

**Overview and Scrutiny Committee 14 July 2022
Advance Questions**

Agenda Item 4 – Medium Term Financial Plan 2023/24

Question 4.1

Pages 19 and 63 - Employee costs are stated as only 35.8% of gross expenditure, yet the sensitivity analysis shows that a 1% change in staff costs is double non-pay costs. Is this correct?

Answer

The basis for the values in the report is as follows:

	2022/23 Budget £m	As a % of Net Budget / Net Income	1% Increase £000	
Employee Costs	24,931.1	35.81%	249	125
Premises Costs	2,548.3	3.66%	25	
Supplies & Services	8,822.7	12.67%	88	
Transport Costs	1,107.2	1.59%	11	
Transfer Payments	32,214.2	46.27%	322	
Gross Expenditure	69,623.5	100.00%		
Housing Benefit Subsidy	(31,553.7)		(316)	
Grants & Third Party Contributions	(1,867.1)		(19)	
Income from Fees & Charges	(16,222.7)		(162)	
Net Expenditure	19,980.0			
Council Tax	15,222.0	76.19%	152	
Business Rates	1,710.0	8.56%	18	
Grants	1,271.0	6.36%	13	
Reserves	1,777.0	8.89%	18	
Net Sources of Income	19,980.0	100.00%		

Question 4.2

Pages 19 and 76 - Are any further covid costs (direct and indirect) being encountered at present or expected in the MTFP?

Answer

The main area of expenditure during 2022/23 is on staff resources to complete the reconciliation and reporting of the various funding streams received during the pandemic. The costs are funded through the various COVID-19 administration grants that have been provided by Government.

The Council's environmental health team has also been allocated funding by Surrey's Public Health team to support them in ensuring that county-wide infection prevention controls are maintained.

Question 4.3

Page 31 and 76 - An important factor in the ability to recover the funding gap relates to recovery of the income drops experienced in the pandemic. In 2021/22 this was reported as about £1.4m, including £1m in carpark revenue. What expectations of recovery are included in the MTFP?

Answer

The current assumption is that off-street car parking income will continue to recover at the rate of between £0.100m and £0.200m additional income per annum based on current trends. This is subject to confirmation as part of in-year budget monitoring during 2022/23 and will be taken into account when confirming the car park income budget for 2023/24.

Question 4.4

Page 35 - How much New Homes bonus has been received since the council allocated £20m into the Capital programme for housing delivery?

Answer

£2.382m

Question 4.5

How much has the council received in right to buy receipts cumulatively since 2012 and in the last year in particular?

Answer

Year Ending 31st March	Pre-2012 £m	2011 - 2012 £m	2012 - 2013 £m	2013 - 2014 £m	2014 - 2015 £m	2015 - 2016 £m	2016 - 2017 £m	2017 - 2018 £m	2018 - 2019 £m	2019 - 2020 £m	2020 - 2021 £m	2021 - 2022 £m	Total Receipts since 2012 £m
Receipts In Year	0.687	0.073	0.074	0.582	0.078	0.022	0.326	0.594	0.476	0.682	0.450	0.753	4.110
Cumulative Balance	0.687	0.760	0.834	1.416	1.494	1.516	1.842	2.436	2.912	3.594	4.044	4.797	

Question 4.6

Pages 50 and 101 to 106 - What specific ideas and potential savings/ additional revenue are emerging from the Financial Sustainability Programme?

Answer

Financial Sustainability Programme workstreams are described at Annex 2 (page 101).

Opportunities within the workstreams are currently being worked on by officers for consideration by the Executive in the autumn.

The specific savings and income generation proposals that are adopted by the Executive will then be reported with the Draft Budget proposals in November.

Question 4.7

Pages 55 to 56 and 77 to 81 - With some balances in the budgets for rolling programmes backing up, is there capacity for scaling down some of the budgets for the MTFP?

Answer

The requirement to maintain funding for rolling programmes at current levels will be considered when draft Capital Programme proposals for 2023/24 onwards are considered in the autumn.

Question 4.8

Pages 56 and 77 - What is the rationale for the £3m capital spend for Beech House

Answer

The £3.0m budget for refurbishment of Beech House was established when the 2020/21 Capital Programme was approved. At that time the intention was to invest in refurbishment of the building to 'CAT A' standard with enhanced environmental sustainability standards to meet the requirements of the sole occupant tenant at that time.

That tenant then decided not to renew their lease during the pandemic (November 2020) and the property was vacated during 2021/22.

Options for the building are currently under consideration and the final proposals are expected to be submitted to CVESC for approval later this year.

Question 4.9

Pages 56 and 79 - Environmental Strategy Delivery budget of £259 is shown on p79 but doesn't appear to be in the summary on p56? Is this because it is separately funded from revenue reserves?

