

FINANCE, ASSETS & PERFORMANCE SCRUTINY COMMITTEE

Thursday, 24th January, 2019
Time of Commencement: 7.00 pm

Present:- Councillor Mike Stubbs – in the Chair

Councillors:

G. Burnett

J. Cooper

A. Fear

D. Harrison

T. Kearon

S. Pickup

P Waring

Officers

Jayne Briscoe - Democratic Services
Officer and Interim Executive Director -
Resources and Support Services - Jan
Willis

Also in attendance the Deputy Leader,
Councillor S Sweeney – Portfolio Holder
for Finance and Efficiency

1. APOLOGIES

There were no apologies

2. DECLARATIONS OF INTEREST

There were no declarations of interest

3. MINUTES OF PREVIOUS MEETING - 17 DECEMBER 2018

Resolved: That, with the inclusion in the attendance of Councillor G Burnett the minutes of the meeting held on 17 December 2019 be agreed as a correct record.

4. REVENUE AND CAPITAL BUDGETS 2019-20

The Interim Executive Director (Resources & Support Services) submitted a report which provided the Committee with the opportunity to scrutinise the draft Budget and Council Tax proposals before the final proposals were considered at Cabinet on 6 February 2019.

A verbal update was given on the Revenue and Capital budget report which was presented to Cabinet on 16 January 2019.

Members were asked to comment on the proposals. The points made by members of the Committee are set out together with the response:-

Sickness levels within the waste recycling/disposal area of the council was a significant cost. *Sickness absence which requires the use of agency staff is reflected.*

“Income” recouped from court costs in relation to non-payment of council tax was decreasing and this change should be reflected. *Recovery costs in relation to Court summons had decreased and this will be reflected in future budgets.*

There was a question as to how robust the savings identified by the Efficiency Board were. *It was acknowledged that there was little fat to trim, a risk rating had been applied and closely monitored.*

Members were concerned at the impact of the vacant posts and flexible retirement on the remaining staff. *In each case an impact assessment would be carried out by the Head of the Section and opportunity taken to redirect capacity.* The Chair would confirm if the Trade Union was engaged within the processes.

Does the Authority lose income due to vacant commercial space? *Net income from commercial property has decreased.*

In relation to capital receipts land should be examined and if suitable marketed.

In terms of the 10 year Strategy the population of Kidsgrove deserved to have an increased level of funding at an earlier opportunity including a swimming pool. *There was investment in the Kidsgrove area including £150,000 for a 4G network, additional investment would come in years 4/5 of the strategy. Funding for dryside activities at the Leisure was first of the works to be scheduled.*

Members of the Committee discussed whether constitutionally a scrutiny committee could support decisions taken by the Cabinet which would result in an additional increase in the Council tax level in addition to those of the County Council and Staffordshire Commissioner for Police, Fire and Rescue and Crime.

Agreed (a) That the progress on the completion of the Revenue and Capital Budgets for 2019/20.

(b) That the strategy for addressing the provisional forecast outturn for the 2018/19 revenue budget be noted.

(c) That the strategy for addressing the provisional forecast outturn for the 2018/19 revenue budget be noted.

(d) That the level of reserves provisionally required to be maintained in 2019/20 be noted.

(e) That the Flexible Use of Capital Receipts Strategy be recommended for approval by Council on 20 February 2019.

5. CAPITAL STRATEGY 2019/2029

The Interim Executive Director (Resources & Support Services) submitted a report which provided the Committee with an opportunity to scrutinise the Capital Strategy for 2019-2029 prior to it being considered by Council on 20 February.

A verbal update was given on the decisions made by the Cabinet on 16 January in respect to the report. It was noted that there may be a need to borrow to finance the purchase of new vehicles to be used on the introduction of the new recycling scheme.

Members were asked to comment on the proposals. The points made by members of the Committee are set out together with the response:-

The Chair noted that the Local Authority was in uncertain times in relation to funding from Central Government and that there were revenue implications to funding debt. There was a need to ensure that all members were given the opportunity to understand the process and reasons for borrowing.

It was acknowledged that there would be a need to borrow to invest in a sustainable future which could include building industrial units or housing.

Agreed That the report be noted.

6. **INVESTMENT STRATEGY 2019-20**

A report was submitted by the Interim Executive Director (Resources & Support Services) which provided the Committee with the opportunity to scrutinise the Capital Strategy for 2019-2029 prior to consideration by the Council at their meeting on 20 February 2019.

A verbal update was given on the decisions of Cabinet at their meeting on 16 January 2019.

The Interim Director (Resources and Support Services) explained the managed approach to risk. The authority would be appointing expert advisors to undertake a review of our commercial property portfolio.

Members expressed their concern on examination of the expenditure on commercial properties in relation to income. Property advisors should be carefully chosen to reflect values of the authority. *The Interim Director (Resources and Support Services) agreed to obtain the gross income % of property portfolio and pointed out that there was a wider set of circumstances than purely income for a local authority to hold property included helping to maintain a vibrant town centre.*

The market should be marketed to help ensure footfall. The attractiveness of other niche markets was highlighted.

