overview & Scrutiny Committee on 19 January 2023**

### **Budget and Capital Programme 2023/24 - Update for Overview and Scrutiny Committee**

#### Overview

The Executive Member for Finance and Governance was invited to introduce the update on the Budget and Capital Programme for 2023/24. It was noted that this provided an overview of the final consolidation of the budget proposals, including the Government's settlement, which overall had been positive for the authority.

Further detail was provided by the Chief Finance Officer. It was confirmed that the Government settlement had been positive, which was different from the experience in previous years. The positive measures included the allocation of a new grant to achieve the Government's aim of all authorities having an extra 5% in core spending power. This minimum funding guarantee and the ability to increase Council Tax by a further 1% had achieved a positive overall impact on the 2023/24 budget. This made it possible to avoid drawing on reserves as much as had been anticipated when the budget was previously reviewed by the Committee in November 2022. A supplementary table would be provided for Members with the minutes of the meeting to illustrate the movements in the budget between November 2022 and January 2023.

It was emphasised that each year's settlement stood on its own. This meant that it was entirely feasible that the settlement in subsequent years would not be as positive.

#### Council Tax and Business Rates

Members asked for further clarity to be provided on the changes to Council Tax and non-domestic rates. The Chief Financial Officer explained that it was possible for 2023/24 to increase the Council's share of Council Tax by 2.99%, generating an extra £150,000. Having previously taken a cautious view, the authority's Council Tax base was also buoyant, meaning there were an increasing number of properties on which Council Tax could be levied.

The Collection Fund was used to account separately for Council Tax income on behalf of all precepting authorities. Having taken a prudent view in November 2022, it was now possible for the Council to include in its budget its share of the Collection Fund surplus. The same situation also applied to Business Rates. A strong collection performance had resulted in a significant surplus.

Overall, this meant that the authority would benefit from more Council Tax and Business Rates income than had been anticipated in November 2022.

#### Government Funding Risk Reserve

The Chief Financial Officer explained to Members why it was necessary to maintain a Government Funding Risks Reserve and how it was used. An example being Housing Benefit Subsidy risks where there was a likelihood that insufficient funding would be provided by the Government to cover all costs of benefits paid. This gap in funding

# Agenda Item 4

had a range of technical causes including the type and mix of households that were eligible to claim Housing Benefits were not aligned with the regulations that determine the level of funding (subsidy) for those benefits from Government. This funding was claimed retrospectively, after the authority had incurred the costs. The authority acted as an agent for the Government when administering the housing benefits scheme with its contribution towards the costs of the benefits paid increasing year-on-year. It was therefore necessary for the budget to reflect this risk.

The explanation provided was endorsed by the Leader. Whilst the Housing Benefits regulations were being applied in accordance with regulations, the Government's funding formulae did not take account of the changes in eligibility of applicants. The net result was the risk of a budget pressure valued at approximately £500K. Authorities, including Reigate and Banstead, were continuing to raise the issue directly with Government and it was thought it would eventually be resolved. However, it was possible that the authority would not be reimbursed for its previous contributions. This could have a significant financial sustainability impact where an authority had lower levels of reserves.

## Central Budgets

The Chair pointed out that Central Budgets had increased by an amount of about £1,900k for secondary employer pension contributions. This figure was not known in November 2022 but had since been confirmed by the scheme actuary after the triennial valuation; it was not unexpected being at the same level as prior years.

Despite this increase, overall, the positive movement in the net budget forecasts since November meant that the call on reserves for this authority was not as significant as had previously been anticipated.

## IT Strategy Funding

In response to the request for additional information on the allocation for IT funding, it was explained that this related to the IT Strategy that was approved by Members in Spring 2022 to invest in cyber security, disaster recovery and resilience. The sum reflected in the budget was the first draw on the allocated funds.

## Levelling-Up Funding

The Managing Director confirmed that the authority had not been successful in securing Levelling-Up funding despite a bid being made for funding in support of People Services delivery. It was thought this reflected the situation for most if not all other Surrey districts and boroughs. However, it was intended to make further bids should the opportunity become available.

## Economic Pressures Reserve

The Executive Member for Finance and Governance confirmed that it had been decided to allocate a sum equivalent to the additional £150K raised in Council Tax to establish an earmarked reserve. This would be used to address the economic pressures anticipated during the year ahead. It was thought this would be called on by

# Agenda Item 4

the community and housing portfolios in response to the rising costs-of-living and homelessness. The reserve would be used to provide an additional safety net.

## Public consultation

It was explained by the Managing Director that the public consultation on the budget for 2023/24 had closed four days previously. Further information would therefore be provided after the meeting with officers willing to answer any further questions. The Leader confirmed that the Executive intended to proceed with the planned cuts in voluntary sector funding as reported in the November 2022 budget proposals. This was decision was taken having reflected on the public consultation feedback that indicated that this was not supported and against a backdrop of a more favourable financial position.

### **RESOLVED** to:

1. Note the updated elements of the Budget for 2023/24 and Capital Programme for 2023/28 and set-out in the briefing; and
2. Provide the observations set-out in the minutes to the Executive at its meeting on 26 January 2023.

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