Answer

A drafting issue, that arose when the summary table at page 56 was added to the report, meant that the row containing the Environmental Strategy Delivery budget was excluded.

The table totals were correct. The corrected version is set out below with the omitted row highlighted.

Table 15: CAPITAL PROGRAMME 2022/23 to 2026/27 by SERVICE	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	TOTAL £m
	BFWD £m	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	
ORGANISATION SERVICES:							
Property Services	5.223	1.636	1.352	1.246	0.028	1.536	11.022
IT Services	0.224	0.200	0.260	0.250	0.200	0.200	1.334
Organisational Development	0.452	0.250	0.250	0.250	-	-	1.202
Environmental Strategy Delivery	0.250	-	-	-	-	-	0.250
PEOPLE SERVICES:							
Housing	20.519	11.325	1.325	1.325	1.325	1.362	37.181
Wellbeing & Intervention	0.172	0.100	0.100	0.100	0.100	0.100	0.672
Community Development	0.075	0.030	-	-	-	-	0.105
PLACE SERVICES:							
Neighbourhood Operations	0.659	1.542	0.774	0.891	0.929	0.913	5.708
Place Delivery	9.410	15.100	-	-	-	-	24.510
Economic Prosperity	-	0.100	0.100	0.100	-	-	0.300
CORPORATE:							
Commercial Investment Strategy	-	-	-	-	-	-	-
TOTAL APPROVED CAPITAL PROGRAMME	36.983	30.283	4.161	4.162	2.581	4.110	82.280

Question 4.10

Page 64 - What are the new demands on resources anticipated from the prioritisation of housing delivery and Environmental sustainability?

Answer

Potential areas for investment, as set out in the relevant strategy documents, include:

Housing Delivery Strategy – delivery of strategic priorities:

- Use our land and assets to deliver additional housing
- Work with public land owners to redevelop redundant or underused sites and land into housing or mixed use schemes and work in partnership to bring empty homes back into use
- Establish a Local Housing Company or other vehicle to help us deliver more homes
- Work with partners to maximise the potential of development sites to meet local housing needs
- Deliver supported housing for single people with complex needs in partnership with a specialist supported housing provider
- Take a plan-led approach to meeting housing delivery targets set in the Local Plan whilst supporting developers to increase development density and optimise design to maximise opportunities to deliver affordable housing to meet local need

Environmental Sustainability Strategy – delivery of strategic priorities:

Energy & Carbon

- Energy minimisation: Reduction of operational energy (regulated and unregulated) through efficiency measures (e.g. insulation, LEDs) and behaviour change.
- Renewable energy: Generation of renewable energy locally and procurement of renewable energy through reputable green tariffs.
- Low carbon transport: Minimisation of transport emissions through reducing personal car travel, promoting electric vehicles, developing public transport and encouraging cycling and walking.
- Embodied carbon: Reduction in embodied carbon in new infrastructure or building projects through lean engineering and construction techniques.

Low Impact Consumption

- Waste reduction: Minimisation of waste arisings through better procurement choices (e.g. longer-lasting or better quality products) and recycling unavoidable waste in local treatment facilities.
- Water efficiency: Reduction of water consumption by promoting water efficiency to alleviate water scarcity issues.
- Responsible sourcing: Use of materials and products produced responsibly (i.e. not causing any environmental or social harm)

Natural Environment and Biodiversity

- Ecological enhancement: Improvement of the tree soft landscaping cover to create habitats that are of benefit to wildlife.

- Sustainable drainage system: Installation of sustainable drainage systems (SuDS) to reduce embodied carbon of drainage infrastructure and provide biodiversity and amenity benefits.
- Environmental impact and pollution prevention: Avoidance of negative impacts to the wider environment i.e. air, water, ground, habitat loss resulting from Council's activities (including procurement).

Question 4.11

Pages 76 and 20 - The Medium Term Budget Forecast (page 76) shows the Reserves of £1,677 and £677 used in balancing the 22/23 budget (page 20) being reversed out in two tranches. What is the rationale? Are any balancing items presumed going forward?

Answer

The £1.677m comprises the budgeted one-off use of Reserves in 2022/23 that is not currently expected to continue in 2023/23 onwards:

- Government Funding Risks Reserve - £0.115m to fund Housing Benefit subsidy cuts;
- Pension Reserve - £0.350m to fund historic pension payments;
- COVID Risks Reserve - £1.000m to help mitigate the impacts of car parking income losses; and
- £0.212m contribution from the General Fund Balance to balance the net budget requirement (if a net budget underspend is not realised, as in previous years).

