



Agenda

Audit & Scrutiny Committee

Monday, 23 January 2017 at 7.00 pm
Council Chamber - Town Hall

Membership (Quorum – 3)

Cllrs Mrs Pound (Chair), Reed (Vice-Chair), Bridge, Chilvers, Mrs Fulcher, Hirst, Mrs Hones, Keeble and Mrs Murphy

Agenda Item	Item	Wards(s) Affected	Page No
1.	Apologies for absence		
2.	Minutes from previous meeting		5 - 10
3.	Budget Scrutiny Panel Feedback	All Wards	11 - 32
4.	Urgent business		

Head of Paid Service

Town Hall
Brentwood, Essex
13.01.2017

Information for Members

Substitutes

The names of substitutes shall be announced at the start of the meeting by the Chair and the substitution shall cease at the end of the meeting.

Where substitution is permitted, substitutes for quasi judicial/regulatory committees must be drawn from Members who have received training in quasi- judicial/regulatory decision making. If a casual vacancy occurs on a quasi judicial/regulatory committee it will not be filled until the nominated member has been trained.

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Any Members may attend any Committee to which these procedure rules apply.

A Member who is not a member of the Committee may speak at the meeting. The Member may speak at the Chair's discretion, it being the expectation that a Member will be allowed to speak on a ward matter.

Members requiring further information, or with specific questions, are asked to raise these with the appropriate officer at least two working days before the meeting.

Point of Order/ Personal explanation/ Point of Information

Point of Order

A member may raise a point of order at any time. The Mayor will hear them immediately. A point of order may only relate to an alleged breach of these Procedure Rules or the law. The Member must indicate the rule or law and the way in which they consider it has been broken. The ruling of the Mayor on the point of order will be final.

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Point of Information or clarification

A point of information or clarification must relate to the matter being debated. If a Member wishes to raise a point of information, he/she must first seek the permission of the Mayor. The Member must specify the nature of the information he/she wishes to provide and its importance to the current debate, If the Mayor gives his/her permission, the Member will give the additional information succinctly. Points of Information or clarification should be used in exceptional circumstances and should not be used to interrupt other speakers or to make a further speech when he/she has already spoken during the debate. The ruling of the Mayor on the admissibility of a point of information or clarification will be final.

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Minutes

Audit & Scrutiny Committee Monday, 12th December, 2016

Attendance

Cllr Reed (Vice-Chair)	Cllr Mrs Hones
Cllr Bridge	Cllr Keeble
Cllr Mrs Fulcher	Cllr Mrs Murphy

Apologies

Cllr Mrs Pound (Chair)	Cllr Hirst
Cllr Chilvers	

Substitutes Present

Cllr Mrs Middlehurst (substituting for Cllr Hirst)
Cllr Tumbridge (substituting for Cllr Mrs Pound)

Officers Present

John Chance	-	Finance Director (Section 151 Officer)
Ramesh Prashar	-	Financial Services Manager
Andrew Barnes	-	BDO, Internal Audit
Greg Rubins	-	BDO, Internal Audit
Steve Summers	-	Group Manager In House Services
Daniel Toohey	-	Monitoring Officer
Sue White	-	Risk and Insurance Officer
Chris Hewitt	-	Ernst & Young, External Audit
Lorne Spicer	-	Business Development and PR Manager

224. Apologies for absence

Due to the absence of Cllr Mrs Pound the Vice-Chair Cllr Reed took the Chair with Cllr Mrs Murphy voted in as Vice-Chair.

Apologies were received from Cllr Mrs Pound with Cllr Tumbridge substituting, Cllr Hirst with Cllr Middlehurst substituting and from Cllr Chilvers.

225. Minutes from previous meeting

The minutes of the meeting held on 19 September 2016 were approved and signed as a true record subject to Min. 157 being amended to reading "RESOLVED".

226. Annual Audit Letter 2015/16

The report presented the Committee with the Annual Audit Letter issued by the external auditors, Ernst & Young, following the completion of the audit of the 2015/16 accounts.

A motion was **MOVED** by Cllr Reed and **SECONDED** by Cllr Mrs Murphy.

A vote was taken by a show of hands and it was **RESOLVED**:

That the contents of the Annual Audit Letter were noted.

Reason for recommendation

A system of sound financial control and governance arrangements underpinned all of the services and priorities of the Council.

227. Internal Audit Progress Report

The report detailed the progress to date against the 2016/17 internal audit plan that was agreed by the Audit and Scrutiny Committee in March 2016.

The following reports had been completed since the last Committee and a summary of the findings were included in the progress report:

- Local Development Plan (moderate assurance)
- Affordable Housing (moderate assurance)
- Commercialisation and Cost Savings
- Contract Management and Cost Savings (limited assurance)

The full reports were available on request.

A motion was **MOVED** by Cllr Reed and **SECONDED** by Cllr Mrs Murphy.

A vote was taken by a show of hands and it was **RESOLVED**:

That the Committee received and noted the contents of the report.

