



Signed off by	Chief Finance Officer
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To	Overview and Scrutiny Committee
Date	Thursday, 7 December 2023
Executive Member	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Observations on Budget Proposals 2024/25 - Budget Scrutiny Panel report
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<p>Recommendations</p> <p>That in response to the Service and Financial Planning 2024/25 report and supporting documents to Executive on 16 November 2023, 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 (Annex 1) 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 this report which seek to respond to this context and deliver our corporate priorities, be noted. (iii) The draft service business plans for 2024/25 to 2026/27 be noted. (iv) The Panel tested the explanations in the Budget report for year on year changes in the revenue budget (savings, income and growth) in the context of the actual expenditure for the previous year and current year in respect to the services to be provided. (v) The Panel found the Budget proposals to be reasonable and in relation to the budget consultation and subject to the outstanding issues and risks commented on

below, the Panel considered the following to be achievable, realistic, and based on sound financial practices:

- a. Medium Term Financial Plan Forecasts and proposed actions to address the forecast Revenue Budget gap (Annex 2);
 - b. Service Revenue Budget growth proposals totalling £0.943 million, savings of (£1.719) million and additional income of (£0.540) million (Annex 3);
 - c. Continued funding support for Banstead Commons Conservators for a further three years (2024/25 to 2026/27);
 - d. Central Revenue Budget savings and growth proposals totalling (£0.376) million, and £1.75m provision for the 2024/25 pay award (Annex 3);
 - e. Agreement of a new 10 year Section 136 agreement with Horley Town Council;
 - f. Revenue Issues, Risks and Opportunities totalling £0.964 million, to be funded from earmarked Reserves as necessary;
 - g. Revenue Reserve Balances at 1 April 2023 of £35.474 million (Annex 6.1); and
 - h. A forecast balanced Revenue budget for 2024/25, subject to final confirmation of the outstanding items.
- (vi) The Capital Programme Growth proposals totalling £3.175 million (Annex 4) was reviewed. (This is revised down from the original £3.986 million)
- (vii) The Fees & Charges Policy (Annex 5) was noted.
- (viii) The Reserves Policy (Annex 6.2) was noted.
- (ix) The Panel supported the following changes to the Local Council Tax Support Scheme to be adopted from 2024/25:
- a. Removal of the maximum award of 90% Council Tax liability for 1,800 households and increasing the award to 100%;
 - b. Removal of the minimum requirement for a household to qualify for £5 per week before support is provided;
 - c. Expansion of support awards to cover full Council Tax liability for residents in Bands F to H;
- (x) The Panel supported the following changes Council Tax premiums on empty properties to be adopted from 2024/25:
- a. Removal of the empty homes discount of 28-days where a property becomes empty and unfurnished;
 - b. For empty and furnished second homes – charge 200% council tax after the first 12 months; and
 - c. For long-term empty properties – commence charging the 100% premium after 12 months.
- (xi) The Panel noted that the proposals at recommendation (x) would fund the proposals at recommendations at (ix)

- (xii) The Panel noted that 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 2024/25. The Panel looks to receive an update on these items in January. Besides Government funding, the principal areas of uncertainty and risk are: homeless support/ temporary accommodation, housing benefit subsidy, recycle income/costs and the Government's proposals for resources and waste; the Harlequin/RAAC, and final confirmation of other grants received.
- (xiii) The changes made in the final Budget 2024/25 proposals to Executive on 1 February will also be an agenda item for discussion at Overview and Scrutiny Committee on 25 January 2024.
- (xiv) The Panel noted that the proposed savings were not expected to have a significant impact on service scope or quality.
- (xv) The Panel expressed concerns about general inflationary pressures in the UK economy – 10% in the previous year and currently 6%, well above the Bank of England 2% target, and suggested this may put further upward pressures on the cost of goods and services and the annual pay award.
- (xvi) The Panel noted that for several years, the Council has been pursuing its Commercial Strategy to help address budget gaps in future years, as Government funding is further reduced. It noted that additional income from The Rise is included in the revenue budget, with potential for further increases when all units are fully let. Furthermore, Government guidance and experience elsewhere means that the Council is cautious about further expansion of commercial activity. The Panel noted that the Commercial Strategy was now more focussed on generating income through the Council's areas of strength, such as service provision, rather than investment in commercial assets. It was noted that outside of The Rise, there are not yet specific proposals for additional revenue in development for 2025/26 and beyond.
- (xvii) The Panel noted that the use of earmarked reserves, to fund housing benefit shortfalls, could only be a one-off action and not a permanent solution.
- (xviii) The Panel noted that in the Financial Accounts, a £1.1million provision has been made for credit loss with regard to the investment in Pathway for Care. This would be funded from the Commercial Risks and Volatility Reserve.

