
Overview and Scrutiny Panel (Finance and Performance)

Report of the meetings held on 7th January and 4th February 2016.

Matters for Information

1. UPDATE ON 2016/17 DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY

At the meeting of the Panel in January 2016, Members have reviewed the Budget for 2016/17 and the Medium Term Financial Strategy (MTFS). Members have been informed that savings of £2.2m have been found through the Zero Based Budgeting (ZBB) process and this is expected to rise to nearly £4m by 2021.

Members have noted that the budget for 2016/17 and MTFS has been based upon a Council Tax freeze over the period of the MTFS. As the Government has indicated that they would like local authorities to be self-financing the Council is expected to see a reduction in the number of grants received.

A cause for concern was highlighted in respect of the anticipated deficit of £637k the General Fund would have by the end of 2021. This would be as a result of a reduction in Government funding and contributions from the reserve towards the budget over the life of the MTFS. As such Members have been advised that budget savings of £3m would need to be identified by 2021.

The Panel has been acquainted with three options the Council has to consider in order to ensure it is budgeting in a sustainable manner both in terms of on-going revenue and funding and its reserves. The options are:

- 1) Option 1 - Maintain the current level of reserves and Commercial Investment Strategy (CIS) investments and continue the programme of ZBB reviews in order to find the necessary savings to bring the General Fund reserve back to prudent recommended levels.
- 2) Option 2 - The decision to transfer £6.8m from the General Fund reserve to the CIS earmarked reserve is reversed. As a result the approved CIS business case will need to be reviewed.
- 3) Option 2 - Take a less aggressive view on the reduction of Government funded New Homes Bonus and therefore

anticipate higher levels of government grant in future years or growth in business rates.

Following a question regarding business rates, the Panel has been informed that the current situation is that local authorities will keep 100% of additional business rate growth however this would become 100% of all business rates at a future date. Although the Government had not stipulated how business rates would be distributed between the local authorities.

Members have discussed the possible introduction of the Bus Departure Levy. The Levy has been suggested as part of the ZBB process however it has been decided by the Head of Service and Executive Member responsible that it would not be implemented. The proposal was that at the Council owned Huntingdon and St Ives Bus Stations the bus companies would be charged 50p for each bus that departs from those locations. It has been estimated that the Levy could raise an estimated £75k per annum.

The Panel has noted that resources would have to be invested in the bus stations so that bus departures could be effectively monitored. This could mean that as a result of the Levy the bus companies may reduce the service they provide. However Members have been keen that the option of the Bus Departure Levy should be explored further.

Following a question by a Member with regard to the Council Tax freeze, the Panel has been informed that the MTFs has been based upon a Council Tax freeze for the life of the plan however the Government would be removing the incentive for freezing Council Tax. In light of this information, the Panel has indicated that it is an admirable aspiration to freeze Council Tax although if Council Tax needs to rise as a result of changing circumstances then Members would be amenable to this rise. Members have noted that a 1% increase in Council Tax would raise additional £80k revenue.

In summary, the Panel has:

- recommended that the Cabinet should make it clear that freezing Council Tax is an aspiration and not a commitment (Councillor M F Shellens did not support this recommendation);
- expressed that the option of a Bus Departure Levy should be explored;
- recommended that the Cabinet adopts Option 1 for dealing with the potential deficit in reserves (Councillor M F Shellens did not support this recommendation);
- endorsed the Council Tax base calculations for 2016/17; and
- noted the four-year financial settlement however have withheld any comments until the Panel has seen the details.

2. OXMOOR ACTION PLAN FOR OPEN SPACE – TREATMENT OF SECTION 106 MONIES

(The following item was considered as an exempt item under paragraphs 1-5 of Part 1 of Schedule 12A of the Local Government Act 1972).

The Panel has received a report regarding the Oxmoor Action Plan for Open Space and the Treatment of Section 106 Monies. On the understanding that report on the progress of the Action Plan and Treatment of Section 106 Monies were submitted to Overview and Scrutiny, the Panel has recommended the Cabinet approve in principle the proposed way forward as detailed within the report. In addition the Panel has indicated that they would like to receive a report showing all the remaining Section 106 monies and when they expire.

3. FUTURE SERVICE PROVISION

(The following item was considered as an exempt item under paragraphs 1-5 of Part 1 of Schedule 12A of the Local Government Act 1972).

The Panel has received a report regarding Future Service Provision. Members have indicated their support of the content and have recommended that the Cabinet approves the recommendations contained therein.

4. FINAL REVENUE AND CAPITAL BUDGETS 2016/17 AND MEDIUM TERM FINANCIAL STRATEGY

At the meeting of the Panel in February 2016, the Panel has received the Revenue and Capital Budgets 2016/17 and the Medium Term Financial Strategy (MTFS). Members have been advised of two significant changes since the report was presented at the January 2016 meeting. They are:

- the One Leisure draft income budget has been re-profiled and reduced over the period of the MTFS in order to better reflect the demands on the service. As such there has been a reduction in income of £0.9m across the MTFS period; and
- following a detailed analysis of the draft Local Government Settlement, an increased Revenue Support Grant (RSG) has been used in the MTFS. This equates to an additional £0.4m over the MTFS period.