Agreed: That the report be noted.

7. **PUBLIC QUESTION TIME**

A member of the public, Mr N Jones submitted the following questions for consideration by the Committee and was present at the meeting to present his questions and to engage in further discussion with the Committee:-

1. What are the total costs involved for the next two years in recycling and waste management,(both the large capital expenditure for the new scheme and operational costs) AND correspondingly if the new scheme were postponed, what would be the costs involved if the current system were maintained (operational costs and any likely capital expenditure) ?

2. Given the risk assessment shows a very large number of high risks with no actions that can be taken and given the statements on page 48 that the capital programme "will require a significant amount of borrowing" together with "an annual contribution of £50K from revenue account to the ICT Development Fund" with scarce reserves, how can the council justify the capital budget as proposed?

3. What income is estimated to be received in the next two years from sale of land to support the proposed budget?

In response the Executive Director of Operational Services submitted the following response to Question !

1a. What are the total costs involved for the next two years in recycling and waste (both the Capital Expenditure for the new scheme and Operational Costs)?

Revenue		Capital	
19/20 £m	20/21 £m	19/20 £m	20/21 £m
*1.288	*1.244	-	*3.7

1b. What would the costs be if the current system were maintained (Operational Costs and likely Capital Expenditure)?

Revenue		Capital	
19/20 £m	20/21 £m	19/20 £m	20/21 £m
*1.288	*1.388	-	*0.130

*Excluding recharges and subject to detailed service modelling and costing to confirm number of rounds and staffing resources required.

Mr Jones considered that the answer was more troubling in terms of the cost of the proposed new system. Mr Jones added that the increase in costs had been confirmed by a recent Cabinet report. *The Deputy Leader pointed out that a decision had not been taken to purchase of new vehicles. He added that the proposed new system was not designed to save money but to deliver an improved method of collecting recycling at no extra cost.*

Q2. Given the risk assessment shows a very large number of high risks with no actions that can be taken and given the statements on page 48 that the capital programme "will require a significant amount of borrowing" together with "an annual contribution of £50k from revenue account to the ICT Development Fund" with scarce reserves, how can the council justify the capital budget as proposed?

The overall risk profile of the council in relation to the objective of setting a balanced, affordable and achievable budget has reduced compared to 2018-19. The highest risk score is now 9, at the bottom end of the high risk category, and a number of risks that were previously rated as high or moderate have reduced to moderate or low. This is due in part to actions taken to mitigate risks in year – for example, undertaking a detailed stock condition survey and completing the pay spine review, both of which have provided greater certainty about future funding requirements. The draft revenue and capital budgets also include a number of measures designed to reduce those risks further or to provide greater financial resilience – for example:

- adjusting the base budget for significant shortfalls in income in waste and revenues
- building in a £1m contingency into the capital programme
- establishing a £300k growing borough fund which will provide pump priming for initiatives that generate additional revenue streams or enable efficiency savings
- increasing the General Fund reserve from £1.2m to £1.448m

One of the key prudential ratios we are required to calculate under the CIPFA Prudential Code is the actual and estimated ratio of financing costs to net revenue stream which is a broad measure of the affordability of capital investment. On the basis of the draft 3 year capital programme this ratio is expected to rise from 1.11% in the current financial year to 1.17% in 2021/22. Comparative statistics for other local authorities are not readily available. However, on the basis that the council is currently debt-free and does not have plans for large scale borrowing over the next 3 years our ratio will compare very favourably with most other councils. In the longer term, the affordability of the council's capital programme will hinge on our ability to grow our net revenue stream – for example, by growing our tax base (both council tax and business rates) and generating additional income from investments, fee and charges and other revenue streams. The more successful we are in doing this, the greater the level of capital investment we will be able to afford.

Mr Jones felt that the answer to Q2 showed the risk of using Reserves with the uncertainty of the level of interest rates. Mr Jones questioned that as the population grew the authority may be required to spend more. *The Deputy Leader confirmed that this risk was recorded at the bottom of the risk register.*

Q3

What income is estimated to be received in the next two years from sales of land to support the proposed budget?

Estimates of capital receipts from asset disposals are shown in Appendix 3 to the revenue and capital budget report (p19 of the Cabinet agenda). These total £7.4m in the next 2 years.

Mr Jones concluded by stating that members of the public would need to see good justification for the increase in Council Tax.

Mr Jones was thanked for his attendance and the interest he had demonstrated.

8. URGENT BUSINESS

There were no items of urgent business.

9. DATE OF NEXT MEETING - 21 MARCH 2019

The next meeting will be held on Thursday 21 March 2019

COUNCILLOR MIKE STUBBS
Chair

Meeting concluded at 8.40 pm