



Signed off by	Interim Head of Finance
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To	Overview and Scrutiny Committee
Date	Thursday, 9 December 2021
Lead 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 2022/23 report and supporting documents to Executive on 18 November 2021, 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 uncertainties at this stage of the budget-setting process were noted. (ii) The Service and Financial Planning 2022/23 report forecasts a budget gap of over £700k. In the light of this and given that assumptions and individual budgets were to be reconsidered following the December Government financial settlement announcement, the Panel did not draw a conclusion on the overall Budget proposals for 2022/23. (iii) The Panel requested that the final Service and Financial Planning 2022/23 report to Executive on 27 January to be an agenda item for discussion at Overview and Scrutiny Committee on 20 January.

- (iv) The Panel considered the explanations in the Budget report for year on year changes in the budget and found the following to be achievable, realistic and based on sound financial practices and reasonable assumptions, subject to the outstanding matters set out in (i) and (ii):
- a. Medium Term Financial Plan Summary
 - b. Revenue Budget Savings and additional income proposals totalling £0.566m
 - c. Revenue Budget Growth proposals totalling £0.567m
 - d. Forecast ongoing income budget pressures in 2022/23 onwards as a consequence of the COVID-19 pandemic totalling £1.3m
 - e. Revenue Reserve Balances as of 1 April 2021 of £41.738m
- (v) The Panel reviewed savings proposals in service delivery: to pause the Medium Grants and Small Grants scheme, to withdraw the taxi voucher scheme and to reduce the Borough News publication to a single issue a year, and asked they be reconsidered.
- (vi) The Panel expressed concerns about recent inflationary pressures with short term inflation well above the Bank of England 2% target which would put unbudgeted upward pressure on the cost of goods and services and on staff costs/pay demands.
- (vii) In relation to potential future cost savings the Panel supported initiatives to:
- Assess the potential reduction of office space reflecting the impact of hybrid working
 - Implement joint working with the boroughs and districts in East Surrey to share costs and improve services.
- The Panel asked these initiatives to be accelerated.
- (viii) The Panel recommended that the need to fill vacant headcount positions be reconsidered (currently 22 full-time equivalent staff (FTE) equating to £1m salary and on-costs). These vacancies had been confirmed as part of the Service and Financial Planning reconciliation of HR establishment records and service budgets for all services.
- (ix) Implementation of the Council's Commercial Strategy was vital to meeting budget gaps in future years, as Government funding is further reduced. Part 2 of the Commercial Strategy report will come to Overview and Scrutiny Committee on 9 December and to the Executive on 16 December. At this stage the Panel noted that no substantial additional commercial income from investments was included in the current 2022/23 budget.
- (x) The Panel noted that the Executive intends to come forward with a Financial Sustainability Plan to be integrated with the Medium Term Financial Plan (MTFP) in Quarter 1 2022/23.

The Panel thanked Portfolio Holders and Officers for the substantial work in preparing the Budget 2022/23 report and for the written responses to 60 Advance Questions from Members.

Reasons for Recommendations

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 2022/23, for consideration by the Executive in line with the Council's budget and policy procedure rules.

Executive Summary

The Panel tested the explanations in the Budget 2022/23 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.

A number of assumptions and individual budgets needed to be reviewed before the final Budget proposals come forward in January. These were mainly in Central Corporate Budgets, rather than Service budgets. They included the financial settlement from the Government and National Insurance support funding, business rates income, Local Council Tax Support and the call on the Pensions reserve. On the Service side, car park revenue and energy costs budgets needed to be finalised.

The Panel noted that that inflationary cost pressures were emerging, primarily in fuel and energy costs.

Given these outstanding matters, the Panel did not draw a conclusion on the overall Budget proposals for 2022/23 and recommended that the final report to Executive on 27 January come to Overview and Scrutiny Committee for further consideration at its meeting on 20 January.

In terms of service delivery, the Panel were concerned about the savings proposals to pause the Medium Grants and Small Grants schemes, to withdraw the taxi voucher scheme and to reduce the Borough News publication to a single issue a year. The Panel asked if they could be reconsidered.

In relation to opportunities for additional cost savings, the Panel supported initiatives to assess the potential reduction of office space and further joint working with the boroughs and districts in East Surrey to share costs and improve services.

