

## Unconfirmed draft minute of the meeting of the Overview and Scrutiny Committee, 23 January 2020

Members considered the latest Budget proposals for 2020/21 and the Capital Programme 2020 to 2025 which were set out in a report to the Committee. This information was not available when the Budget Scrutiny Panel met in November. This gave Members an opportunity to provide any further feedback to the Executive for its meeting on 30 January 2020.

Portfolio Holder for Finance, Cllr T. Schofield, gave an overview of the report. He said that the proposals for Central Budgets were set out in considerable detail and he thanked the Finance team for providing this level of granularity.

The Central Budgets 2020/21 had been reviewed and rationalised and the recommended changes set out in the report. These included resetting the Headroom Contingency budget (set up in 2012 to address any significant unplanned expenses that might arise in-year) to £1m. The review recommended taking out the £0.5m revenue budget for contributions to the Capital Programme. It recommended removing the £100k budget for redundancy costs as there were no significant structural changes planned next year. A budget of £0.730m was included for forecast contractual pay increases. The New Posts Budget was to be replaced with an increase in the New Posts Reserve to accommodate mid-year staffing changes.

The Employer Pension Contributions budget had been updated to reflect the outcome of the 2019 Pension Fund Revaluation. The recommended approach was to maintain the primary employer contribution rate at 15% of salaries and to pay the secondary employer rate as a lump sum of £6.204m upfront rather than three annual instalments. This gave the Council a discount and saved £400k over three years.

The Capital Programme over the next five years was set out in the report. This included more investment in maintenance of Strategic Property and investment in IT services and the Harlequin. The Housing Delivery Strategy budget includes investment of £30m over three years from 2020/21 to 2022/23 funded in part through the allocation of resources equivalent to the value of New Homes Bonus receipts.

The Commercial Investment Strategy proposals were to allocate a further £50m for investment in 2020/21 onwards, to enable the Council to start to generate the commercial revenue that would be needed.

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

- **Employer Pension Contributions** – it was confirmed that the up-front lump sum payment of three years of contributions would be funded from the earmarked reserve fund set aside for this purpose, plus a contribution from General Fund Reserves at the beginning of 2020/21. It would not be funded from borrowing. The Council would receive approximately 1% interest a year if the funds remained in Reserves. Paying up-front meant there would be the equivalent of a 4% discount, so it was in the interests of the Council to take this option offered by Surrey County Council. It was noted that the success of the largely equity-based pension fund investment depended on how the market performs over the next three years. The Council was making a judgement that the returns from the pension fund would be higher than keeping the money in Reserves and this was not without risk. It was noted that this facility to pay up-front was offered to all district councils in Surrey and it would depend on the circumstances in each local authority as to whether they took up this offer. Reigate and Banstead Borough Council has strong Reserves so was able to recommend this option.

- **Commercial Investment Strategy** – it was clarified that £50m was recommended for investment over three years.
- **Council tax** – it was noted that the updated Central Budgets would not have an impact on the decision to increase the council tax which is once again recommended to be set at the Government's Referendum limit.

Committee Chairman, Cllr N. Harrison, summarised the proposals. The Budget Scrutiny Review Panel report to the Committee in November had set out that the Council was facing an increase in the services revenue budget of £2.1m. It had previously been reported that in future years, the funding gap might grow to as much as £4m as the Council lost central government funding. The contribution from Reserves however is planned at £1.256m as the net reduction in Central budgets had helped mitigate some of these service budget pressures. In particular, the proposed funding of secondary pension contributions by a three-year up-front lump sum payment from reserves takes the cost of annual contributions of almost £2m out of the annual revenue budget.

It noted the proposed funding for capital investments. The Minimum Revenue Provision (MRP) was forecast as £0.52m and the interest on borrowing £0.92m. This was a conservative estimate and actual costs will depend on the rate of capital spending.

Overall, there was a proposed £2.1m of investment and additional spending in service budgets with an overall a £1.256m call from reserves. It was anticipated that the forecast underspend from the current year's budget would in effect fund the majority of the call on Reserves in 2020/21.

The Committee was supportive of this approach and its realistic approach to budget planning.

**RESOLVED** – that the Budget 2020/21 and Capital Programme 2020 to 2025 be noted, and the observations of the Committee be taken into consideration by the Executive at its meeting on 30 January 2020.