

**27 January 2015**

**Audit and Scrutiny Committee**

**Budget Scrutiny Feedback**

*Report of:* Jo-Anne Ireland, Acting Chief Executive

*Wards Affected:* None

*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 feedback on the Proposed and Anticipated Savings outlined in para 4.4 is agreed and submitted to Finance and Resources Committee.**
- 2.2 **That the Finance and Resources Committee are requested to provide further information within their future reports on how the funding gaps will be addressed.**
- 2.3 **That the feedback on the Proposed Budget Investments outlined in paras 4.6 and 4.7 is agreed and submitted to Finance and Resources Committee.**
- 2.4 **That the Budget Scrutiny work should commence in September in future years and start with a service review of existing budgets.**
- 2.5 **That the proposed working balance level of £2.1m - £2.2m is supported.**
- 2.6 **That the Council Tax Financial Modelling is presented to the Finance and Resources Committee for consideration.**

### 3. Introduction and Background

3.1 At the meeting on 26 November 2014, it was agreed that a Task and Finish Group be created to deal with the 4 main areas of the budget:

Work Area	Expected Outcome
1) Review Savings Proposals	<ul style="list-style-type: none"><li>• Evaluate the impact of any savings proposed</li><li>• Test if the anticipated savings are realistic and achievable</li></ul>
2) Review Budget Growth Proposals	<ul style="list-style-type: none"><li>• Evaluate the impact of any new investment proposals</li><li>• Confirm that robust business plans are in place for new initiatives (and test the assumptions within them)</li></ul>
3) Review the working balance and reserve levels	<ul style="list-style-type: none"><li>• Review the risk assessments undertaken to inform the levels</li><li>• Test the levels through benchmarking data with similar authorities</li></ul>
4) Review the Council Tax proposals	<ul style="list-style-type: none"><li>• Evaluate the financial impact of the proposal</li></ul>

3.2 This report considers the initial assumptions and proposals put forward by the Finance and Resources Committee and provides feedback on those proposals. The role of the Audit & Scrutiny Committee is not to review every single figure, but to test the choices made regarding resource allocation and how well resources are being used to deliver policy objectives<sup>1</sup>.

3.3 The 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. The report to Council must show the Finance and Resource Committee response to these comments.

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<sup>1</sup> The current Corporate Plan covers the period 2013 – 2016.

#### 4. Issue, Options and Analysis of Options

4.1 In accordance with the agreed recommendation from November, a Task and Finish Group was formed of the following Members:

- Cllr Gareth Barrett
- Cllr John Kerslake
- Cllr Phil Mynott
- Cllr Noelle Hones

4.2 The Group met on 3 occasions to consider the 4 main areas of:

- I. Proposed and Anticipated Savings
- II. Proposed Budget Investment
- III. Working Balance and Reserves
- IV. Council Tax

4.3 The Finance and Resources Committee presented their initial budget assumptions and proposals to its meeting on 14 January 2015. A copy of the full report can be found at Appendix A.

#### 4.4 *Proposed and Anticipated Savings*

The Group considered the following proposals from Finance and Resources Committee:

	2015/16 £	2016/17 £	2017/18 £	Comments
Recycling – Introduction of Textiles Service	20,440	20,440	20,440	Previous Committee decision.
Open Spaces – Crazy Golf Income from August 2015	13,000	25,000	25,000	Contractual Income.
Street Services – Reduction in Fuel Prices	75,000	75,000	75,000	Are future year's savings sustainable if this contract is not locked.
Car Parks – increased income from Lease arrangement	120,000	120,000	120,000	Impact of any future development proposals may impact on these savings.
Housing - Service/Budget Review	22,000	22,000	22,000	Agreed.
Assets – Anticipated Income from Old House	-	-	64,000	Previous Committee decision.
Assets – Anticipated Income from Warley TC	-	-	42,240	Previous Committee decision.
<b>TOTAL</b>	<b>250,440</b>	<b>262,440</b>	<b>368,680</b>	

	2015/16 £	2016/17 £	2017/18 £	Comments
Senior Management Restructure	100,000	200,000	200,000	Noted that there were some risks to the restructure but that the step change approach was valid.
Customer Services Transformation	100,000	150,000	200,000	More detailed financial targets requested to ensure delivery of savings could be monitored.
Lease Reviews	10,000	10,000	10,000	Question if any additional information was available to inform future year savings (which appear low).
<b>TOTAL</b>	<b>210,000</b>	<b>360,000</b>	<b>410,000</b>	

4.5 In summary, the Group recognised that there was a lot of uncertainty surrounding the outcome of the General Election. As a consequence, this places a huge amount of uncertainty both on future funding levels and also the funding gaps. However, the Group were concerned that the information received to date did not address the £3m funding gap and would therefore hope to see further detail on this in future reports.

4.6 ***Proposed Budget Investment***

The Group considered the following REVENUE proposals from Finance and Resources Committee:

Description	2015/16 Cost £	Future Cost £	Comments
Borough Bulletin – 2 editions per year	2,500	2,500	Agreed that this should be the maximum spend, with any publication being linked to consultation documents in order to maximize the benefit and also share the costs.
Essex Devolution Strategy	5,000	-	Agreed as a prudent investment in order to try and identify Essex wide opportunities.
Apprenticeships	62,250	62,250	Business case and clear resource requirement must be identified prior to appointment. Concerns raised re future employment opportunities and therefore recommended that a future review of this requirement is undertaken.

