Questions from Cllr Stephen Mulliner & responses from Peter Vickers.

There are three relevant areas not covered in the papers:

(a) Impact of variance of actual 20/21 deficit on specific GF revenue reserves £6.6m deficit is the central projection but it could be larger (e.g. because parking income is lower than assumed or leisure centre costs are higher - as seems likely) or lower (because WBC receives further central government grant assistance). Which GF reserve balances will suffer further reductions if the actual deficit is larger than £6.6m and which will suffer smaller reductions if the actual deficit is smaller than £6.6m?

The contingency budget represents the latest best estimated impact - eg car parking opened at 40% capacity and rising. We will closely monitor all impacts and the achievement of all savings proposals in the coming months. If any are materially drifting from target, we will take corrective action. In the event of the overall position worsening, we would look at further cost reductions including further capital project reviews, which could impact on services. Given that the GF working balance would have been restored to its £3.2m level if these measures are approved by Council, this would provide our cushion again and up to £1m of temporary balancing could be considered if necessary as it was in May.

The Leisure Centres forecast reflects the claim to date and there are 3 things outside of our control - Places Leisure (costs / mitigation), Users (will they return), and Central Government (does Friday's announcement include us or not?) Priority in the contingency budget priority has been given to minimising the harm to Waverley's residents. Reserve calls will be done in relation to the current validity of the initial purpose of earmarking and the wider risk/impact assessment of the current status of that earmarking. These will be kept under review, and O+S are invited to offer an opinion.

(b) Rebuild period
Over what period will WBC be obliged to rebuild reserves to prudent levels - three years or a longer period? This has a direct bearing on the budgets for future years. If it is three years, a £3m reserves reduction will need a £1m operating surplus over and above the normal outturn of the revenue budget in each of the next three years.

There is no prescribed level for reserves so no obligation to rebuild, the prudent minimum is a judgement made by the Council on the advice of the S151 officer. The biggest area for review would be the business rate equalisation fund and the risk would need to be reassessed in the light of government announcements. Some of the other areas being proposed for reduction in 20/21 would not necessarily need to be replaced and there are some eg. SANG, where further reductions could be made if required. The GF working balance will be maintained at £3.2m. The current year impact/response to earmarked reserves drawdown and replenishment (if any?) will be based upon the outcome of (a) above. The longer term need for useable reserves will be determined by an assessment of the current MTFP key target achievement (i.e. property income and Transformation) plus Covid impact on future years (leisure and carpark income) and a contingency. The lead times to make changes and the additional investment required up front will also be considered in the overall requirement for reserve balances.

(c) 21/22 revenue budget
In normal years, work on next year's budget would not begin in earnest until October. However, in the current situation, there are foreseeable risks to WBC income in 21/22 in addition to the need to generate the operating surplus referred to in (b). These include depressed car park, leisure centre and property investment income. What cost reduction plans have been considered to deal with such scenarios? If, regrettably, service cuts and redundancies have to be included, the lead-in period will six months or so. What measures are under current consideration now? Will Council be informed of such decisions and, if so, when?

The RCT programme includes a workstream on reviewing MTFP and this will engage members and report back to council in the next few months. This work will consider the scenarios that you set out above and the Impact of steps already underway such as accelerating Business Transformation will have longer term benefit. We've already started on other work streams not included in budget (included in the report annexe 4 “options”). There is time in the next 6 months (post-Christmas before Budget Council) to wait and see the true scale of the impact of Covid, the overall value of the 2nd tranche of government funding, and the government spending review outcome (December) before service cuts and redundancies need to be considered.

Other issues:
(d) Annexe 2 refers to £600k saving from a recruitment freeze. Will this reduced headcount be maintained into 2021/22 and beyond or will it be reversed?

This will be reviewed under the RCT programme. Some of these posts were being held vacant or on a short term basis pending savings required under existing transformation projects such as planning and customer service. The impact on services and staff of the £600k will be monitored monthly from July to March.

(e) Is the capitalisation of the Transformation team costs intended to be a one-off or will it be repeated in future years? Please would you provide a detailed breakdown of the GF capital reserves available for funding this and, if necessary, redundancy payments.

Will be repeated if the reserves are sufficient and the costs are eligible, all available capital receipts are in the annexe to the O+S report.