The Panel thanked the Portfolio Holder and officers for the substantial work in preparing the Budget 2023/24 report and for the written responses to the 82 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 2024/25, 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 2024/25 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. Given these areas of uncertainty and risk, the Panel did not draw a final conclusion on the overall Budget proposals for 2024/25 and recommended that the changes in the final Budget report to Executive on 1 February 2024 be presented to Overview and Scrutiny Committee for consideration at its meeting on 25 January 2024.

The Panel also noted that the retirement of the Chief Finance Officer in 15 months was a potential risk. It was noted that recruitment of a Deputy Chief Finance Officer is expected to be completed by February 2024 and they will then be working alongside the Chief Finance Officer to ensure an effective handover period.

Executive has authority to approve the above recommendations

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 2024/25.
5. The Service and Financial Planning 2024/25 Report and supporting documents were circulated as part of the Advance Questions process for the Budget Scrutiny Review Panel Members on 10 November 2023. The responses provided by officers were circulated in advance to Panel Members before the Panel meeting on 29 November 2023.
6. The Panel was requested to offer its comments and recommendations to the Overview and Scrutiny Committee on 7 December 2023 based on its review of the consultation document. The Executive is due to approve the proposed Budget for 2024/25 on 1 February 2024 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 82 Advance Questions that were raised by Panel Members. The Panel took supplementary questions from Members to consider matters in more depth.
9. He also congratulated officers and the Executive for setting out proposals for achieving a balanced budget for the coming year, despite the previously forecast budget gap of £1.3million reported in November 2022. It was noted that final amendments would be necessary following the Government's Financial Settlement Announcement in December. He therefore requested that the final budget changes for 2024/25 be presented to the Overview & Scrutiny meeting on 25 January 2024.
10. Panel Members asked questions on the following areas which were discussed by the Panel.
11. **2022/23 Revenue Budget Outturn** – Panel members requested information about of the budget underspend from 2022/23 and how it had been allocated in Reserves. Panel members also asked for paper BP6 Budget Changes 2023/24 to 2024/25 to be fully reconciled to the figures in the main report.
12. **Price Inflation for 2024/25** – The Panel agreed that it was good practice to allow for inflation on a case by case basis rather than allowing for general level of inflation across all budgets, but noted that inflation remained a risk.
13. **IT Costs** - The Panel asked for clarification on the £200k growth in respect of ICT contractual support and maintenance, and how much was due to inflation.
14. **Use of Reserves** – Members noted that one-off amounts from Reserves were required to address housing benefit funding risks in 2023/24 and asked how the Council would ensure that this practice would not continue. It was explained that there are continuing national issues with regard to funding for housing benefit that the Government is aware of but has not yet resolved.
15. **Harlequin** – It was confirmed that the Council is working with the building owner to assess the extent to which the building is affected by the presence of RAAC. Currently more extensive testing was awaited; however a substantial number of public buildings are now waiting for these assessments. It was confirmed that there is no insurance available for income losses.
16. The Panel asked for confirmation of the forecast loss of income and costs if the Harlequin remained closed for an extended period of time while waiting for the assessment and remedy. It was agreed that further information should be reported in January 2024.
17. **Surrey County Council** – The Panel requested details on the income and savings from the transfer of on-street parking enforcement and verge cutting.
18. **Assessment of Risks** – It was confirmed that the volatility of recycle income remains a risk.
19. **Homelessness** - It was confirmed that homelessness remains a challenge; expenditure was increasing. The Homelessness Prevention Grant had placed the

Council in a good position to respond, however increasing demands for support and the lack of accommodation remain challenging. It was confirmed that the majority of this cost was related to local homelessness persons rather than to asylum seekers. There were currently 60 people in nightly-paid emergency accommodation, many located outside the borough. An analysis of elements of the homelessness pressures for 2024/25 was requested (e.g., growth in existing residents of the borough; value of support; ex-refugees).