£0.677m of the above is reversed in the current forecast for 2023/24; the actual call on Reserves in that year is subject to confirmation when the 2023/24 budget is finalised later this year.

Question 4.12

Pages 76 and 36 - What is the basis for the forecast of the new sources of income? Is this inflation or new initiatives?

What is in the "project pipeline" for the Commercial Strategy?

Answer

The MTFP forecast is based on an initial estimate for net income from lettings at Marketfield Way (The Rise) based on the lease terms that are currently in negotiation, after taking into account a reduction factor to reflect the risk that these are not yet firm contractual commitments.

Work continues under the Commercial Strategy to review the Council's property assets in order to identify potential development opportunities that can be formulated into a project pipeline. Progress on this and other elements of the Commercial Strategy action plan is scheduled to be reported to Overview & Scrutiny Committee later in the year.

Question 4.13

Page 76 - What assumptions for pay growth are included in the MTFP?

Answer

The 2023/24 forecast includes an allocation of £1.25m to fund contractual pay increases and an allowance for an annual pay award (which is subject to consultation).

Question 4.14

Page 76 - What general inflation assumptions for goods and services are included in the MTFP?

Answer

The MTFP forecasts do not include provision for general price inflation. Business cases for budget growth for specific contract price increases will be considered when the draft budget for 2023/24 is prepared in the autumn.

Question 4.15

Page 76 - Please explain the substantial growth in Business Rates included in 23/24, and why this tails off in future years?

Answer

The MTFP forecast for retained business rates income is based on the latest figures published by DLUHC after taking account of post-pandemic recovery performance. The forecast is subject to confirmation when the Provisional Local Government Settlement is published in December.

Question 4.16

Page 79 - This includes a brought forward figure for Environmental Strategy Delivery. What are the plans for this going forwards and why is there no budget for this going forward?

Answer

This Capital Programme allocation is essentially an initial 'placeholder' to acknowledge that investment will be required in this area.

The energy audit of council buildings is nearing completion and discussions are also progressing about options for continuing to transition the vehicle fleet to electric vehicles.

It is anticipated that the outcome of these initiatives will inform future (specific) capital expenditure proposals for estate improvement and fleet replacement, including more precise profiling of the budget to mirror spending plans.

Question 4.17

Page 80 - Vehicles and plant have a large jump to £1.056m next year. Is this planned spend on electric vehicles?

Answer

Investment in fleet replacement is planned on a rolling replacement basis and covers the replacement of vehicles as they come to the end of their useful life.

The fleet manager is working with operational teams to investigate alternative-fuelled vehicles and plant. This includes investment in electric or hybrid vehicles where they are identified as being fit for purpose and value for money.

Four diesel-fuelled RCVs (Refuse Collection Vehicles) are scheduled for replacement in 2023/24 along with other vehicles that will reach the end of their useful life. The RCVs equate to £800k of the £1.056m reported in the Capital Programme.

The cost of an electric RCV is currently more than double that of a standard diesel truck; in the region of £450k per vehicle compared to £200k. One of the four RCVs that are due for replacement in 2023/24 does not yet have an electric equivalent while the other three do. The service is trialling an electric single-bodied RCV this month to assess whether it meets service requirements.

An additional capital allocation of £780k would potentially be required, in addition to the £1.056m in the 2023/24 Capital Programme, to replace three RCVs with electric versions. Any proposals to increase the approved Capital Programme and the associated borrowing costs would be considered when the draft budget is prepared in the autumn.

Question 4.18

Page 84 - What has been spent out of the capital schemes feasibility reserves and housing reserves to date and where is this been reported?

Answer

Capital Schemes Feasibility Reserve

- 2021/22 - £0.589m – as reported in the Quarter 4 Performance report to Executive on 23 June 2022 (Annex 2: Section 1)
- The agenda paper is published [here](#)

Housing Delivery Strategy Reserve

- nil

Question 4.19

Page 85-86 - Please can you explain what the Covid 19 reserves are from, whether there are particular plans for how they are to be spent?

Answer**COVID-19 – NNDR Section 31 Grant Reserve**

- funding provided by Government to compensate the authority for NNDR income shortfalls as a consequence of Government decisions to award additional reliefs for businesses to help them mitigate the financial impacts of the pandemic

COVID-19 Impacts - Funding Reserve

- the balance of funds set aside by this authority as part of budget-setting in 2021/22 to help manage the budget impacts of income shortfalls following the pandemic – primarily relating to car parking income losses

COVID-19 Specified Government Funding Reserve

- the balance of Government grants awarded to this authority during 2020/21 and 2021/22 to help fund additional costs incurred during the pandemic. The grant terms require them to be ring-fenced for specific purposes.