Reason for Recommendation

To monitor the progress of work against the internal audit plan.

228. Strategic & Operational Risk Review

The report updated Members of the Committee on the status of the Council's 2016/17 Strategic Risk Register and the progress being made across Services in delivering Operational Risk Registers.

A motion was **MOVED** by Cllr Reed and **SECONDED** by Cllr Mrs Murphy.

An **AMENDMENT** was **MOVED** by Cllr Tumbridge and **SECONDED** by Cllr Bridge that the monitoring of Council Services and Democratic Services in particular those that are outsourced are added to the Strategic Risk Register.

A vote was taken on the amended **MOTION** by a show of hands and this was **UNANIMOUSLY AGREED**.

A vote was taken by a show of hands on the substantive **MOTION** and it was **RESOLVED**:

- 1. That Members agreed the amendments to the Strategic Risk Register and that the risk scored recorded for each risk accurately represented the current status of each risk.**
- 2. That Members agreed the risk exposure changes to the Operational Risks.**
- 3. To add to the Strategic Risk Register monitoring of Council operations and Democratic Services, with the particular noting of outsourcing arrangements.**

Reason for Recommendations

Risk Management continued to be embedded quarterly within the Senior Management Team reports, where Service Heads discussed the top level risks for their service areas to ensure that the risks were updated to reflect the ongoing changes.

In addition, the Risk & Insurance Officer would continue to work with risk managers to maintain the good progress to date and further development of a consistent application of risk management considerations across all operations of the Council.

229. Review of Appointment of Representatives on Outside Organisations

At the meeting of 13 June 2016, the Audit and Scrutiny Committee agreed that a Member Working Group would be formed to review the arrangements for Members appointed to be representatives on outside organisations (Minute 43).

The Member Working Group consisted of Cllrs Aspinell, Bridge, Keeble, Murphy and Wiles.

The working group met on the 27th September 2016 and considered the current process and possible future options as set out in the report attached as Appendix A of the report, culminating in the recommendations set out in the report.

Cllr Reed **MOVED** and Cllr Mrs Murphy **SECONDED** the recommendations in the report subject to 2.2 being deleted.

A vote was taken by a show of hands and it was **RESOLVED UNANIMOUSLY**:

1. That the **Audit and Scrutiny Committee recommended to the Council's Constitution Working Group (CWG) that the Constitution was amended so that appointment of outside representatives was undertaken by Ordinary Council in June each year.**
2. That the **proposed agreed process for appointing outside representatives as set out in Appendix A of the report was followed.**
3. That a **review of the effectiveness of outside bodies was undertaken on a bi-yearly basis.**

Reason for recommendation

To ensure the Council met the requirements of the Constitution.

230. Work programme 2016/17

The work of the Audit and Scrutiny Committee would be delivered both by Members working in groups and through formal committee reports. The Audit and Scrutiny Committee would make recommendations to decision making committees and Council as necessary. Audit and Scrutiny Committee were invited to consider its 2016/17 work programme.

A motion was **MOVED** by Cllr Reed and **SECONDED** by Cllr Mrs Murphy.

A vote was taken by a show of hands and it was **RESOLVED UNANIMOUSLY**:

1. That the **Audit and Scrutiny amended work programme 2016/17 at Appendix A be approved.**

Reason for recommendation

The Constitution required that the Audit and Scrutiny Committee agreed its work programme at each meeting of the Committee.

231. Urgent business

There were no items of urgent business.

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23 January 2017

Audit and Scrutiny Committee

Budget Scrutiny Panel Feedback

Report of: *John Chance, Finance Director (Section 151 Officer)*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 Effective scrutiny can add considerable value to how the Council makes decisions on the allocation of resources. This has become increasingly important as the Council continues to set budgets against a background of tough economic conditions and severe funding cuts from Central Government. The medium term financial planning process will need to address these continued financial challenges and develop a strategic approach to address funding gaps.

2. Recommendations

- 2.1 That the Policy, Finance and Resources Committee are requested to consider the feedback on the Medium Term Financial Plan.**

3. Introduction and Background

- 3.1 At its meeting on 29 November 2016 the Policy, Finance and Resources Committee considered the report entitled 'Budget Monitoring Mid Year Review and Medium Term Financial Plan' and agreed the following recommendations:
- Agree the projected outturn position for 2016/17 of the Council's General Fund revenue budget as at 30 September 2016, as detailed in paragraph 3 of the report;
 - Agree the projected outturn position for 2016/17 of the Council's HRA at 30 September 2016, as detailed in paragraph 4 of the report;
 - Agree the current projected position for 2016/17 of the Council's capital budget as at 30 September 2016, as detailed in paragraph 5 of the report;

- Agree the Treasury Management Activity for the period 1 April 2016 to 31 October 2016 as detailed in paragraph 6 of the report
- 3.2 A meeting has been arranged on 17 January 2017, for the Budget Scrutiny Group to consider the assumptions in the 'Budget Monitoring Mid Year Review and Medium Term Financial Plan' agreed by the Policy Finance and Resources Committee. Feedback from the meeting will be provided verbally to this Committee.
- 3.3 Policy, Finance and Resource Committee will then finalise its proposals for submission by way of recommendation to the Council taking into account the comments from the Audit and Scrutiny Committee.