20. **Revenues & Benefits Work With Tandridge** – It was confirmed that the direct cost, plus a percentage of overhead costs was charged to client organisations. Additional staff may be employed to carry out the work, which results in a larger team creating the ability to work more flexibly both for this Council and for its clients.
21. **Capital Programme** – The Capital Programme was noted to have significant items brought forward from previous years; it was expected that the Capital Programme would be reprofiled in the January 2024 update. Panel members also requested figures to align with the narrative provided in BSWP5-Environmental Sustainability. It was explained that these costings would be shared once finalised, and the Capital Programme for 2024/25 be amended.
22. **The Rise** – It was confirmed that agents had been commissioned to identify tenants for the remaining vacant units with some tenancy agreements currently in progress. The Council was selective in finding the right quality of tenant. An example was the work recently carried out by the Property team when letting the parks cafes.
23. **Impact of voids across retail and commercial units** – It was confirmed that the Property team forecasts void property costs as part of budget-setting and that all means available are used to minimise them. Panel members requested further information about the rates due on empty Council-owned properties.
24. **Waste and recycling services budget breakdown** – Panel members requested a breakdown of the £702k saving in 2022/23, including the costs per tonne of different types of recycling and waste disposal. After the meeting, it was confirmed that the breakdown was included in the report - £320k Higher Garden Waste Income, £240k Lower Waste Disposal Costs (Volumes), £54k Higher Water Container income, £49k Higher Commercial Waste income (volumes) with the remaining variance being smaller offsetting differences on staff and temporary costs.
25. **Funding of posts through external sources in 2024/25** – Panel members noted this risk, as future funding was not guaranteed.
26. **Pathway for Care** – It was noted that the value of the preference shares had been impaired in the Council's accounts through application of an Expected Credit Loss Provision for 99% of the value, leaving £11k as the residual risk to the General Fund. It was confirmed that the £3.2 million Commercial Risks Reserve remains available to absorb these costs.
27. **Horley Business Park LLP** – It was confirmed that the invested sum had been written off in line with the agreed settlement agreement and full provision for the expected credit loss had been made in the Council's accounts.
28. **Change in IT costs** – It was noted that legacy IT systems brought challenges around systems communicating with each other. Another factor was suppliers with little incentive to improve their systems or reduce charges due to lack of competition.

29. **Gypsies / Travellers** – A need had previously been identified for a Surrey-wide transit site. Surrey County Council would provide the land and local authorities had agreed to contribute to the build costs. The first option for establishing the site in Tandridge had not been successful and the search continued, therefore the budget remains unspent.
30. **Resources and Waste Strategy** – It was confirmed that the new strategy does not lead to any changes in charges for garden waste.
31. **Resources and Waste Strategy** – Panel members asked for confirmation of the weight in tonnes of total recyclable waste and for a breakdown of the estimated 1.0 - 1.5% increase in recycling rates from the additional 5,500 properties where the full service would be rolled out to by 31 March 2026.
32. **Procurement Capacity** – Following a review of the full procurement service, a business case for further capacity for the Procurement team is being developed. It was not yet known whether budget changes for 2024/25 would be required as the business case was still being developed.
33. **Budget for Pay Increases for 2024/25** – It was confirmed that collective bargaining was taking place with the recognised unions, to agree the cost of living pay increase for 2024/25. A final offer had been presented of a flat rate increase of £1,800 consolidated and a £300 non-consolidated increase. This offer was currently subject to ballot with the outcome expected at the start of December. It was confirmed that the budget includes provision for the cost of living increase plus other contractual payments.
34. **New Homes Bonus** – The Panel noted the New Homes Bonus as an uncertainty pending the Settlement Announcement. The draft budget assumes continuation of the current allocation.
35. **Local Council Tax Support Scheme** – Panel members were supportive of the planned approach to increase levels of Council Tax Support funded by changes in Council Tax premiums.
36. **Council Tax on Second Homes** – Panel members asked what action is taken to combat those who do not notify the existence of a second home. It was confirmed that there is a well-resourced team carrying out enquiries and inspections. There were approximately 300 second homes in the borough, so this was not a significant risk.
37. **Capital Programme** – It was explained that Mitchell Court and Sterling House were properties purchased recently by the Council to provide temporary and emergency accommodation. Panel members requested information on the location of these properties.
38. **Affordable Housing Schemes** - Panel members asked for a breakdown of the proposed £30 million investment in the Housing Delivery Strategy. It was explained that proposals would be brought forward for approval as they are identified. The Panel commented that investment in new affordable housing schemes must be utilised wisely based on robust business cases, allowing financial returns to be recycled into further schemes.
39. **Treasury Management** - It was confirmed that the Treasury Management Strategy is based on approved Capital Programme spending plans and forecast financing

requirement, ensuring that investment decisions are affordable and within approved borrowing limits.

