



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;

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- 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.

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.

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 2023/24, 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 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.

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.

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.

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.

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

With regards to the Financial Sustainability Programme, the Panel noted that there had been substantial savings identified, including headcount savings.

The Panel noted that there are approximately twenty vacant posts at any given time, equating to approximately £1million in salaries and on-costs.

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.

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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.

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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.

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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

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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. Indicators 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

1. **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.
2. **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.
3. 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.

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Consultation

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.

The public consultation on the draft budget is open until 16 January 2023.

[Open consultations | Consultations | Reigate and Banstead \(reigate-banstead.gov.uk\)](#)

Policy Framework

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 Powers

Executive report – 17 November 2022 – [Service and Financial Planning 2023/24](#)