4. Issue, Options and Analysis of Options

4.1 The Budget Scrutiny Panel is formed of the following Members:

- Cllr Thomas Bridge
- Cllr Alison Fulcher
- Cllr Roger Keeble
- Cllr Mark Reed
- Cllr James Tumbridge

4.2 The Budget Scrutiny Panel met in October and reviewed the 2016/17 Budget Report and the Council Tax Setting Report agreed by Council .

4.3 Following the agreement of the 'Budget Monitoring Mid Year Review and Medium Term Financial Plan' by the Policy, Finance and Resources Committee in November 2016 the Budget Scrutiny Panel met on 17 January 2017 to consider the report (attached as Appendix A). Feedback from the meeting will be provided verbally to this Committee.

5. Reasons for Recommendation

5.1 Effective financial management underpins all of the priorities for the Council.

6. Implications

Financial Implications

Name & Title: Ramesh Prashar, Financial Services Manager

Tel & Email: 01277 312513 / ramesh.prashar@brentwood.gov.uk

6.1 The financial implications are considered in the report.

Legal Implications

Name & Title: Daniel Toohey, Head of Legal Services and Monitoring Officer

Tel & Email: 01277 312860 / daniel.toohey@brentwood.gov.uk

6.2 There are no direct legal implications arising from this report.

7. Appendices to this report

Appendix A – 'Budget Monitoring Mid Year Review and Medium Term Financial Plan' - Report agreed at Policy, Finance and Resources Committee on 29 November 2016.

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29 November 2016

Policy, Finance and Resources Committee

Budget Monitoring Mid Year Review and Medium Term Financial Plan

Report of: *John Chance, Finance Director*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 The Medium Term Financial Plan (MTFP) sets out the key financial management principles and budget assumptions. It is then used as the framework for the detailed budget setting process to ensure that the Council's resources are managed effectively in order to meet its statutory responsibilities and deliver the priorities of the Council, over the medium term.
- 1.2 This report provides the Policy Finance and Resources Committee with an update on the Council's
 - I. Revenue and capital projected outturn position as at the end of September 2016, including the review of the Treasury Management Strategy Statement and Annual Investment Strategy.
 - II. Medium Term Financial Strategy for 2017/18 to 2019/20.

2. Recommendation(s)

The Policy, Finance and Resources Committee is recommended to:

- 2.1 **Agree the projected outturn position for 2016/17 of the Council's General Fund revenue budget as at 30 September 2016, as detailed in paragraph 3 of the report;**
- 2.2 **Agree the projected outturn position for 2016/17 of the Council's HRA at 30 September 2016, as detailed in paragraph 4 of the report;**

- 2.3 Agree the current projected position for 2016/17 of the Council's capital budget as at 30 September 2016, as detailed in paragraph 5 of the report;**
- 2.4 Agree the Treasury Management Activity for the period 1 April 2016 to 31 October 2016 as detailed in paragraph 6 of the report;**

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3	General Fund - Projected Revenue Outturn 2016/17
4	Housing Revenue Account - Projected Revenue Outturn 2016/17
5	Capital Programme - Projected Outturn 2016/17
6	Treasury Management Strategy Statement and Annual Investment Strategy - 1 April 2016 to 31 October 2016
7	Medium Term Financial Strategy 2017/18 to 2019/20

3. Introduction and Background

General Fund - Projected Revenue Outturn 2016/17

- 3.1 The 2016/17 General Fund budget was agreed at the Council Meeting on 2 March 2016 that it would need funding of £285k from reserves, as planned, in order to break even for the financial year. Table 1 summarises the current projected General Fund spending position.

Table 1 - General Fund - Projected Outturn 2016/17

Description	Net Budget 2016/17	Full year forecast at 30/09/16	Variance
	£'000	£'000	£'000
Environmental Management & Housing Management	3,231	3,272	41
Community & Health	3,313	3,325	12
Economic Development	(483)	(474)	9
Planning & Licensing	1,263	1,277	14
Transformation	2,571	2,577	6
Central Expenses	556	552	(4)
Reserves	168	90	(78)
Total Expenditure	10,619	10,619	0
Income	(10,334)	(10,334)	0
Net Expenditure (to be funded from reserves as agreed at the budget setting meeting)	285	285	0

- 3.2 An analysis of the key variances by service with explanations is provided in Appendix A to this report.
- 3.3 Officers are continuing to look at opportunities to improve upon this position across the remainder of the financial year.