Local Development Plan – additional costs	50,000	-	Agreed.
Renaissance Group Grant	20,000	-	Agreed for one year only due to financial uncertainty post General Election.
Additional Events	15,000	15,000	Would like clarification on the specific events on offer before a final budget allocation is made. Evaluation of events will be key to future years funding support.
Election Marketing	5,100	-	Clarification on which year this will target to ensure maximum impact and benefit to the Council.
Lone Worker Devices	4,000	4,000	Agreed – essential contract.
<b>TOTAL</b>	<b>163,850</b>	<b>83,750</b>	

4.7 The Group also considered the following CAPITAL proposals from Finance and Resources Committee:

	2015/16 £	2016/17 £	2017/18 £	Comments
<b>Existing Schemes:</b>				
Vehicle Replacement Programme	200,000	150,000	150,000	Detailed schedule to support the figures requested.
Car Park Refurbishment & Upgrade	15,000	-	-	Accepted that this is part of a 2014/15 scheme – requested final costs estimates.
Home Repair Assistance Grants	50,000	50,000	50,000	Would request to see previous year spend patterns to verify this value.
Disabled Facilities Grants	280,000	280,000	280,000	This attracts external funding.
CCTV System Upgrade	5,000	5,000	-	Agreed – small investment for a valuable service.
Play Area Refurbishments	100,000	100,000	100,000	Work programme requested to support the budget. Section 106 monies and locations should also be considered.

Town Hall Remodelling	2,780,890	-	-	Previous committee decision. Would like to see the ICT element shown separately.
<b>TOTAL</b>	<b>3,430,890</b>	<b>585,000</b>	<b>580,000</b>	
<b>New Schemes:</b>				
Brentwood Leisure Centre – filter refurbishment, boilers and air handling	88,280	-	-	Essential works identified through Inspection Report.
Improvements at Brentwood and Shenfield stations	-	200,000	-	Pump priming funds for SELEP bid.
Structural and Safety Works at the Multi Storey Car Park	375,050	663,950	-	Profile essential works and spend. Development study outcome is essential prior to any large investment.
Old House Redevelopment	1,080,000	-	-	Previous Committee decision.
ICT Strategy	100,000	100,000	100,000	More information needed – and must be linked to the spend profile of the £500,000 budget within the Town Hall Project.
Replacement of Folding Machine	2,000	-	*	Agreed.
<b>TOTAL</b>	<b>1,645,330</b>	<b>963,950</b>	<b>100,000</b>	

4.8 The Group raised concerns that their work had focussed on proposed changes and did not provide an opportunity to challenge existing spend levels in order to scrutinise value for money. The Group would therefore like to recommend that in future years their work commences in September with a review of each service area. The Group also commented in general that any spending commitments beyond 2015/16 should be conditional on an evaluation of any lessons learned/project success and delivery of value for money.

#### 4.9 **Working Balance and Reserves**

As part of the budget approved in March 2014, a minimum General Fund Working Balance of £2.5m was agreed. The Group was presented with a Risk Assessment of the potential Reserves level for 2015/16 by the Section 151 Officer. The assessment highlighted that a minimum working balance level of £2.1m – £2.2m was recommended.

- 4.10 The Group requested that higher weighting be placed on the Risk Assessment for potential non-delivery of anticipated savings and further external funding reductions. A revised Risk Assessment then placed the minimum working balance level at just over £2.2m. A copy of the Risk Assessments is attached as Appendix B.
- 4.11 The Group were also provided with comparative data from other Essex Authorities on Working Balance and Earmarked Reserve Levels and this information is attached as Appendix C to this report. The table identifies that even taking into consideration the £1.2m earmarked for William Hunter Way, the Council still maintains a health Working Balance (GF Reserve) when compared to neighbouring Authorities.
- 4.12 The feedback from the Group was that given the level of uncertainty around the future Government Grants and New Homes Bonus Grant Allocations post the General Election that it would be irresponsible to operate a working balance below the £2.1m - £2.2m identified through the Risk Assessment.
- 4.11 **Council Tax**  
The Group received data on a range of options including:
- Council Tax Freeze
  - 1% Reduction
  - 1.5% Reduction
  - 2% Reduction
  - 1% Increase
  - 1.5% Increase
  - 2% Increase
- 4.12 The Group recognises that in light of the recent announcement that a limit of 2% on Council Tax will remain in force for 2015/16 and therefore in reality any increase would be limited to 1.99% in order to avoid the costs of a Local Referendum.
- 4.13 The Group also challenged the assumption of an annual increase of 0.5% on the Council Taxbase. Average data for the last 7 years was inconclusive on this point, and the introduction of Localised Council Tax during 2013/14 highlights a reduced Taxbase due to the methodology of the Scheme. It was therefore agreed that the assumption was reasonable.
- 4.13 Attached at Appendix D is the financial modelling of a Year 1 decision followed by a 2 year Council Tax freeze. In view of the General Elections, there is some degree of uncertainty surrounding referendum limits which

would impact on the Council's ability to raise Council Tax in future years. However, in view of the current funding gaps, it was agreed that this model was the most appropriate to consider at this time.

## **5. Reasons for Recommendation**

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

## **6. Implications**

### **Financial Implications**

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- 6.1 There are no direct financial implications arising from this report.

### **Legal Implications**

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

## **7. Appendices to this report**

Appendix A – 14 January 2015 Finance and Resources Committee –  
Medium Term Financial Plan Update.

Appendix B – Risk Assessments

Appendix C – Comparative Data on Reserve Levels

Appendix D – Council Tax Financial Model

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