

**Draft Minute from Overview and Scrutiny Committee, 17 December 2019, on Budget Scrutiny Panel Report: Service and Financial Planning 2020/21.**

Members considered the report from the Budget Scrutiny Review Panel which met on 21 November 2019 to discuss and consider the Service and Financial Planning budget proposals for 2020/21. The report would be considered by the Executive on 30 January 2020 in line with the Council budget and policy procedure rules.

The Panel report was introduced by the Chair of the Budget Scrutiny Review Panel, Councillor N. Harrison. The conclusions of the Panel were set out in the report and summarised in the Executive Summary. He thanked the Executive Member for Finance, Executive and Officers for preparing the initial revenue and capital budget proposals for 2020/21.

The Panel concluded that the Council managed its finances well and had maintained services and delivered priority projects despite the removal of the Government Revenue Support Grant in 2017/18. The revenue underspend of £1.6m for 2018/19 compared to the approved budget this year and the current forecast for 2019/20, being an underspend of almost £800k, underlined this point. The Panel report said that the proposed Budget for 2020/21 was a cautious one as it did not overstate revenue and set out fully costed expenditure items. It was a detailed and well-developed budget. However, there was more detail to come including any additional Capital Programme budget growth proposals for 2020/21 to 2024/25, the review of Central Budgets and Revenue Reserves and the final Council Tax increase proposals. The final budget proposals to support delivery of the Corporate Plan, Housing Delivery Strategy and Environmental Sustainability Strategies were also still to be finalised. Therefore, the Panel recommended that the Committee should allocate time at its 23 January 2020 meeting for a more substantive review of these elements before it drew its conclusions on the overall Budget proposals.

The Panel report noted the increase in the services revenue budget of £2.12m which included funding to pay for 23 new posts. It was concerned that this overall increase could be unsustainable in the long term, unless additional sustainable revenue income sources are brought on stream. The Council was developing its commercial approach, but this work was progressing slowly, and the increase in new commercial investment income for 2020-21 is not significant. In the light of this the Panel advised caution.

The Panel Chair noted that Recommendation (i) (c) considered the potential negative impact of the savings and growth proposals on service delivery to be minimal and there were certain areas where there were service improvements. Panel Members told the Committee that the recent general election and other areas of uncertainty such as the levels of government spending, pension costs and impacts of cuts to Surrey Council Council's budgets were also other significant elements of the budget that meant it should be looked at again at the January meeting.

Panel Members highlighted that another area where proposals and spending plans were not yet clear was on environmental sustainability and how the Council was responding to climate change. It was noted that more information was set out in

paragraph 27 of the Budget Scrutiny Panel report on capital programme work. An Environmental Sustainability Strategy was currently being prepared which would set out how the Borough will respond to climate change and carbon emissions.

Members had the following observations and comments in the debate that followed:

- **New posts** – Members discussed the growth in the baseline budget for services of £2.12m, including funding for 23 new posts, plus 5 that were previously funded through the Corporate Plan Delivery Fund to achieve the Council's corporate priorities, and asked whether this cost could be maintained in the long term. It was noted that the Council has Reserves at the current time that could fund such expenditure over the short term. However, as the report stated unless more additional commercial and revenue income sources are brought on stream then this would become unsustainable over time.
- **Retained business rates** – Members noted there was a significant increase in the service budget costs of £2.12m and asked if there could be an increased funding gap in future years if the council also lost income from retained business rates which central government had proposed. The Head of Finance and Assets said there was no further information at this stage as local authorities were waiting for the new government to start to issue their policy announcements from the results of its Fair Funding Review which was not expected imminently.
- **Balances on Trust Funds** – Members discussed the Reigate Baths Trust Fund which was part of the total Balance on Trust Funds in the previously reported Statement of Accounts for 2018/19 totalling £1.703m. They asked what this money could be used for as the Reigate Baths closed some years previously. The Head of Finance and Assets referred to her written answer to Members following the 17 October 2019 meeting; this confirmed that the Reigate Baths Trust Fund has a balance of £773,000 at 31 March 2019, which is restricted in its use. Annual interest receipts from investing the Trust Fund are used to contribute to the running costs of the council's leisure services. Any proposal to change the purpose of a Trust Fund or spend capital from the balance of the Fund would require approval of the Charity Commissioners.

Members asked officers to confirm the actions necessary to gain approval to spend the capital sum of the Reigate Baths Trust Fund. The other significant Trust Fund balance was the Commons Trust balance of £779,000. If the rules relating to operation of these two Funds were able to be changed then the Council would have approximately £1.5m to spend on leisure services for the benefit of residents. Members asked officers to also confirm whether those funds (if released) could be invested across the Borough, not just in Reigate. Officers to report back with the outcome and options. Members made the following recommendations from their consideration of the Budget Scrutiny Panel report.

**RESOLVED:**

(i) That in response to the Service and Financial planning 2020/21 report to Executive on 7 November 2019, the following observations be submitted for the consideration of the Executive:

a) That the Overview and Scrutiny Committee thanks the Executive Member for Finance, Executive and Officers for preparing initial revenue and capital budget proposals for 2020/21;

b) That the Overview and Scrutiny Committee considers the following to be achievable, realistic and based on sound financial practices and reasonable assumptions:

(i) Revenue Budget Savings and Additional Income proposals totalling £1.618m net

(ii) Revenue Budget Growth proposals totalling £3.742m

(iii) Capital Programme Growth proposals of £9.910m

c) That the Overview and Scrutiny Committee considers the potential negative impact of the savings and growth proposals on service delivery to be minimal and in fact include some service improvements;(ii) That the Overview and Scrutiny Committee notes growth in the baseline budget for services of £2.12m, including funding for 23 new posts, plus 5 that were previously funded through the Corporate Plan Delivery Fund (CPDF), to achieve the Council's corporate priorities. Whilst recognising that the growth and each new post can be justified in its own right, and the Council has substantial reserves to fund such expenditure over the short term, the Overview and Scrutiny Committee is concerned that the overall increase in the Revenue budget is unsustainable in the long term, unless additional sustainable revenue income sources are brought on stream.

(iii) That capital budgets for investment in the Corporate Plan and the Housing Delivery Strategy are yet to be finalised, as well as the Central revenue budget proposals, and for this reason the Overview and Scrutiny Committee has yet to draw a conclusion on the overall budget proposals for 2020/21.