4 Housing Revenue Account - Projected Revenue Outturn 2016/17

- 4.1 The HRA is currently forecasting to have a surplus of £207k in 2016/17. The budget was originally set with a projected surplus of £293k. This indicates that there is projected reduction in the surplus of £86k. The position is summarised in the Table 2.

Table 2 - HRA - Projected Outturn 2016/17

Area	Net Budget 2016/17 £'000	Full year forecast at 30/09/2016 £'000	Over/(under) spend Forecast £'000
Total Service Expenditure	7,820	7,906	86
Total Service Income	(13,690)	(13,690)	0
Corporate Costs	455	455	0
Non-Service Costs	4,622	4,622	0
Appropriations	500	500	0
(Surplus)/Deficit for HRA	(293)	(207)	86

4.2 An analysis of the key variances by service with explanations is provided in Appendix B to this report.

5 Capital Programme - Projected Outturn 2016/17

5.1 The current projection for the capital programme is that it will spend £8,696m against the budget of £11,674m.

5.2 An analysis of the capital programme with explanations for variances is provided in Appendix C to this report.

6 Treasury Management Strategy Statement and Annual Investment Strategy - 1 April 2016 to 31 October 2016 - Executive Summary

6.1 The Treasury Management Strategy Statement (TMSS) for 2016/17 was approved by Council on 2 March 2016.

6.2 The Council has adopted the Code of Practice for Treasury Management issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). One of the requirements of the Code is that members should receive a mid year review report.

6.3 This report, which covers the first seven months of the 2016/17 financial year, is presented in accordance with this requirement.

Investments

- 6.4 The Council's investment balances at 1 April and 31 October were are outlined in Table 3.

Table 3 - Council's Investment Balances

	£000
Investments at 1 April 2016	9,300
Investments at 31 October 2016	24,000
Increase	14,700

- 6.5 The increase in investment balance is largely due to the timing of council tax and business rates receipts, most of which are received over the first ten months of the financial year. An additional factor this year is the £3.6m capital receipt from the sale of Warley Training Centre in April.
- 6.6 The investment balances are expected to remain at between £20m-£24m up to the end of January 2017 and to decrease over the last two months of the financial year, as council tax and business rates tail off, but expenditure remains constant. In addition, it is planned to make a HRA loan repayment of £5m at the end March 2017.
- 6.7 The latest forecast is for the year-end investment balance to be between £10m-£12m, though the actual amount will depend on factors such as the size of any slippage on the capital programme.
- 6.8 The investments made this year have been in the form of:
- fixed term deposits with UK banks, building societies and other local authorities
 - deposits in a 95 day notice account provided by Santander UK plc
 - instant access deposits with the Council's banker, Lloyds Bank plc.
- 6.9 All investments have been in accordance with the Council's treasury management strategy.

6.10 Table 4 identifies the investments held by the Council at 31 October 2016:

Table 4 - Investments held at 31 October 2016

<u>Fixed Term Deposits</u>	Amount £'000	Start date	Maturity date	Interest rate
<u>UK Banks & Building Societies</u>				
Lloyds Bank Plc	1,000	01/12/2015	01/12/2016	1.05%
Lloyds Bank Plc	1,000	04/01/2016	04/01/2017	1.05%
Lloyds Bank Plc	1,000	04/04/2016	04/04/2017	0.97%
Santander UK plc	1,000	04/01/2016	03/01/2017	0.98%
Goldman Sachs	2,500	13/04/2016	13/03/2017	0.89%
Coventry Building Society	1,500	01/08/2016	01/12/2016	0.39%
Coventry Building Society	1,000	12/08/2016	13/02/2017	0.35%
Nationwide Building Society	1,000	11/02/2016	11/11/2016	0.84%
Nationwide Building Society	2,000	04/04/2016	04/01/2017	0.84%
Nationwide Building Society	1,000	13/04/2016	13/03/2017	0.91%
<u>Local Authorities</u>				
Blackpool Council	1,000	03/10/2016	03/11/2016	0.18%
Highland Council	1,000	18/10/2016	18/04/2017	0.27%
Leeds City Council	1,000	03/10/2016	13/01/2017	0.22%
Leeds City Council	1,000	14/10/2016	01/06/2017	0.27%
Plymouth City Council	1,000	31/10/2016	31/01/2017	0.24%
Thurrock Council	1,000	09/09/2016	09/12/2016	0.20%
Thurrock Council	1,000	03/10/2016	03/04/2017	0.26%
Thurrock Council	1,000	04/10/2016	04/05/2017	0.27%
<u>95 day notice account</u>				
Santander UK plc	3,000	Call Account		0.65%
Total	24,000			

Interest rate forecast and Investment income

- 6.11 The Base Rate was cut to a historic low level of 0.25% in August 2016, and it is forecast that there could be a further cut to 0.10% later this year in order to stimulate economic activity. This is not forecast to increase until mid 2018. The Council's budgeted investment return for 2016/17 is around £80k.

