

**BUDGET SCRUTINY PANEL
26TH JUNE 2018**

PRESENT: The Chair (Councillor Miah)
Councillors Draycott and Parsons

Strategic Director of Corporate Services
Democratic Services Officer (MH)

APOLOGIES: Councillors Gerrard and Seaton
Councillor Barkley – Lead Member for Finance and
Property Services

The Chair stated that the meeting was being recorded and that the recording would be made available on the Council's website. He also advised that, under the Openness of Local Government Bodies Regulations 2014, other people may film, record, tweet or blog from the meeting, and the use of any such images or sound recordings was not under the Council's control.

1. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 3rd January 2018 were confirmed as a correct record and signed.

2. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

The following disclosure was made:

- (i) by Councillor Miah – a personal interest in item 7 (Final Outturn for the Previous Financial Year) as he had been appointed by the Council to the Fearon Hall Community Association which was a recipient of funding through one of the schemes identified in the Capital Outturn report.

3. DECLARATIONS – THE PARTY WHIP

No declarations were made.

4. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions had been submitted.

5. BUDGET SCRUTINY PROCESS 2018/19

The budget scrutiny process for 2018/19, agreed by the Scrutiny Management Board at its meeting on 28th March 2018, was submitted (item 6 on the agenda filed with these minutes).

The Strategic Director of Corporate Services assisted with consideration of the item and provided the following responses to issues raised:

- (i) Each department was allocated a budget to spend and there was no policy to encourage underspends.
- (ii) In previous years heads of service had been asked to identify savings within the financial year. However, that had not been the case in 2017/18 or 2016/17.
- (iii) Budget management within the year was undertaken at the service level, directorate level and corporately. There could be unexpected pressures within the year but there could also be unexpected reductions in costs. The authorisations required to vire money between budgets to address those issues were set out in the Council's financial regulations and procedure rules.
- (iv) The Council operated a managed salary savings budget to take account of the fact that when vacancies arose there would often be a period while the recruitment process was completed during which the post would not be filled. This was a corporate budget and did not have to be managed by individual services.

Members of the Panel made the following comments:

- (i) It was expected that Cabinet members invited to the Panel's October meeting would be able to explain in detail the framework for setting the budget, including what decisions had been made, the reasons for those decisions and what options had been considered. Such explanations should address the different approaches applied to statutory services, added value services and their priority and self-sufficiency.
- (ii) There continued to be significant underspends in the revenue and capital budgets. Those variances were much greater than the sensitivity analysis undertaken as part of developing the Medium Term Financial Strategy.
- (iii) Underspends could be seen as cuts as the funding identified as necessary to deliver services was not being used. Underspends were apparent as soon as monitoring began each financial year and appeared to be part of the culture of the organisation.
- (iv) The Council was in a much better financial position than many other councils but scrutiny needed to be rigorous. It was a concern that there had been a reduction in the Internal Audit Control Environment Assessment compared to previous years.
- (v) The descriptions used for savings and pressures identified in the budget papers submitted to Council could be clearer to avoid significant changes being missed. Some significant reductions in services were not identified in the budget papers.

RESOLVED

1. that the budget scrutiny process agreed by the Scrutiny Management Board for 2018/19 be noted;
2. that the process agreed by the Scrutiny Management Board be amended so that the Panel's third meeting becomes a formal one at which scrutiny of the draft General Fund and Housing Revenue Account (HRA) budgets would take place;
3. that officers be asked to look at options for rescheduling the Panel's third meeting to a date later in December.

Reasons

1. To confirm the scope and details of the work of the Panel as set out by the Scrutiny Management Board.
 2. To enable the Panel to have more time to prepare its report and consider its conclusions and recommendations at its fourth meeting.
 3. To facilitate undertaking scrutiny of the draft General Fund and HRA budgets at that meeting.
6. **FINAL OUTTURN FOR THE PREVIOUS FINANCIAL YEAR**

Outturn information, in the form of the reports submitted to the Cabinet on 14th June 2018 regarding the General Fund, Housing Revenue Account (HRA) and Capital outturns for 2017/18 with additional information provided regarding the revenue outturn in 2016/17 to enable comparisons to be made, was submitted (item 7 on the agenda filed with these minutes).

The Strategic Director of Corporate Services assisted with consideration of the item and provided the following responses to issues raised:

General Fund

- (i) The level of the Council's reserves relative to its size was not unusual. For some councils it was lower and for some significantly higher. The Council used guidance from CIPFA to determine a minimum level of the working balance reserve. That was calculated on the basis of six weeks of General Fund expenditure and came to £2million.
- (ii) When setting the budget each year the outturn position of the Council's reserves at the end of the current financial year was not known and had to be estimated. In 2017/18 the starting point for the reserves was higher than had been budgeted and less reserves had been used during the year.