At this stage the Panel noted that no substantial additional commercial income from investments was included in the 2021/22 budget. The Panel noted that the Executive intends to come forward with a Financial Sustainability Plan to be integrated with the Medium Term Financial Plan (MTFP) in Q1 2022/23.

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 2022/23.
5. The Service and Financial Planning 2022/23 Report and supporting documents were circulated as part of the Advance Questions process for the Budget Scrutiny Review Panel Members on 18 November 2021. The responses provided by officers were circulated in advance to Panel Members before the Panel meeting on 1 December 2021.
6. The Panel was requested to offer its comments and recommendations to the Overview and Scrutiny Committee on 9 December 2021 based on its review of the consultation document. The Executive is due to approve the proposed Budget for 2022/23 on 27 January 2022 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 60 Advance Questions that were raised by Panel Members. The Panel took supplementary questions from Members to consider matters in more depth.
9. Councillor Schofield, Executive Member for Finance and Deputy Leader, set out some introductory comments. It was noted that Council was waiting for the Government's Financial Settlement later in December. There would be further updates in the Service and Financial Planning 2022/23 report going to Executive in January.
10. Councillor Harrison highlighted that as further information was due in relation to the financial settlement from the Government, National Insurance support funding, business rates income, Council Tax support, pensions reserve, car parks revenue and energy costs then discussion on those areas be limited until January.
11. Panel Members asked questions on the following areas which were discussed by the Panel.

12. **Community Partnership savings** – Panel Members discussed the savings proposed in community partnerships area – this included savings by reducing the CCTV budget through modernisation and rationalisation (£50k), ceasing provision of taxi vouchers (£43k), pausing Medium Grants (£50k) and Small Grants (£45k) to local voluntary and community groups. Members highlighted the value of these small grants to local organisations who would have to find and secure alternative funding sources. Members asked if further savings on grant administration could be found.
13. **Medium Grants and Small Grants** – Panel Members were concerned pausing Medium and Small Grants may be a significant income loss for small charities in the borough who relied on funding for projects and repair or upgrade work. This was particularly the case during COVID-19 pandemic when other sources of funding may have dried up. Panel Members stressed the importance of the grants for community groups and asked if this could be reviewed to allow a smaller cut in this budget to keep the funding 'live' and distribute the funding evenly.
14. The Panel noted that the proposed cuts did not affect the grants to support larger organisations which were essentially commissioned on behalf of the Borough and guaranteed a certain amount of funding on an annual basis. It was recognised that the team will need to work with the voluntary and community sector to support them with accessing alternative sources of funding applications.
15. Executive Members explained that difficult decisions had to be made. They took the view that it was better to fully protect the larger and longer-term grants to the Borough's service providers and to pause the smaller grants. It was noted that CIL funding was a good alternative source of funding for capital programmes.
16. **Taxi vouchers** – Proposals for ceasing provision of taxi vouchers with a saving of £43k was discussed. This would affect 141 residents, mainly elderly with mobility issues, who currently received up to £120 of taxi vouchers per annum. Members expressed concern on this plan. It was noted that this budget was consistently underspent each year by about £20k. The intention was to work with residents to help to find alternatives and look at neighbourhood transport schemes and use of volunteer drivers.
17. **Borough News** – plans were proposed to cut the Council's hard copy publication to one rather than two a year which was reflective of the changing ways in which the Council communicated with residents including an increase in digital communications and social media engagement. One Panel Member expressed concern about this proposal.
18. **Recycling volumes** – since the beginning of the COVID-19 pandemic in March 2020 household waste tonnages had increased significantly and overall prices were strong and performing above forecast. It was noted that this was a good performance. Progress on roll out of recycling to flats was flagged as an ongoing concern.
19. **Management team savings** – significant savings were proposed resulting from a review and restructure of the current senior management team. The Panel were

reassured that the remaining senior management budget included sufficient capacity and resilience to deliver the Commercial Strategy and Asset Management plans. This included partnering with appropriate external organisations or buying in expertise where needed.