Borrowing

- 6.12 Table 5 identifies the long-term loans held by the Council at 31 October 2016:

Table 5 - Long Term Loans as at 31 October 2016

Start date	Repayment date	Interest rate	Amount £'000
28/03/2012	28/03/2017	1.24%	5,000
28/03/2012	28/03/2022	2.40%	5,000
28/03/2012	28/03/2027	3.01%	10,000
28/03/2012	28/03/2032	3.30%	15,000
28/03/2012	28/03/2037	3.44%	15,000
28/03/2012	28/03/2042	3.50%	14,166
30/04/1995	30/04 2055	8.88%	800
24/04/1995	24/02/2055	8.88%	800
08/01/2003	08/01/2028	4.88%	400
Total			66,166

- 6.13 As outlined in paragraph 6.6, the first loan is due for repayment on 31 March 2017.
- 6.14 It is anticipated that no long term borrowing will be undertaken during this financial year

7 Medium Term Financial Strategy 2017/18 to 2019/20

Introduction and Background

- 7.1 At the Council meeting on the 2 March 2016, Council approved the budgets for 2016/17 for the General Fund, HRA and Capital. The capital programme was amended for any carry forwards at the Council meeting on 21 June 2016.

General Fund

- 7.2 The General Fund position as approved on 2 March 2016, is outlined in Table 6:

Table 6 – General Fund Position as approved on 2 March 2016

	2016/17 Estimate £'000	2017/18 £'000	2018/19 £'000
Total Net Forecast Spend	10,619	10,327	10,520
Total Funding	(10,334)	(9,364)	(8,499)
Funding Gap	285	963	2,021
Working Balance b/fwd	3,961	3,376	2,063
Less:- Funding Gap	285	963	2,021
Less: Earmarked for WHW	300	350	-
Working Balance c/fwd	3,376	2,063	42

Issue, Options and Analysis of Options

Finance Settlement

- 7.3 As detailed information on funding will not be available till late December 2016, the funding assumptions are as per those reported at the budget setting meeting on 2 March 2016. These are detailed in the paragraphs below.

Phasing Out of Revenue Support Grant

- 7.4 As announced in December 2015, Revenue Support Grant (RSG) will be phased out entirely by 2019/20. This will 'pave the way for the implementation of 100% business rate retention' and will assess the main income streams available to local government, including council tax and business rates. Guidance on the implementation of this are awaited.
- 7.5 The funding implications of the phasing out of RSG (which accounts for the majority of the anticipated funding gap as shown in Table 11) are outlined in Table 7.

Table 7 - Revenue Support Grant Funding

	2016/17 Estimate £'000	2017/18 Indicative £'000	2018/19 Indicative £'000	2019/20 Indicative £'000
Revenue Support Grant	710	233	Nil	Nil
Tariff/Top-Up adjustment	Nil	Nil	(52)	(370)
Council Tax Freeze Grant	Nil	Nil	Nil	Nil
TOTAL	710	233	(52)	(370)

New Homes Bonus

- 7.6 Details of reforms to the New Homes Bonus (NHB) were set out as part of the local government finance settlement consultation in December 2015. The Government's preferred options lead to savings in the grant of at least £800m, 'which was then earmarked to be used for social care'. The proposals for changes to the NHB included reforms 'sharpening the incentive to reward communities for additional homes' and also reduced the length of bonus payments for new homes from 6 years to 4 years. This will occur from 2018/19. The profile of the Grant payments is outlined in Table 8.

Table 8 – New Homes Bonus Grant

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20
	£'000	£'000	£'000	£'000	£'000	Est £'000	Est £'000	Est £'000	Est £'000
Yr 1	255	255	255	255	255	255			
Yr 2		214	214	214	214	214	214		
Yr 3			330	330	330	330	330	207	
Yr 4				416	416	416	416	261	261
Yr 5					241	241	241	151	151
Yr 6						167	167	105	105
Yr 7							266	167	167
Yr 8								136	136
Yr 9									136
TOTAL	255	469	799	1,215	1,456	1,623	1,634	1,027	956

Planning Assumptions for 2016/17 to 2018/19 Pay Awards (Inflation)

- 7.7 For financial planning purposes a 1% increase has been included for 2017/18 onwards.

Pressures

- 7.8 The current pressures are outlined in Table 9.

Table 9 – General Fund – Current Pressures

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
Pressures			
Income from Public Sector Hub	272	272	73
Rent Reviews and New Leases	10	10	10
Sale of Services	10	10	0
Total Pressures	292	292	83
Other Pressures (To be funded from Reserves)			
Town Hall Project	118	71	0

Funding/Anticipated Savings

7.9 The current increase in funding and anticipated savings are outlined in Table 10:

Table 10 – Increase in Funding/Anticipated Savings/Pressures

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
Increase in Council Tax Base (assumes no increase in Council Tax)	(23)	(23)	(24)
Assumed Collection Fund Surplus	(125)	0	0
Waste Transfer Station - Anticipated Saving	(80)	(80)	(80)
Total	(228)	(103)	(104)

7.10 **Council Tax Base:** It is estimated that the Council Tax base will increase by around 294 Band D equivalent properties. The impact of this will be an increase in income of around £23k to that already budgeted for in the MTFS report agreed on 2 March 2016.