- (iii) The Council's Medium Term Financial Strategy proposed that the Council would reach 2020, by which time there should be more certainty regarding local authority funding, with a working balance reserve of £2million plus a cushion of £1million. The Council had built up its reserves in the past but was now using them in accordance with that strategy.
- (iv) The recent increase in the level of Council Tax enabled the Council to maintain services at the current level. Council Tax now contributed a greater proportion of the Council's revenue than previously as the overall level of Government grants had decreased. The slight increase in the level of income generated by services enabled the Council to keep pace with inflation.
- (v) There had been an opportunity to carry out a feasibility study regarding the Council's accommodation options as a result of an underspend on other consultancy fees. The matter had been covered in a report to the Cabinet that was primarily concerned with the Limehurst Depot site. Prior to any options identified by the feasibility study being progressed they would be the subject of a further Cabinet report.
- (vi) The Council's scheme of delegation and financial procedure rules set out the authority that officers had to make the decisions that were required to implement the financial plans set out in the budget. If officers did not have delegated authority then the decision would be taken by the Cabinet or Full Council as appropriate.
- (vii) The virement rules could be used to manage under- and overspends on a service, directorate or corporate basis. Most of the Council's services were not subject to significant demand variation.

Housing Revenue Account

- (viii) The rollout of Universal Credit had been slow and the impact to date on the provision for bad debt was small. The Council had plans in place to address the impact in Charnwood. Those plans included lessons that had been learnt from other councils where Universal Credit had been introduced earlier.

Capital Plan

- (ix) The Ministry of Housing, Communities and Local Government had provided further confirmation that Disabled Facilities Grants funding should be forwarded to district councils.
- (x) The slippage on General Fund capital projects which were delivered directly by the Council was generally low. There could be significant slippage on projects that were outside the Council's direct control, for example those funded by Section 106 funds. It had been recognised that there could be improvements in the budgeting and project management of schemes in the Capital Plan, especially regarding the timeframe for delivering projects.

Members of the Panel made the following comments:

General Fund

- (i) Views were expressed both that the Council's current level of reserves was very high for an authority of its size and that the current level of reserves was useful because it enabled the Council to have more options in the future.
- (ii) It was understandable if the public was concerned that the Council was increasing Council Tax and using reserves but not increasing services.
- (iii) It was important that councillors were kept informed regarding significant initiatives that were started during the course of the year. Issues like a review of the Council's accommodation needs should not come as a surprise to councillors.
- (iv) The outturn figures for 2016/17 also showed underspends which suggested that initiatives like the Charnwood Lottery and the removal of bring sites were not required. It was appropriate to consider whether services and assets continued to serve a purpose and provided value for money. It was important that there was joined-up thinking regarding what was needed and the impacts of proposed changes.
- (v) It was important that when significant movements had to take place that they were identified early so that scrutiny could take place in a timely manner.

Housing Revenue Account

- (vi) The increase in the provisions for bad debts was a concern. It would result in the Council having less income for its landlord function, including paying off the housing debt. The Housing Management Board was examining the issue. It was expected that the rollout of Universal Credit would result in the provision having to increase but that it would then reach a plateau.

Capital Plan

- (vii) There had been a 30% underspend on the General Fund capital schemes budget. In previous years there had been greater slippage on the HRA capital schemes budget and less on the General Fund capital schemes budget. Those issues warranted an explanation and it was a concern that the outturn reports had not been scrutinised prior to them being considered by the Cabinet. It was recognised that there were difficulties in delivering projects which required fund-raising or other action from external organisations in order to complete them. However, the situation raised questions regarding how to deal with such variations in financial planning and scrutiny. That should form part of the questioning at the Panel's next meeting.

RESOLVED

1. that the information be noted;
2. that information be provided to members of the Panel regarding how the figure of £882,000 for the outturn contribution from the Capital Plan Reserve in 2017/18 is reconciled with other figures set out in the reports submitted to the Panel;
3. that details of the Fuel Poverty Scheme included in the Capital Plan be provided to Councillor Draycott.

Reasons

1. To acknowledge the information received.
2. To clarify how the figure was calculated.
3. To provide Councillor Draycott with further information about the matter.

7. FURTHER PANEL MEETING DATES 2018/19

Further meetings of the Panel in 2018/19 (to accord with the process for scrutiny of the budget agreed by the Scrutiny Management Board) had been scheduled, details of which were submitted.

RESOLVED

1. that further meetings of the Panel take place on the following dates, in accordance with decisions taken earlier in the meeting:
 - Tuesday, 2nd October 2018
 - A date in December 2018 to be determined and changed to a formal meeting
 - Tuesday, 8th January 2019;
2. that the Lead Member for Finance and Property Services be invited to the Panel's meeting scheduled for 2nd October 2018.

Reasons

- 1.&2. To confirm the arrangements for future meetings of the Panel.

Note

These minutes are subject to confirmation as a correct record at the next meeting of the Panel, which is scheduled for Tuesday, 2nd October 2018.