This has had an impact upon the predicted deficit position in 2020/21 with the deficit increasing from £637k to £837k. Since the last meeting of the Panel the Cabinet has decided to continue with the Commercial Investment Strategy (CIS) and Zero Based Budgeting (ZBB) exercise. ZBB has analysed services bottom up but will now analyse across all services.

Following a question regarding the One Leisure income re-profiling, the Panel has been advised that the projected income streams of One Leisure have been reduced as the original profiling does not reflect corresponding increases in costs

In response to a concern over the MTFS, Members have been informed that although they still have to consider the MTFS the more pressing issue is the setting of the budget for 2016/17.

Councillor M F Shellens has addressed the Panel with a statement which outlined the problems the County Council has been facing in respect of the adult, children and families budget. Councillor Shellens has proposed that the Council raises Council Tax by 2% so that the voluntary sector could provide adult and social services which may help to alleviate the County Council's budget shortfall and assist the more vulnerable residents of the District. In addition Councillor Shellens has proposed that Members could surrender a proportion of their car allowance in order to give the savings to the voluntary sector.

Members have sympathy for the issues raised by Councillor Shellens however believe that it would be better if the Council did not interfere and allow the County Council to manage their own budget. The Panel has been advised that as not all Members claim car allowance the suggestion of surrendering a proportion would not yield the desired savings.

The Executive Councillor for Resources has informed the Panel that he did not believe that raising Council Tax to increase voluntary sector funding was the most prudent action to take, as the voluntary sector is required to make more efficiency savings.

5. TREASURY MANAGEMENT STRATEGY 2016/17

The Panel has received the Treasury Management Strategy 2016/17 report. The Finance Manager has introduced the report and has advised Members that the report separates the Council's main budget from the Commercial Investment Strategy (CIS).

Following a question on how quickly the Council would be able to secure a low cost loan the Panel has been informed that it could happen swiftly. Members have been advised that in the past the Council has acted to secure loans at favourable market rates.

In response to a suggestion to suspend the transfer of funds from reserves to the CIS in order to prevent a deficit position during 2020/21, the Panel has been informed that the Cabinet does not support that position as they view it as crucial to make commercial investments for the resilience of the authority.

6. INTEGRATED PERFORMANCE MANAGEMENT 2015/16 QUARTER 3

The Panel has received a report on the Integrated Performance Management 2015/16 Quarter 3. By way of introduction the Panel has been advised that Appendix A and Appendix B of the report related to the Key Actions and Corporate Indicators for 2015/16, Appendix C is the Project Management report and Appendix D is the Financial Performance Monitoring.

A query has been raised on the key action of the effectiveness of the fast track pre-application advice as to why the Planning department has not received any enquiries and could the service be marketed better. In response Members have been informed that the service is being marketed however, despite being aware, developers and applicants are not taking up the service.

In response to a Member raising a perceived problem with Building Control Shared Service, the Panel has been reminded that as Building Control only entered into shared service four months earlier, it is deemed too early to analyse the benefits or problems with the service.

When reviewing the Corporate Performance Indicators, a Member has raised a concern that the target for Business Rates collected has been omitted. The Panel has been informed that the reason for this is that there is a delay due to monthly enforcement and liability order hearings as well as avoidance tactics. In response to a question as to whether the target should be revisited, Members have been advised that the target is set for the year however the Department is confident of reaching the target by the end of quarter four.

The Panel has been advised that although currently the Council are not achieving the target for percentage of green bin debt outstanding after three months, there is confidence that the target would be met at year end.

In response to a concern that the progress for the implement action plan to adopt the Local Plan to 2036 is taking longer than anticipated, the Panel has been informed that the Council currently have a Local Plan up to 2026 however the new Local Plan is expected in early 2017. The progress is being delayed as the Council are currently awaiting the County Council to produce the sub regional transport model.

The Corporate Performance Indicators of developing a Market Town Centre Strategy for St Neots, update the 'Buildings at Risk' register and the completion of the updated Design Guide all have a 'red' status. Although the Panel have recognised that individually it is not an issue, when considering the indicators as a collective there is concern. Members have been informed that the indicators represent projects that are nice to have and are not currently a priority.

Concerns have been raised with regard to the number of affordable homes delivered, as a Member has considered that the performance is not up to standard despite receiving a green performance indicator status. In response the Panel has been advised that the affordable homes indicator is worked out as an average over the Local Plan period.

In reviewing Project Performance, the Chairman has reminded Members that the subject will be covered in greater detail at the next meeting of the Panel in March 2016. Members requested that the values of the projects could be included within the performance report.

The Panel has recommended that Cabinet should retrospectively approve the establishment of the Budget Surplus Earmarked Reserve.

Other Matters of Interest

7. NOTICE OF KEY EXECUTIVE DECISIONS

The Panel has been acquainted with the contents of the Notice of Key Executive Decisions, which has been prepared by the Executive Leader.

8. WORKPLAN STUDIES

The Panel has received details of the studies being undertaken by the other Overview and Scrutiny Panels.

9. OVERVIEW AND SCRUTINY PANEL (FINANCE AND PERFORMANCE) – PROGRESS

The Panel has reviewed its programme of studies.

G Bull
Chairman