7.11 **Collection Fund:** Initial calculations indicate that the Collection Fund will have a surplus of around £125k. Please note that this is a 'one off' amount.

7.12 **Council Tax:** Members should note that if a decision is made to increase the Council Tax by the amount permitted without having a referendum, (which currently is an increase of up to 2% or £5 (whichever is the higher figure) for a Band D property), this will provide additional income and also increase the Council's base budget position by £160k in 2017/18.

7.13 **Waste Transfer Station:** A facility for waste and recycling storage is being constructed at the Depot. This will provide the opportunity to seek economies through the direct handling of waste material: such as dry recyclables, food waste and fly-tipped material. This will achieve savings of £80k in a full year.

Summary on General Fund

7.14 Table 11 shows the impact on the original funding position (outlined in Table 6 at paragraph 7.2), together with the updated information identified through the Half Year Budget Review process:

Table 11 - Revised General Fund Position

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Total Net Forecast Spend	10,619	10,327	10,503	10,666
Total Funding	(10,334)	(9,364)	(8,499)	(8,140)
Funding Gap	285	963	2,004	2,526
Current Pressures	0	292	292	83
Increase in Funding/Anticipated Savings/Pressures	0	(228)	(103)	(104)
Total Funding Gap	285	1,027	2,193	2,505
Working Balance b/fwd	3,965	3,680	2,185	(79)
Less: Total Funding Gap	285	1,027	2,193	2,505
Less: Earmarked for WHW	300	350	-	-
Less: Earmarked for Town Hall Project	-	118	71	-
Working Balance c/fwd	3,680	2,185	(79)	(2,584)

7.15 Table 11 identifies a potential funding gap of around £5.7m over the next 3 years. This is clearly not financially sustainable and the Council is currently considering a detailed medium and longer term strategy to reduce costs and generate significant income to the Council in order to bridge the funding gap. Additional details will be brought to the next P,F&R Committee, which will form part of the budget proposals.

Working Balances and Reserves

7.16 A minimum General Fund Working Balance of £2.2m has been agreed. In accordance with best practice, an annual risk assessment will be undertaken to check the level required for 2017/18. Due to the size of the gap it is likely savings will continue to be developed throughout 2017/18 to reduce the draw down from reserves.

7.17 In addition to the General Fund Working Balance, the Council keeps a number of Earmarked Reserves on the Balance Sheet. These Reserves are required in order to comply with proper accounting practice, whilst others have been created to earmark resources for

known or predicted liabilities. The balance of these Reserves as at 1 April 2016 is £2.5 million.

HOUSING REVENUE ACCOUNT

7.18 The HRA is the budget operated by the Council which contains the income and expenditure of services connected with the Council's Housing Landlord role.

7.19 The main source of income into the HRA is the rental income from the properties let by the Council. These rents are calculated by reference to a Government formula which provides a target rent for the Council's properties to reach over a period of time.

8. Reasons for Recommendation

8.1 Effective financial management underpins all of the priorities for the Council and will enable the Council to operate within a sustainable budget environment.

9. Implications

Financial Implications

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9.1 The financial implications are set out in the report.

Legal Implications

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9.2 There are no direct legal implications arising from this report.

10. Consultation

10.1 None

11. References to Corporate Plan

11.1 The Council's budget is linked to achieving the Vision in the Corporate Plan.

12. Background Papers

12.1 Available in the Finance Department.

13. Appendices to this report

- Appendix A An analysis of the key variances by service with explanations – General Fund
- Appendix B An analysis of the key variances by service with explanations – HRA
- Appendix C An analysis of the capital programme with explanations for variances – Capital Programme

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GENERAL FUND VARIATIONS

APPENDIX A

	Net Budget	Projected Year End Position	Variance	
	£'000	£'000	£'000	
Environment & Management	3,231	3,272	41	The projected overspend is mainly due to the 'Income Target' from the Town Hall Hub not being achieved.
Community & Health	3,313	3,325	12	This overspend of £12k is mainly due severance payments These will be funded from earmarked reserves and this has been reflected in the reserves line.
Economic Development	(483)	(474)	9	The overspend is due to the 'one off' savings for crossrail compensation of £35k not being achieved. This has been offset by an increase in Penalty Charge Notice Collection of £25k.
Planning & Licensing	1,263	1,277	14	The overspend is mainly due to interims covering vacant posts due to a review of the planning service being undertaken.
Transformation	2,571	2,577	6	£60k overspend is for severance payments which will be funded from earmarked reserves and this is reflected in the reserve line. This is offset by a projected underspend mainly due to delays in filling vacant posts.
Central Expenses	556	552	(4)	Investment property leases income more in line with actual spend
Reserves	168	90	(78)	Earmarked reserves are being utilised to fund severance payments which are causing a pressure in the Service areas above
Total	10,619	10,619	0	

