

From: **Cllr Tom Barkley**, Lead Member for Finance & Property Services

### **To members of the Budget Scrutiny Panel**

Firstly, I would like to thank you for your diligence in reviewing the draft Medium Term Financial Strategy at your meeting of 2 October 2018. I apologise for not being able to attend the meeting in person but it appears a number of matters were addressed and I've no doubt that your input will prove to be very useful.

I have now had chance to look through the notes of the meeting in more detail and I would comment against the points raised as follows:

- (i) *The volatility of the projections for the Council's treasury management activities was greater than would be expected.*

We have now started to see the benefits of a more proactive treasury management approach, particularly the initiatives introduced by Clare Hodgson, where we now invest in different financial instruments – loans to other local authorities and more latterly in property funds – which has seen us generate greater returns against a stagnant interest rate environment. In the MTFS we assume that we can maintain this new normal but overall project a pretty flat picture for interest receivable based on the *existing* mix of treasury activities – this reflects our expectations that interest rates will rise a little over the period of the MTFS (in small incremental steps) but that our average balances available for investment will also reduce slightly (as we expect some use of our reserves), offsetting the rate effect. A line to this effect has been added to the final version of the MTFS.

- (ii) *The fluctuations in the Collection Fund were significant with respect to the size of the Council's budget and that was a risk the Council needed to be aware of.*

I agree with this comment and our experience tells us that the Collection Fund requires ongoing care and attention, particular in respect of the business rate element which is particularly volatile due to movements in business rate provisions.

- (iii) *The Strategy should be clearer in explaining that the assumptions regarding the Loughborough Special Rate did not preclude the consideration of increases to the Rate by full Council.*

The MTFS has always been a strategic overview. Whilst it is used to inform the budget it has never been a document that constrains any subsequent budget decisions that the Council may subsequently make. I

have added a paragraph in my introduction in the final version of the MTFS where I hope I now make this clear.

- (iv) *When considering investing in commercial assets, the Council could place an emphasis on investing locally, for example in Loughborough town centre or in business units. It was recognised that any investments would need to make a return.*

This is something that we are actively considering – I envisage that the Capital Financing Strategy, a new report we are required to produce from next year, will address this matter.

- (v) *Increasing fees for the garden waste service could not genuinely be considered to be an efficiency saving. Increasing those fees had generated significant comment and was an issue that members of the Panel would have questioned the Lead Member about.*

I consider the ongoing review of our fees and charges to be an important plank of our commercialisation agenda and believe its inclusion within our transformation and efficiency plan is valid.

In respect of garden waste charges in particular, it should be noted that the projected growth in revenues is driven by volume and not new price increases. In reality, the additional revenue included within the plan is a reflection of the GWB revenues we are seeing in this financial year.

- (vi) *During the debate at the budget-setting Council meeting in February 2018 reference was made to the Budget Scrutiny Panel not making comments on the draft budgets. The scrutiny process was different to the views that Labour councillors may have on the administration's budget proposals.*

This comment is noted.

- (vii) *The Council should seek ways in which it could be more self-sufficient in terms of its financing. That would require the Council to be more outward looking and was different to raising fees for existing Council services. For example, an opportunity had been missed with regard to charging premises that wished to retain bring sites rather than removing them.*

I agree with this comment in principle and we will always consider possible options that would make us more financially self-sufficient.

Bring sites are not a Council service that falls within my portfolio but I believe an appraisal was undertaken which did not conclude that retaining bring sites was worthwhile.

- (viii) *If the Lead Member had been present information would have been sought regarding the current position in respect of the former Limehurst depot site.*

Limehurst has complex planning constraints (principally relating to the current Environment Agency view on flood risk). We are undertaking some follow up work looking to see if and how those constraints can be overcome and, being optimistic, I hope that we can bring forward a proposal for the future use of this site in the next few months.

- (ix) *It would be helpful if information regarding the previous year's Strategy could be provided to members of the Panel.*

The Panel are entitled to this information of course and the officers will no doubt be happy to provide what is required. It will be helpful if this could be specified in advance of relevant meetings as the totality of available information is extensive.

- (x) *Different views were expressed regarding whether the impact of the United Kingdom's withdrawal from the European Union should be referred to in the Strategy.*

'Brexit' is mentioned in the MTFS as part of Section 4 – the political and economic overview. I think this is the limit of what we can actually say on the matter at this point in time.

In terms of the specific resolutions of the Panel I understand that you have been sent information on the reasons for the differences between the projections for New Homes Bonus and Council Tax receipts for 2019/20 in the draft Medium Term Financial Strategy and the previous approved Strategy, the breakdown of the £325,000 interest payable by the Council in 2017/18 and the timetable for reviewing the Housing Revenue Account Business Plan (resolutions 4-6). I also hope that in responding to you via this note that I have demonstrated that I have both seen your comments and considered them in advance of the final MTFS due at Cabinet on 15 November.

In writing this note I thought it might also be appropriate to pick up one or two of the comments raised at the Panel's June meeting.

The first matter which I gather the Panel were interested in was the framework we use in setting the budget, our priorities, and what alternative mix of services we might consider. Generally, and specifically for the forthcoming financial year, in setting the budget the priority of this administration is to protect existing front line services as far as possible within what we believe to be a sensible affordability

envelope. Having said this, we do however recognise that certain elements of our services need to be reduced whilst other areas would benefit from expansion. This administration adopts a Lead Member-led approach where each portfolio holder has responsibility for assessing their own services and in the event that service changes are considered appropriate, sponsor individual business cases (prepared by the relevant Head of Service) setting out the case for change. These are then assessed by both the Senior Management Team and Cabinet and a view is taken as to whether proposed changes are to be included in the draft budget report which is scheduled for Cabinet in December.

The issue of persistent underspending against budgets was obviously a matter of some interest at the June meeting. I think to some extent the issue may be cultural, but I do not regard this as a wholly negative matter as we obviously want Council officers to use their budgets carefully. I do not regard underspends as 'cuts', but accept that they may indicate a sub-optimal allocation of resources in some areas. Overall, this is an issue which we regard as important and intend to address through the budget process and in future budget monitoring processes.

As was recorded in the notes, the Council is in a sound financial position, but the value of rigorous scrutiny is appreciated. The Internal Control Environment Assessment for last year was somewhat disappointing but from my perspective it is important to know that we continue to carry out internal audit reviews of our controls, and that, as members, we have visibility of their outcomes. Also in terms of visibility, I am not aware of any significant service reduction or service change that has not been the subject of a Cabinet or Council report, and therefore available for the scrutiny of all members

Finally, I do reiterate my apology for my unavailability for the previous Panel meeting but I do plan to see you all in December. In the meantime, if any Panel members would like to arrange a one-to-one meeting I will be happy to expand on any of the above points.

Kind regards

Cllr Tom Barkley

26 October 2018