

Signed off by	Interim Head of Finance
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To	Executive
Date	Thursday, 16 December 2021
Committee Chair	Councillor Nick Harrison, Chair of Overview and Scrutiny Committee

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Observations of the Overview and Scrutiny Committee on the Budget Proposals for 2022/23
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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 Recommendations from the Budget Scrutiny Panel, and approved by Overview and Scrutiny Committee on 9 December 2021, 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 Committee did not draw a conclusion on the overall Budget proposals for 2022/23. (iii) The Committee 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 Committee 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 Committee 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 Committee 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 Committee 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 Committee asked these initiatives to be accelerated.**
- (viii) **The Committee 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 was an agenda item at Overview and Scrutiny Committee on 9 December and due to be approved by Executive on 16 December. At this stage the Committee noted that no substantial additional commercial income from investments was included in the current 2022/23 budget.**
- (x) **The Committee 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 Committee 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 Budget Scrutiny Panel Members.

Reasons for Recommendations
To take account of the views of the Overview and Scrutiny Committee on their consideration of Service and Financial Planning for 2022/23.
Executive Summary
<p>This report, together with the O&S Budget Scrutiny Panel report to full Overview and Scrutiny Committee on 9 December, as well as further observations to come from Overview and Scrutiny on 20 January on the final Budget proposals 2022/23, will complete the Committee's consideration of Service and Financial planning for 2022/23.</p> <p>The proposals have been scrutinised in line with the Council's budget and policy procedure rules.</p>
Executive has authority to approve the above recommendations

Statutory Powers
<ol style="list-style-type: none">1. This report is brought to the Executive as part of its consultation on the proposed budget for 2022/23 as required by the Policy Framework and Budget Procedure Rules in the Constitution. The Executive is asked to consider the final service and financial proposals for 2022/23 at this meeting so that it can make its recommendation to Council on Thursday 10 February 2022.2. 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.3. The Local Government Act 1992 requires councils to set a balanced budget and announce the Council Tax level by 11 March each year. Section 65 of the Act requires the Council to consult representatives of those subjects to non-domestic rates in the Borough about its proposals for expenditure for each financial year.4. 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
<ol style="list-style-type: none">5. The O&S Budget Scrutiny Review Panel focused on consideration of the draft Budget proposals for 2022/23 on 1 December 2021.6. 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.

7. 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.
8. 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.

Observations from Overview and Scrutiny Committee 9 December 2021 (Minute 50)

9. Members received the report from the O&S Budget Scrutiny Panel which met on 1 December 2021 to consider the provisional Budget proposals for 2022/23 and make recommendations to the Executive in line with the Council's budget and policy procedure rules.
10. Councillor Schofield, Portfolio Holder for Finance and Governance, advised the Committee that the proposed Budget 2022/23 was not yet finalised as central Government was still to publish the final financial settlement which was expected later in December. Further work was ongoing to address the forecast budget gap. There were encouraging signs that parking revenue was slowly improving; leisure centre visitors were also increasing towards pre-pandemic levels. The final Service and Financial Planning 2022/23 report was due to come to Executive on 27 January for approval and recommendation to Full Council on 10 February. It was agreed that the updated proposals would be discussed at Overview and Scrutiny Committee on 20 January.
11. Chair of the Panel, Councillor Harrison, summarised the findings from the Panel to the Committee which was set out in the report to the Committee as an Addendum to the agenda pack, and in the Recommendations set out above. He thanked the Portfolio Holder and the Interim Head of Finance and finance team for their responses to the Advance Questions and supplementary questions raised at the Panel meeting.
12. Members made comments and asked questions on the following areas, discussing the proposals to make savings in the community partnerships area, such as ceasing provision of taxi vouchers and pausing Medium Grants and Small Grants.
13. **Budget savings** – Members noted the forecast budget gap of £700k and asked about wider service savings to bridge this gap. They discussed the proposals to pause the Medium Grants and Small Grants scheme, to withdraw the taxi vouchers scheme and reduce the Borough News publication to a single issue a year. Had other savings been considered, for example, exploring further savings on staff salary costs

if posts had not been filled? It was noted that saving costs by sharing services across local authorities generated some opportunities but also presented some risks.

14. It was confirmed that there were 22 full-time equivalent staff (FTE) vacant posts at the time of the Panel meeting, equating to £1m salary and on-costs. Head of Paid Service, Mari Roberts-Wood, advised that the vacancy rate was a snapshot at any one time. The current vacancy rate was within the usual range with less than 5 per cent of the total workforce. She confirmed that all vacant posts were reviewed by HR and senior managers when vacancies arose and before going out to recruitment.
15. **Taxi vouchers** – Members discussed the proposed to withdraw the taxi voucher scheme to save £43k costs a year. This would affect mainly elderly residents with mobility issues who currently received up to £120 of taxi vouchers per annum. The Panel had noted that this budget was consistently underspent each year by about £20k. Members asked whether the budget had been underspent due to the pandemic lockdowns when this group of people was self-isolating and could it be tested again under more normal circumstances. It was confirmed that this budget had been consistently underspent over a number of years.
16. In response to further Members' questions it was confirmed by the Portfolio Holder for Finance and Governance that the proposal was to cut the taxi voucher scheme permanently. The intention was to work with residents to help find alternative means of transport such as neighbourhood or community transport schemes, transport provided by Surrey County Council and use of volunteer drivers. Officers reassured Members that since the pandemic more was known about this group of people who could be supported locally to make sure they were driven to appointments or to local community centres, for example. The Head of Paid Service, Mari Roberts-Wood, gave further reassurance to the Committee that those residents would not be left without transport suddenly. RBBC would make sure that those vulnerable individuals who were reliant on this transport will be picked up so as not to leave a gaping hole for people.
17. **Medium Grants and Small Grants** – it was confirmed that the proposals were to pause these grants for local voluntary and community groups to save £50k on Medium Grants and £45k on Small Grants. It was noted that the Community Partnerships team would continue to work closely with the voluntary and community sector further to support them and assist them where needed but not through direct grant giving.
18. Executive Members recognised that it was an uncomfortable period with some difficult budget decisions to be made.
19. **Environmental sustainability funding** – one Member noted that the proposed budget for the environmental sustainability service area was modest and did not allow for potential increased income from additional recycling roll-out to flats, for example, or for increased staffing for environmental initiatives. It was noted that recycling trends currently showed a positive income but there was an element of risk in this area and a prudent budget was advisable.

20. The Committee agreed to support the Recommendations set out in the Budget Scrutiny Panel's report to go forward to the Executive at its meeting on 16 December 2021.

Options

The Executive can therefore:

21. Accept the report and note the comments of the Overview and Scrutiny Committee **(Recommended)**; or
22. Request that the Overview and Scrutiny Committee undertake additional scrutiny of all or part of the service and financial plans for 2022/23.

Legal Implications

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

Financial Implications

24. Financial implications are addressed throughout the Service and Financial planning 2022/23 report.

Equalities Implications

25. These are considered in the Service and Financial planning 2022/23 report.

Communication Implications

26. These considerations are set out in the Service and Financial planning 2022/23 report.

Risk Management Considerations

27. These considerations are set out in the Service and Financial planning 2022/23 report.

Consultation

28. The Overview and Scrutiny Committee was consulted by the Executive in accordance with the Policy Framework and Budget Procedure Rules in the Constitution.

Background Papers

Budget Scrutiny Panel – [full report to Overview and Scrutiny Committee](#) from Panel meeting on 1 December 2021.