HOUSING REVENUE ACCOUNT (HRA) - KEY VARIATIONS

APPENDIX B

Service	Service	Area	Variance Overspend/ (Underspend) £'000	Comments
Repairs & Maintenance	Responsive Repairs	General R&M	100	Costs of responsive repairs are reactive and perceived to potentially exceed budget.
Repairs & Maintenance Total			100	
Supervision & Management	Policy & Management	Salaries / Project Management Support	49	Main overspend is due to Interims covering vacant posts - Plans are in place to fill the vacancies.
Supervision & Management	Rent Collection	Refunds	10	Minor overspend projected which is based on previous years' actuals.
Supervision & Mangement Total			59	
Special Services	Grounds Maintenance	Grounds Maintenance	3	Minor overspend projected due to additional treework
Special Services	Caretaking	Salaries Related Expenditure/Third Party	(35)	Underspend projected due to delays in filling vacant posts - plans in place so posts are filled.
Special Services	Supported Housing Services	Salaries Related Expenditure	(44)	Underspend projected due to delays in filling vacant posts - plans in place so posts are filled.
Special Services Total			(76)	
Rent, Rate & Other Charges	Rent, Rate & Other Charges	Premises Related	3	Minor overspend in NNDR rates for Voids and Insurance Premiums
Variance Total			86	

CAPITAL PROGRAMME - VARIATIONS

APPENDIX C

Priority	Programme	Original Budget*	Slippage	Current Budget	Estimated Outturn	Variance Overspend/ (Underspend)	Comments
		£'000	£'000	£'000	£'000	£'000	
Environment & Housing							
	Vehicle Replacement Programme	750	285	1,035	1,035	0	On Target
	Cemetery Headstones	20	0	20	20	0	On Target
	Parking Bays at Woodman Road	25	0	25	25	0	On Target
	Home Repairs Assitance	30	0	30	5	(25)	Less number of Applications being received
	Disabled Facilities	250	0	250	106	(144)	Less number of Applications being received
	HRA Decent Homes	2,606	2,056	4,662	3,176	(1,486)	There are plans for the Decent Home Programme to be reviewed pending a stock condition survey
	HRA Aquisitions	2,154	0	2,154	2,154	0	On Target
Environment & Housing Total		5,835	2,341	8,176	6,521	(1,655)	
Community Health							
	CCTV System Upgrade	5	0	5	14	9	Cameras Need Replacing - Projected overspends
	Play area Refurbishment	100	53	153	153	0	On Target
	Unauthorised Caravan Defences	0	134	134	134	0	On Target
	Leisure Strategy	100	0	100	100	0	On Target
	Irrigation to golf course	0	30	30	30	0	On Target
Community & Health Total		205	217	422	431	9	
Economic Development							
	Car Park Refurbishment*	25	19	18	0	(18)	On Hold - All Car Parks under review
	Upgrade the Multi Storey Car Park*	930	179	915	65	(850)	On Hold - All Car Parks under review
	Car Park Improvements	200	0	200	120	(80)	On Hold - All Car Parks under review
	Renaissance Group*	26	39	39	0	(39)	No Spend to date
	Shenfield Improvement Scheme*	600	1,600	600	400	(200)	On Hold - All Car Parks under review
Economic Development Total		1,781	1,837	1,772	585	(1,187)	
Transformation							
	ICT Strategy	100	0	100	100	0	On Target
	Town Hall Remodelling*	1,000	3,610	1,000	250	(750)	Project going ahead - main spend likely to occur in 17/18 - Est Outturn based on committed Expenditure on project to date.
	Asset Management Strategy	0	104	104	104	0	On Target
	Asset Improvemets	100	0	100	0	(100)	
	General Fund Aquisitions	0	0	0	705	705	Purchase of 1-2 Seven Arches Road
Transformation Total		1,200	3,714	1,304	1,159	(145)	
Total Programme		9,021	8,109	11,674	8,696	(2,978)	

* Original Budget Included projected carry forwards form the 2015/16 Capital Programme for schemes where expenditure was expected to slip into 16/17

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Members Interests

Members of the Council must declare any pecuniary or non-pecuniary interests and the nature of the interest at the beginning of an agenda item and that, on declaring a pecuniary interest, they are required to leave the Chamber.

- **What are pecuniary interests?**

A person's pecuniary interests are their business interests (for example their employment trade, profession, contracts, or any company with which they are associated) and wider financial interests they might have (for example trust funds, investments, and asset including land and property).

- **Do I have any disclosable pecuniary interests?**

You have a disclosable pecuniary interest if you, your spouse or civil partner, or a person you are living with as a spouse or civil partner have a disclosable pecuniary interest set out in the Council's Members' Code of Conduct.