20. **Lower Tier Services Grant** – this was a Government grant that was not ringfenced and introduced in the financial settlement for 2021/22 – part of the funding allocation targeted at district and borough councils. It was not known yet if this would continue into the next annual settlement.
21. **Local Council Tax Support** – Members asked about the additional costs expected for increased demand for Local Council Tax Support. It was expected that the extra costs would be in line with this budget. The Revenue and Benefits team was closely tracking longer-term effects such as the ending of the furlough scheme and removal of the Universal Credit uplift. Overall the Council was expecting the number of households reliant on this support to reduce and return broadly in line with previous levels.
22. **Business Rates reduction** – it was noted that there was a forecast reduction prepared when the Medium Term Financial Plan was refreshed in July 2021. Forecasts would be updated when the outcome of the Provisional Settlement was known.
23. **Car Park Income** – the latest forecasts on car parking income were set out for Panel Members. Income receipts had dropped as a result of the pandemic by £1.702m. There was lower use of season ticket parking as increased remote working had led to fewer commuters driving to Reigate and parking or residents parking to commute to London. However Pay and Display income had improved compared to during the pandemic which was encouraging. There was no specific data on income from each of the car park sites but new systems allowed for greater analysis in future.
24. **Electric Vehicle (EV) charging** – Members asked about EV charging point income and if this would be included as part of future revenue as usage increased over time. Initial discussions were underway and at an early stage.
25. **Global pandemic** – a detailed breakdown on balances on the COVID-19 Reserves as of 31 March 2021 and forecasts on 31 March 2022 were noted. These were used to offset ongoing COVID-19 income losses in 2021/22, to support businesses and for ongoing COVID-related expenditure.
26. **Financial Sustainability Plan** – reliance on one-off measures such as use of reserves was not sustainable over the long term so solutions to reduce costs and increase income on a permanent basis needed to be identified for 2023/24 onwards. The Plan was being developed to focus on four key areas: income generation, use of assets, prioritisation of resources and achieving value for money. The Interim Head of Finance confirmed it was intended that development and management of this plan would be integrated into existing budget and project management processes. It would be reported to Members as part of the quarterly

budget reporting cycle.

27. One area of focus was to look at achieving efficiencies through shared services by working more closely with other neighbouring local authorities in East Surrey to reduce costs and increase income as well as deliver greater value for money.
28. **Housing Delivery Strategy** – the capital and income budget impacts of the Housing Delivery Strategy would be included in the next iteration of the Medium Term Financial Plan when it was refreshed.
29. **Harlequin Theatre and Leisure Services** – it was encouraging that Harlequin income receipts were on track to return to pre-pandemic levels by 2022/23. It was noted that discussions continued with Leisure Services provider (GLL) on resuming payment of the management fee in 2021/22 and on recouping unpaid fees as GLL recovered from losses during COVID-19 lockdowns.
30. **Interest income and expense** – interest on loans to the council's companies and their funding was based on the terms of each loan and reported in detail in the Treasury Management Strategy and Half-Year and Full-Year Monitoring reports. These loans to subsidiaries were funded by long term fixed rate loans taken from the Public Works Loan Board (PWLB) and were therefore not subject to increases should market interest rates change. It was noted that in drawing up the annual financial accounts, the ability of subsidiary companies to repay their loans to the Council was assessed. This could lead to their impairment which was reflected against the Council's reserves.
31. **Minimum Revenue Provision (MRP)** – it was noted that the Government was consulting on changes to MRP arrangements. It was not expected that changes, if any, would have retrospective impact but the Council's ongoing MRP Policy will have to be reviewed to reflect the proposed changes when implemented
32. **Pay inflation** – the budget proposals for pay inflation and contractual changes were discussed as part of the proposed budget for staff salary increases. It was recognised that there were higher inflation pressures and increased National Insurance this year which would be challenging during pay award negotiations. Consultation with the unions on the pay award had started. It was noted that there was a national resource shortage in some local government services such as environmental health, planning and building control staff.
33. **Price inflation and supplier risks** – Members queried how inflationary pressures could be managed. The position regarding energy and fuel costs was being kept under review. There were no immediate risks to building contracts already let. The main risks related to the costs of delivering new capital projects.
34. **Increased hybrid working** – the implications of increased hybrid working, and IT investment meant that the Council was reviewing its estate as whole as more office-based staff were working remotely.
35. **Environmental Sustainability** – Members asked about the investment in environmental sustainability projects and whether the earmarked revenue reserve

for this area was sufficient or would it need replenishing in the future? As the recent annual update on the Environmental Sustainability Strategy to Overview and Scrutiny Committee had reported, funding is currently sufficient and external funding sources will be harnessed. Current spending in year was set out in the Environmental Sustainability work programme.