40. **Homelessness Support** – The Panel noted that over 2% of households in the borough are seeking homelessness support. This is a significant percentage and therefore a significant risk.
41. **Environmental Sustainability** – Panel members suggested that areas for collaborative working with Surrey County Council should be explored in order to share expertise and reduce costs.
42. **Environmental Policy** – It was noted that no additional resource requirement had been factored into the budget for baselining of potential habitat banks, production of annual biodiversity reports and incorporation of biodiversity into the Council's land and development assets. It was confirmed that no additional resource was needed, and this work would be incorporated in business as usual activities.
43. **Solar Panel Installation** – It was confirmed that installation of solar PV on temporary and emergency accommodation was being funded by a grant from Surrey County Council of £0.089million.
44. **Corporate Plan Delivery Fund** – Panel members noted that the Corporate Plan Delivery Fund had only £370k remaining, therefore if significant additional schemes required funding, further sources of funding would need to be identified. It was confirmed that existing schemes funded by the Corporate Plan Delivery Fund were not currently expected to require funding in 2024/25. The balance on the Reserve would be reviewed at year-end.
45. **EV Charging** – It was confirmed that there was no specific allocation in the current budget for provision of EV charging points in car parks. The Council is part of the East Surrey Parking Project, working with neighbouring boroughs to achieve better outcomes for off-street parking.
46. **MEES** – It was confirmed that funding to achieve Minimal Energy Efficiency Standard when refurbishing three properties was included in the Capital Budget. It was noted that the MEES requirements were expected to be met out of the existing capital refurbishment budget, rather than having a separate budget allocation.
47. **Wildflower Planting** – It was confirmed that management plans for greenspaces would be included in the forthcoming Greenspaces Strategy, following engagement with residents.
48. **Voluntary Sector** – Concerns had been raised by the Panel in the previous year with regard to reductions in grants and funding to the voluntary sector. It was confirmed that there are no reductions to this budget proposed for 2024/25. The £504k Household Support Fund received from Government was being distributed to residents via the voluntary sector. It was noted that the Voluntary and Community Sector Strategy was scheduled for review next year. Panel members requested a further breakdown of the elements of £504k Household Support allocation plus details of the existing £184k budget for Voluntary Sector expenditure.
49. **Gatwick DCO** – It was confirmed that the Managing Director and Leader, as well as other officers, meet with colleagues from other local authorities impacted by the Gatwick DCO to utilise expertise and capacity across teams and to purchase

external support collaboratively. It is the officers' view that the current budget is sufficient.

Next Steps

50. The Service and Financial Planning 2024/25 Report and supporting documents were circulated as part of the Advance Questions process to Budget Scrutiny Review Panel Members on 10 November 2023.
51. Responses provided by officers to the Panel's Advance Questions were circulated to Panel Members before their meeting on 29 November 2023. A link to the questions and responses was provided to all committee members.
52. The Budget Scrutiny Panel will report back to Overview and Scrutiny Committee on 7 December 2023.
53. The Executive will consider Overview & Scrutiny Committee's report and observations on 14 December 2023.
54. The final Budget and Council Tax proposals are due to be considered by Executive on 1 February 2024 and recommended for approval by Full Council on 20 February 2024.
55. Overview and Scrutiny Committee will meet on 25 January 2023 and Panel Members have requested sight of the final Budget changes for consideration. It is requested that, as far as possible, the additional information requested in the Budget Panel's observations above is made available to the Committee at its January meeting, to help final conclusions to be drawn.

Options

56. Overview & Scrutiny Committee has two Options:
Option 1 – To submit the recommendations and conclusions of the Panel to the Executive, to inform its consideration of the 2024/25 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.
57. In addition to the primary options outlined, the Committee may also wish to submit additional observations to the Executive.

Legal Implications

58. There are no direct legal implications arising from the recommendations in this report, but the Council is required to adopt a balanced budget for 2024/25 to meet the requirements of the Local Government Finance Act 1992.

Financial Implications

59. The financial implications are addressed throughout both the Service and Financial Planning 2024/25 report and the Panel's report.

Equalities Implications

60. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
 - Advance equality of opportunity between people who share those protected characteristics and people who do not;
 - Foster good relations between people who share those characteristics and people who do not.
61. The three parts of the duty applies to the following protected characteristics: age; disability; gender reassignment; pregnancy/maternity; race; religion/faith; sex and sexual orientation. In addition, marriage and civil partnership status applies to the first part of the duty.
62. The Committee, and the Budget Scrutiny Panel, should ensure regard is given to these duties by considering them through the course of its work. This should include considering:
- How budget proposals impact on different groups within the community, particularly those that share the protected characteristics;
 - Whether the impact on particular groups is fair and proportionate;
 - Whether there is equality of access to services and fair representation of all groups within the Borough;
 - Whether any positive opportunities to advance equality of opportunity and/or good relations between people, are being realised.

Communication Implications

63. These are considered in the Service and Financial Planning 2024/25 report.

Environmental Sustainability Implications

64. These are considered in the Service and Financial Planning 2024/25 report.

Risk Management Considerations

65. These are considered in the Service and Financial Planning 2024/25 report.

Human Resources Implications

66. There are no additional communication implications arising from the recommendations in this report. Budget Scrutiny supports effective communication of budget proposals to key stakeholders.

Consultation

67. The Service and Financial Planning 2024/25 report and papers were considered by the Budget Scrutiny Panel at its meeting on 29 November 2023 and the Panel's responses are set out in this report.

Policy Framework

68. **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

69. Executive Report, *Service & Financial Planning 2024/25*, 16 November 2023 – [Agenda for Executive on Thursday, 16th November, 2023, 7.30 pm | Reigate and Banstead Borough Council \(moderngov.co.uk\)](#)