- **What does having a disclosable pecuniary interest stop me doing?**

If you are present at a meeting of your council or authority, of its executive or any committee of the executive, or any committee, sub-committee, joint committee, or joint sub-committee of your authority, and you have a disclosable pecuniary interest relating to any business that is or will be considered at the meeting, you must not :

- participate in any discussion of the business at the meeting, of if you become aware of your disclosable pecuniary interest during the meeting participate further in any discussion of the business or,
- participate in any vote or further vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

- **Other Pecuniary Interests**

Other Pecuniary Interests are also set out in the Members' Code of Conduct and apply only to you as a Member.

If you have an Other Pecuniary Interest in an item of business on the agenda then you must disclose that interest and withdraw from the room while that business is being considered

- **Non-Pecuniary Interests**

Non –pecuniary interests are set out in the Council's Code of Conduct and apply to you as a Member and also to relevant persons where the decision might reasonably be regarded as affecting their wellbeing.

A 'relevant person' is your spouse or civil partner, or a person you are living with as a spouse or civil partner

If you have a non-pecuniary interest in any business of the Authority and you are present at a meeting of the Authority at which the business is considered, you must disclose to that meeting the existence and nature of that interest whether or not such interest is registered on your Register of Interests or for which you have made a pending notification.

Audit, and Scrutiny Committee

The Audit and Scrutiny Committee provides advice to the Council and the committees on the effectiveness of the arrangements for the proper administration of the Council's financial affairs, including all relevant strategies and plans, acts as the Council's Overview and Scrutiny Committee with all the powers under Part 3 of the Local Authorities (Committee System) (England) Regulations 2012, and discharges the functions under section 19 of the Police and Justice Act 2006 (local authority scrutiny of crime and disorder matters). Without prejudice to the generality of the above, the terms of reference include those matters set out below.

Audit Activity

- (a) To approve the Annual Internal Audit risk based plan of work.
- (b) To consider the Head of Internal Audit's annual report and opinion, and a summary of Internal Audit activity and the level of assurance it can give over the Council's corporate governance, risk management and internal control arrangements.
- (c) To consider regular progress reports from Internal Audit on agreed recommendations not implemented within a reasonable timescale.
- (d) To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.
- (e) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (f) To consider the arrangements for the appointment of the Council's Internal and External Auditors.

Regulatory Framework

- 1) To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
- 2) To review any issue referred to it by a Statutory Officer of the Council or any Council body.
- 3) To monitor the effective development and operation of risk management and corporate governance in the Council.
- 4) To monitor Council policies and strategies on
Whistleblowing
Money Laundering
Anti-Fraud and Corruption

Insurance and Risk Management
Emergency Planning
Business Continuity

- 5) To monitor the corporate complaints process.
- 6) To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- 7) To consider the Council's compliance with its own and other published standards and controls.

Accounts

- 1) To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 2) To review the Council's Annual Governance Statement.
- 3) To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Scrutiny

- 1) To prepare the annual overview and scrutiny work programme taking into account items put forward by members and the Corporate Leadership Board ensuring that such items relate to the Council's functions and corporate priorities.
- 2) To propose 'place based' or local scrutiny for issues where a local investigative approach with a range of people or organisations is an appropriate way forward.
- 3) To manage scrutiny resources efficiently and effectively so that the outcomes of scrutiny are likely to lead to real improvements for the people of Brentwood.
- 4) To establish working groups (in line with agreed protocols) to undertake the work programme, including setting their terms of reference, the reporting arrangements, and to co-ordinate and review the work of the working groups.
- 5) To receive reports and other evidence from organisations, individuals and partnerships which the committee or working groups considers relevant to their work.
- 6) To review and/or scrutinise decisions made, or other action taken, in connection with the discharge of any functions of the Local Authority.

- 7) To deal with those issues raised through the 'Councillor Call for Action' scheme in line with agreed protocols and procedures.
- 8) To make reports or recommendations to the Local Authority, any committee or sub-committee of the Local Authority, any officer of the Local Authority, or any joint committee on which the Local Authority is represented or any sub-committee of such a committee, with respect to the discharge of any functions of the Local Authority
- 9) To review matters of local community concern including partnerships and services provided by 'other' organisations such as the National Health Service and Essex County Council.
- 10) To make reports or recommendations to the Local Authority, any committee or sub-committee of the Local Authority, any officer of the Local Authority, or any joint committee on which the Local Authority is represented or any sub-committee of such a committee, on matters which affect the Borough of Brentwood or the inhabitants of the Borough of Brentwood.
- 11) To review and/or scrutinise decisions made, or other action taken, in connection with the discharge by the responsible authorities of their crime and disorder functions
- 12) To make reports or recommendations to the Local Authority with respect to the discharge by the responsible authorities of their crime and disorder functions
- 13) To be responsible for scrutiny of the Council's strategic and budgetary framework and its implementation.
- 14) To report annually to Council on the progress of the work programme and to make relevant recommendations.

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