36. **Data insight** – the core work of the data team was to provide data and information for the organisation as a whole, but useful digital tools had been created to save time such as the Boundary Review Tool.
37. **HR establishment** – it was noted that there were 22 (FTE) unfilled positions (out of 530 staff) which equated to £1m costs including on-costs. Members asked if these posts were being reviewed and if they were being filled by temporary staff. It was confirmed that HR and senior managers were reviewing all posts when vacancies arose before going out to recruitment. Temporary staff were used as a short-term measure, mainly in the areas of refuse and recycling.
38. **Commercial strategy** – as reported in quarterly budget monitoring, a total of £920k was drawn down for the feasibility of different commercial ventures in 2020/21. No further drawdowns have taken place so far in 2021/22. Members asked for a further breakdown.
39. **Procurement and contract management** – options for increasing capacity in procurement and potentially sharing services with other councils were under consideration to thereby help reduce the cost of goods and services across the Council.
40. **Housing spend in capital budget** – costs and types of housing delivered and planned were provided to Panel Members, including Pitwood Park/Camelia Close, Cromwell Road/Wheatley Court, Lee Street and Marketfield Way. A further £20m had been allocated to fund investment in new affordable housing through the Housing Delivery Strategy but no specific developments were planned currently.
41. **Recycling income** – the figures for domestic mixed and paper recycling and Bring Site recycling was set out for the Panel. The total volume of refuse was growing. Members asked about cost of disposing contaminated recycling loads which was an expense for the County Council.
42. **Housing waiting list** – typical waiting times for social housing ranged from 12 months for a 1 bedroom property to 4 years, 6 months for a 3-bedroom property. For those presenting as homeless there were a number of temporary units as well as a property in Horley for families to reduce bed and breakfast costs and produce better outcomes for people. The number of single homeless people with complex needs was increasing in the Borough. Overall, the cost of bed and breakfast accommodation was now a more stable budget item than it had been in the past.
43. **Biodiversity expertise** – it was noted that this may be a requirement for extra resources and expertise in Planning following the introduction of the Environment Act. Surrey Nature Partnership provide ecological expertise currently and discussions were taking place to find out if the organisation had this type of

expertise to advise on biodiversity net gain requirements.

44. **Contingencies** – Officers confirmed there were no specific contingency budgets included in the current Service and Financial Plan 2022/23.

Next steps

45. The Budget Scrutiny Panel reports to Overview and Scrutiny Committee on 9 December 2021. The Executive would consider its report and observations on 16 December and the budget was due to be considered by Executive on 27 January 2022 and recommended for approval by Full Council on 10 February 2022.
46. Overview and Scrutiny Committee were meeting on 20 January and Panel Members requested sight of the final Service and Financial Planning 2022/23 report for further consideration.

Options

47. **Option 1** – To submit the recommendations and conclusions of the Panel to the Executive, to inform its consideration of the 2022/23 Budget proposals, and to note the identified change to the baseline budget. 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.
48. **Option 2** – To not submit the recommendations and conclusions to the Executive, or to not note the identified change to the baseline budget. 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.
49. In addition to the primary options outlined, the Committee may also wish to submit additional observations to the Executive.

Legal Implications

50. There are no direct legal implications arising from the recommendations in this report.
51. Subject to the Council adopting a balanced budget for 2022/23 to meet the requirements of the Local Government Finance Act 1992.

Financial Implications

52. Financial implications are addressed throughout the Service and Financial Planning 2022/23 report.

Equalities Implications

53. These are considered in the Service and Financial Planning 2022/23 report.

Communication Implications

54. These are considered in the Service and Financial Planning 2022/23 report.

Risk Management Considerations

55. These are considered in the Service and Financial Planning 2022/23 report.

Consultation

56. The Service and Financial Planning 2022/23 report and papers were considered by the Budget Scrutiny Panel at its meeting on 1 December 2021 and responses set out in this report.

57. The public consultation on the draft budget is open until 17 January 2022.
<https://www.reigate-banstead.gov.uk/open-consultations>

Policy Framework

58. 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.

Background Papers

59. Executive report – 18 November 2021 – [Service and Financial Planning 2022/23](#)